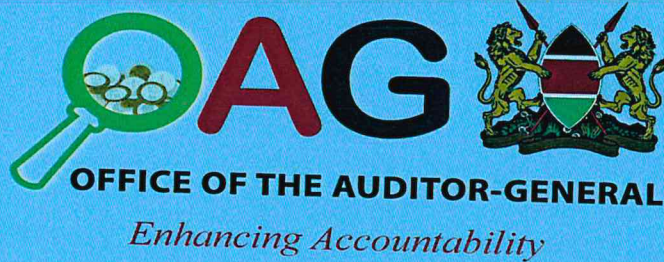


REPUBLIC OF KENYA



REPORT


OF

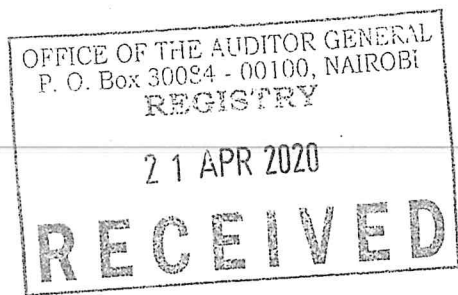
THE AUDITOR-GENERAL

ON

NATIONAL IRRIGATION BOARD

FOR THE YEAR ENDED
30 JUNE, 2019

 THE NATIONAL ASSEMBLY PAPERS LAID	
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NATIONAL IRRIGATION BOARD

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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

NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

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NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

KEY ENTITY INFORMATION AND MANAGEMENT

Background information

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

NIB is currently managing seven (7) public irrigation schemes namely, Mwea, Perkerra, Hola, Ahero, West Kano, Bunyala and Bura. In these schemes, NIB undertakes the development, operation and maintenance of irrigation infrastructure through which it conveys irrigation water to the cropland. NIB conducts operational research and has demonstration farms in its research stations including Mwea Irrigation Agricultural Development Centre (MIAD), Ahero Irrigation Research Station (AIRS), Hola Irrigation Research Station (HIRS) and Bura Irrigation Research Station (BIRS). NIB runs two (2) subsidiaries namely Mwea Rice Mills Ltd (MRM) and Western Kenya Rice Mills (WKRM) that serve as processing plants for milling and packaging rice bought from farmers in the respective schemes.

However, under the Constitution of Kenya 2010 (CoK2010) NIB is obligated not only to be responsible for undertaking irrigation development but to also widen the delivery of its services all over the Republic. In pursuit of delivering its statutory and constitutional mandates, NIB is therefore implementing numerous development projects across the Country under the various initiatives. During 2018-19 FY, NIB implemented projects under the following nine (9) programmes;

- Bura Irrigation Rehabilitation Project
- Galana Kulalu Irrigation project
- National Expanded Irrigation Programmes
- Mwea Irrigation Development Project
- Rwabura Irrigation Development Project
- Turkana Irrigation Development Project
- Lower Kuja Irrigation Scheme
- Lower Sabor Irrigation Project
- Household Irrigation Water Harvesting Project

The Government through NIB has embarked on the completion of the above stated projects across the country.

(b)Principal Activities

The principal activity of the National Irrigation Board is to provide water for sustainable farming through development, rehabilitation, modernization and promotion of irrigation and drainage for improved livelihoods, food security and economic growth in Kenya. This is achieved through the Board’s vision of Water to every Irrigable Acre.

NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

(c) Key Management

The National Irrigation Board's day-to-day management is under the following key organs:

- Board of directors
- Chief executive officer/ General Manager
- Senior Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th JUNE 2019 and who had direct fiduciary responsibility were:

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

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

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

Mr.Daniel M.Atula
Deputy General Manager – (Operations)
National Irrigation Board
P.O BOX 30372, 00100
NAIROBI

Eng. Vincent N.Kabuti
Deputy General Manager – (Research, Planning & Strategy)
National Irrigation Board
P.O BOX 30372, 00100
NAIROBI

NATIONAL IRRIGATION BOARD**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

Ms. Jedidah N. Oduori
Head of Finance
National Irrigation Board
P.O BOX 30372, 00100
NAIROBI

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

Miss.Victoria A. Aloo
Head of Human Resource and Administration
National Irrigation Board
P.O BOX 30372, 00100
NAIROBI

Mr. Kisaka Sakari
Head of Internal Auditor
National Irrigation Board
P.O BOX 30372, 00100
NAIROBI

Mrs Nancy Wambugu
Head of ICT
National Irrigation Board
P.O BOX 30372, 00100
NAIROBI

Daniel M. Nzozzo
Head of Corporate communication
National Irrigation Board
P.O BOX 30372, 00100
NAIROBI

Evaline Akoth
Head of Procurement
National Irrigation Board
P.O BOX 30372, 00100
NAIROBI

NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

(a) Fiduciary Oversight Arrangements

Finance committee ensures

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

Audit committee:

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

Research Planning and Development Committee

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

Human Resource and General Purpose

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

(b) National Irrigation Board Headquarters

National Irrigation Board
Unyunyizi House
Lenana Road

(c) National Irrigation Board Contacts

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

NATIONAL IRRIGATION BOARD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

(d) National Irrigation Board Bankers

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

Equity Bank Kenya Limited
Equity Centre, Hospital Road, Upper Hill
P.O. Box 75104-00200
Nairobi, Kenya

Kenya Commercial Bank Group Limited
Kencom House 6th Floor Moi Avenue
P.O. Box 48400-00100
Nairobi, Kenya

NIC Bank
ICEA Lion Centre
P.O. Box 45599-00100
Nairobi, Kenya

Barclays Bank
Queensway House
Nairobi, Kenya

(e) Independent Auditors

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

(f) Principal Legal Adviser

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

NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

THE BOARD OF DIRECTORS



Hon. Eng Joshua Toro

HON. ENG. JOSHUA TORO- CHAIRMAN

Hon. Eng. Joshua Ngugi Toro was appointed as the Chairman of NIB Board of Directors on May 3, 2019 via the Kenya Gazette special issue Vol. CXXI.56. He holds Bachelor of Science Degree in Mechanical Engineering from the University of Nairobi. He is a registered Engineer by Engineers Registration Board and a member of the Institution of Engineers of Kenya.

His Engineering career started immediately after graduating in 1977 at Kenya Railways Corporation (KRC). While at KRC, he was seconded to the Union of African Railways Headquarters in Kinshasa, Democratic Republic of Congo as Head of Engineering between 1989 and 1992. The Union is a specialized agency of the African Union (AU) responsible for the promotion of railway network interconnection and transportation of goods and passengers within African Countries. As Head of Engineering he was responsible for research and feasibility studies, policy development for acquisition, design, renewal and standardization of rolling stock and equipment and evolution of maintenance standards for the members' railways. He was accorded Diplomatic status by the Government of Kenya during this period (1989 to 1992).




Hon. Eng. Toro served as a Member of Parliament for Kandara Constituency for ten (10) years from 1997 to 2007. H.E Mwai Kibaki, who was the Official Leader of Opposition then, appointed him shadow Minister for Roads, Public Works and Housing in parliament for five (5) years between 1997 and 2002. He also served as the vice chairman of the Parliamentary Committee for Labour, Health, Housing and Social Welfare between 1997 and 2002.

He was appointed by the then President H.E Mwai Kibaki as an Assistant Minister for Roads, Public Works and Housing for five (5) years between 2003 and 2007. While in Parliament, he served as Member of African Parliamentarians Network Against Corruption (APNAC) which is affiliated to the Global Organization of Parliamentarians Against Corruption between 1997 and 2009.




Hon. Eng. Toro was one of the pioneer members of the Board of Directors of Kenya National Highways Authority (KeNHA) that established it from scratch to the current formidable organization it is today. He was a Board member at KeNHA for five (5) years between 2008 and 2012 where he also served as the chairman of the Board's Technical committee alongside being a member of the Audit and the Procurement Oversight Committees.

His background in Engineering and experience in the various leadership roles will help him lead NIB in implementing its mandate so as to effect and promote the Government's Big4 Agenda on Food Security and Nutrition




NATIONAL IRRIGATION BOARD**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

 Mr. Mudzo K. Nzili	<p>MR. MUDZO K. NZILI- CHAIRMAN</p> <p>Mr. Mudzo Nzili was appointed as the Chairman of the Board on 5th June, 2018. He holds Masters in Business Administration Degree from Kenya Methodist University (KEMU), Nairobi Campus; Bachelor in Travel and Tourism Management (First Class Honours), KEMU, Nairobi Campus; Diploma in Tourism and Business Studies. He has gained a wide range of experience by working in various capacities of leadership positions such as; vice Chairperson NHIF, acting Chairperson NHIF, National Chairman KNUT, Assistant Deputy Secretary General of Kenya National Union of Teachers, Assistant Secretary General, Kenya National Union of Teachers.</p>
 Mr. Gitonga Mugambi	<p>MR.GITONGA MUGAMBI GENERAL MANAGER/CEO</p> <p>Mr. Gitonga Mugambi was appointed the General Manager of National Irrigation Board on 1st August 2017. He holds Bachelor of Science degree in Agriculture from University of Nairobi and MBA in Strategic Management from Kenya Methodist University. Mr Gitonga Mugambi is a well accomplished agriculturist with experience of over 25 years in Planning and Strategy, Resource Mobilization, Formulation of irrigation development programmes such as Economic Stimulus Programme. His experience is valuable in policy formulation, implementation and management of National Irrigation Board.</p>
 Eng. Japhet K. Rutere	<p>ENG. JAPHET KABURU RUTERE</p> <p>Eng. Japhet K. Rutere was appointed to the Board on 17th April, 2015. He is a holder of B.Sc. Civil Engineering from University of Nairobi. He is currently doing masters in engineering. He is a licensed Qualified Water Resource Engineer, Water Act 2002 (Large dams)(LWRE) He is a Kenya registered and UK (ICE) Chartered Engineer. He has experience on Integrated Water Resources Management. He has been providing consultancy, technical assistance, audits, monitoring and evaluation services to national and international clientele since 1994.</p>

NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

 <p>Edwin K. Chelluget</p>	<p>MR. EDWIN K. CHELLUGET</p> <p>Mr. Chelluget was appointed to the Board on December 14, 2018. He has a diploma in Law from the Kenya School of Law and a Bachelor of Law from Moi University. He is the former speaker of Nandi County Assembly and Chairman of the Nandi County Assembly Service Board. He has practiced law at Kitiwa Co. and Advocates, Buluma and Co. Advocates, Chepkwony and Co. Advocates, as well as Chelluget and Co. advocates.</p>
 <p>Esther A. Longori</p>	<p>MS. ESTHER A. LONGORI</p> <p>Ms. Longori was appointed to the Board on December 14, 2018. She is a holder of a Bachelor's degree in Education specializing in Early Childhood Education Development from Kampala International University. She also has a Diploma in Early Childhood Development from Sir Humphrey International as well as an ECCD and TTC. She has vast experience in teaching and people relation skills. This is from being the Head teacher of Naro Primary from 2010-2017, being a participant in the Women Peace Leadership training in 2010, representing the Kalemungorok Community of Kainuk Area as a community representative. In Addition to her people skills, is her training in Community leadership for prevention of and response to Gender based violence conducted by World Vision Kenya as well as Child Participation and Empowerment Project</p>
 <p>Hon. Zainab Chidzuga</p>	<p>HON. ZAINAB CHIDZUGA</p> <p>Hon. Zainab was appointed to the Board on 5th June, 2018. She is a holder of Diploma in Community Development and Social Work from Mount Kenya University and British Council. She has gained work and leadership experience in various capacities. She was the first Honourable Member of the Kenya National Assembly as Kwale County Woman Representative, director Coast Water Service Board, Chairperson Kwale Health Management Board and member of Kwale Environment Committee</p>

NATIONAL IRRIGATION BOARD**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

 Hon. Grace Kiptui	HON. GRACE JEMUTAI KIPTUI Hon. Grace Jemutai Kiptui was appointed as a member of the Board on 5 th June, 2018. She is a holder of LLB Degree from University of Nairobi and Post Graduate Diploma in Law from Kenya School of Law. She has wealth of experience having served at Kenya Posts Telecommunications Corporation, she also served as the Honorary Legal Adviser at the Kenya Girl Guide Association, worked as Litigation Counsel at the Attorney General's Chambers and was the first Honourable Member of the Kenya National Assembly as Baringo County Woman Representative. She is an Advocate of the High Court of Kenya and currently practices law in the name of Kiptui Kipkemei & Co Advocates
 Arch. Francis M. Gichuhi	ARCH. FRANCIS M. GICHUHI Arch. Francis M. Gichui was appointed to the Board on 5 th June, 2018. He holds a Master of Science (Msc) and Construction Project Management from Birmingham City University, United Kingdom and Bachelor of Architecture from University of Nairobi. He is the Founder, Managing Director and Principal Architect of Habitech Consultants. Francis has worked as a project manager for various projects that has enabled him gather experience in management.
 Dr. Francis K. Njonge	DR. FRANCIS K. NJONGE Dr. Njonge was appointed as a member of the Board on December 14, 2018. Dr. Njonge holds a PhD from Jomo Kenyatta University of Agriculture and Technology (JKUAT), a Master of Science Degree at James Cook University in Australia and Bachelor's Degree in Veterinary (BVM) at the University of Nairobi. Dr. Njonge has also undertaken training of trainers organized by Kenya Veterinary Board (KVB) and Agri and Co-operative Training and Consultancy Services in collaboration with GTZ. He is the founding Dean School of Natural Resources and Animal Sciences at JKUAT. He has received several awards both nationally and internationally including the Certificate of Achievement and Commendation awards, the Rod and Monica Campbell award amongst others. To date, Dr. Njonge has supervised seven (7) Doctor of Philosophy students, eleven (11) Masters Students and examined fourteen (14) theses. He has other responsibilities such as chairing the Technical Committee of the 2012 JKUAT scientific technological and industrialization, Board of Management at St Paul's Gatwanyaga secondary school and the Founding Chairman Board of Governors of Gathigiriri mixed secondary school among others.

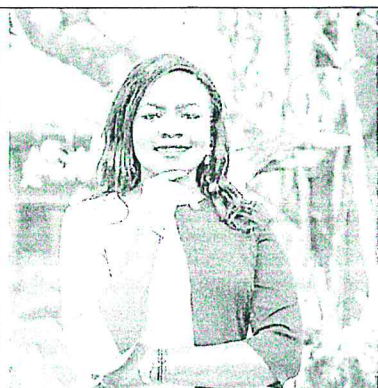
NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019



Rtd. Cap. Stanley O. Ntutu

RTD. CAPT. STANLEY O. NTUTU

Rtd Capt. Stanley Ntutu was appointed as a Member of the Board on 5th June, 2018. He is a retired Kenya Airways captain with over 20 years flying experience. He has served as the Commanding Captain on the SAAB 340 with Kenya Airways and first officer on the Boeing 737-300 flying the African Routes. Previously he was captain on the PA 34/ PA 23, Cessna 206/210/310 and Cessna 402 flying both passenger and cargo loads. He has undergone various training like Flight Safety Training, Dangerous Goods Training and Customer Relationship Management Training at Kenya Airways Pride Training Centre, Airline Transport Pilot License at Kenya Civil Aviation Authority, Commercial Pilot License at Qualiflight Training Inc. USA and Private Pilot License at Equator Flying School.



Ms. Wambui Nyutu

MS. WAMBUI NYUTU

Ms. Wambui Nyutu was appointed as a Board Member on 5th June, 2018. She holds a Bachelor of Law degree from the University of Nairobi. She is a change agent and has participated in various forums geared towards youth and women empowerment. She has served as a volunteer at Ahadi Kenya Trust, Legal Affairs Director at the Kenya Universities Female Students Association and currently legal officer at Phtuma Agencies.



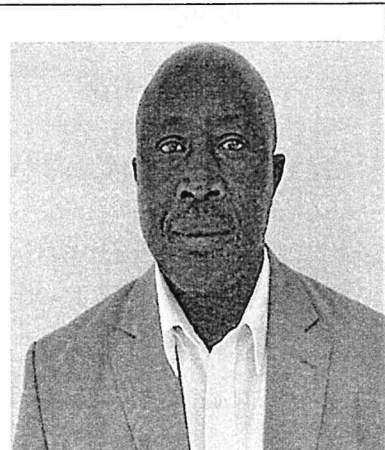


Mr. Charles Kairu

MR. CHARLES KAIRU – ALTERNATE TO CABINET SECRETARY, MINISTRY OF FINANCE

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

NATIONAL IRRIGATION BOARD**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

	<p>MR. PETER WAWERU – INSPECTORATE OF STATE CORPORATIONS</p> <p>Mr. Waweru joined the Board in June 2018 representing Inspector General (Corporations). He holds a Master of Business Administration Degree (Marketing option) and Bachelor of Commerce Degree (Accounting option). His current position is Deputy Inspector General (Corporations). He has served in various capacities including being a Town Clerk in the defunct Local Authorities.</p>
	<p>MS. CHRISTINE K. ILELI - ALTERNATE TO ATTORNEY GENERAL</p> <p>Ms. Christine K. Ileli was appointed as a Board Member on 9th January 2017. She holds a Masters Degree in Law (LLM) from the University of Nairobi, Bachelor Degree in Law (LL.B.), a postgraduate diploma in law, Kenya School of Law. She is an advocate of the High Court of Kenya and has over 9 years' experience in the public service and is currently serving as a Principal State Counsel in the Government Transactions Division at the State Law Office.</p>
 Mr. David Bosuben	<p>MR. DAVID BOSUBEN, ALTERNATE, DIRECTOR OF WATER.</p> <p>Mr. Bosuben was appointed to the Board on 28th June 2018. He holds a Master of Science degree in Water Management from UNESCO-IHE, the Netherlands, Post Graduate Diploma in Shared Water Resources from Cairo University, Arab Republic of Egypt and Bachelor of Science degree in Geology, University of Nairobi. He is currently the Deputy Director of Transboundary Water Resources at the Ministry of Water and Sanitation, based at the Ministry Headquarters, Nairobi. He is a Member of National Steering Committee responsible for operationalizing the New Water Act 2016 and finalising the Water Policy 2018. He has also previously served as a member of the Intergovernmental Reforms Committee, member of a task Force and Hydrology expert to Lake Victoria Basin Commission; Head of surface water, Uasin Gishu District and Water Officer, Marakwet District.</p>

NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019



Eng. Laban Kiplagat

**ENG. LABAN KIPLAGAT, REPRESENTATIVE OF THE
 PRINCIPAL SECRETARY, STATE DEPARTMENT OF CROP
 DEVELOPMENT, MINISTRY OF AGRICULTURE
 LIVESTOCK FISHERIES AND IRRIGATION.**

Eng. Kiplagat was appointed to the Board on October 11, 2018 as an alternate to the Principal Secretary State Department for Crop Development. He is currently the Director/ Chief Engineer, Agricultural Land and Environment Management. Eng. Kiplagat has a Bachelor's Degree in Agricultural Engineering from Egerton University and a Master's Degree in Project Planning and Management from the University of Nairobi and is currently pursuing a PhD in Project Management at Jomo Kenyatta University of Agriculture and Technology.

Eng. Kiplagat has attended several seminars and workshops both locally and internationally on irrigation management and is a member of the Engineer's Board and Institution of Engineers of Kenya, Kenya Institute of Management as well as certified Monitoring and evaluation professional from the Kenya Institute of Management, Kenya. He has been in the Civil Service for over 29 years working in different stations and institution including NIB.



Mr Aboud Moeva

**MR. ABOUD MOEVA, REPRESENTATIVE OF THE
 PRINCIPAL SECRETARY, STATE DEPARTMENT OF
 IRRIGATION, MINISTRY OF AGRICULTURE LIVESTOCK
 FISHERIES AND IRRIGATION.**

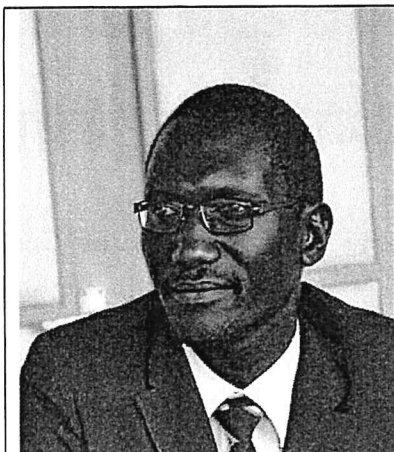
Mr. Moeva was appointed to the Board on December 14, 2018. He is a holder of a Master in Business Administration (MBA) Degree in Strategic Management and a Bachelor's Degree in General Agriculture both from the University of Nairobi.

He possesses vast expertise in Agriculture and is an Agriculturalist/Community mobilizer as well as acquiring an extensive professional profile of 21 years' experience in management of Irrigation development. He has done several professional courses such as Irrigation Project Preparation Course, Ministry of Agriculture (1989), Farmers Organization and Development, Ministry of Agriculture (1989) and Smallholder Irrigation Promotion Course, Tsukuba International Center-Japan (1999) among others.

He currently holds office as the Director of Irrigation Water Management and has previously held several responsibilities including: Head of Planning, Monitoring and Information Management-Ministry of Water and Irrigation, Head of Budget and Project Coordination Branch-Ministry of Agriculture, District Agricultural Officer-Lamu district among others.

NATIONAL IRRIGATION BOARD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019



**FCS. Dennis Banda
Aroka**

DENNIS BANDA AROKA COMPANY SECRETARY

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





Nancy M. Wambugu

Nancy M. Wambugu, Head of ICT

Nancy is currently the Head of ICT Services and Acting Company Secretary at National Irrigation Board. She has over 13 years of experience in ICT Infrastructure operations, Information Security and Innovations both in private and public sectors. She is a holder of BSC, Information Technology, and currently undertaking MSC Information Security at Strathmore University. She also holds a Diploma in Computer Studies, CCNP, A+ and N+ Certifications. Her immersive contribution in ICT Service delivery in the Public Service has seen her awarded a Certificate of Excellence in Public Sector Innovation, 2011 Edition, by the Head of Public Sector in Kenya. She has greatly contributed to the transformation of National Irrigation Board in digitization and automation processes.

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**

MANAGEMENT TEAM

 <p>Mr. Gitonga Mugambi</p>	<p>MR.GITONGA MUGAMBI GENERAL MANAGER/CEO</p> <p>Mr. Gitonga Mugambi was appointed the General Manager of National Irrigation Board on 1st August 2017. He holds Bachelor of Science degree in Agriculture from University of Nairobi and holds an MBA in Strategic Management from Kenya Methodist University. Mr Gitonga Mugambi is a well accomplished agriculturist with experience of over 25 years in Planning and Strategy, Resource Mobilization, Formulation of irrigation development programmes such as Economic Stimulus Programme. His experience is valuable in policy formulation, implementation and management of National Irrigation Board.</p>
 <p>Mr. Daniel Atula Masatia</p>	<p>MR. DANIEL ATULA MASATIA - DEPUTY GENERAL MANAGER - OPERATION AND IRRIGATION MANAGEMENT SERVICES.</p> <p>Mr. Daniel Atula Masatia was appointed to the post of Deputy General Manager Operations of National Irrigation Board on 1st February, 2018. He holds Bachelor of Science degree in Agriculture from University of Nairobi and is currently pursuing his MBA in Strategic Management. Mr Daniel Masatia is a well accomplished agriculturalist and manager with experience of over 25 years in scheme, projects and research operations, planning and Strategy formulation and implementation, Resource Mobilization, Formulation and execution of irrigation programmes ranging from development to operations. His experience and expertise is valuable in policy formulation and in the provision of irrigation services..</p>

NATIONAL IRRIGATION BOARD**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019****Mr. Charles C. Koske****MR. CHARLES C. KOSKE - DEPUTY
GENERAL MANAGER CORPORATE
SERVICES**

Mr. Charles K. Koske was appointed the Deputy General Manager of National Irrigation Board on 17th July 2008.

He is a holder of B.Sc. Agricultural Engineering from University of Nairobi as well as M.Sc. Soil and Water Engineering from The Cranfield Institute of Technology in Bedfordshire, UK.

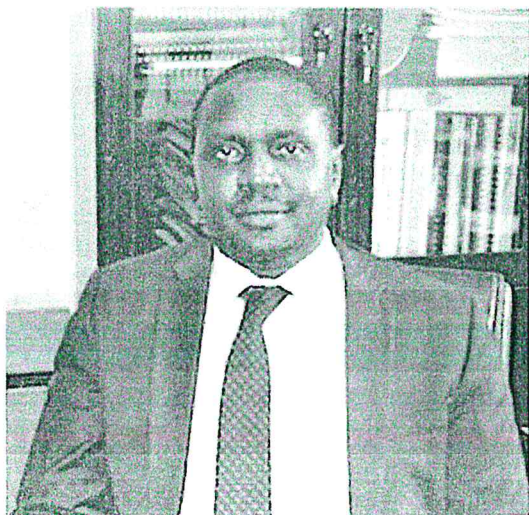
Mr. Koske is a well accomplished Engineer having gathered experience of over 30 years' in engineering. Prior to his appointment as Deputy General Manager of National Irrigation Board, Mr. Koske was the Director for Drainage and Irrigation. He was the CEO of National Water and Pipeline Corporation from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

**Eng. Raphael Ogendo****ENG. RAPHAEL OGENDO - DEPUTY
GENERAL MANAGER ENGINEERING
SERVICES**

Eng. Raphael Ogendo was appointed the Deputy General Manager (Engineering Services) on 13th August 2015. He is a holder of B.Sc. Agricultural Engineering from Egerton University and currently pursuing a M.Sc. in Agricultural and Rural Development at Kenya Methodist University (KeMU). He also holds a diploma in Agricultural Engineering (Farm power and machinery) from Egerton University. Eng. Ogendo is a well accomplished Engineer having gathered experience of over 30 years in Engineering. Prior to his appointment as Deputy General Manager of National Irrigation Board, He was a long serving Provincial Irrigation Engineer in the former Rift Valley Province and briefly served as the Chief Engineer (Construction) in the Board's Western Kenya Region.

He is a registered Engineer with Engineer's Registration Board as well as Corporate Member of the Institute of Engineers of Kenya.

**NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019**



Eng. Vincent Kabuti

**ENG. VINCENT KABUTI - DEPUTY GENERAL
MANAGER RESEARCH, PLANNING AND
STRATEGY**

Eng. Kabuti was appointed the Deputy General Manager (Research, Planning and Strategy) on 1st February 2018. He holds a MSc. Water Science and Engineering, Hydraulic Engineering, Land and Water Development with distinction from UNESCO-IHE, Delft, Netherlands and BSc Civil Engineering, Jomo Kenyatta University of Agriculture and Technology, Kenya.

He has 12 years' experience in strategy formulation, strategic planning and budgeting. He also has experience in performance contracting and monitoring and evaluation of irrigation schemes performance and implementing of QMS system in ISO environment irrigation projects identification, scoping, evaluation, irrigation planning and design, project management and construction supervision, implementing participatory irrigation management, operation and maintenance scheduling and implementation, farmers training and community mobilization



FCS. Dennis Banda Aroka

MR.DENNIS BANDA AROKA

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

NATIONAL IRRIGATION BOARD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019



Nancy M. Wambugu

NANCY M. WAMBUGU, HEAD OF ICT

Nancy is currently the Head of ICT Services at National Irrigation Board. She has over 13 years of experience in ICT Infrastructure operations, Information Security and Innovations both in private and public sectors. She is a holder of BSC, Information Technology, and currently undertaking MSC Information Security at Strathmore University. She also holds a Diploma in Computer Studies, CCNP, A+ and N+ Certifications. Her immersive contribution in ICT Service delivery in the Public Service has seen her awarded a Certificate of Excellence in Public Sector Innovation, 2011 Edition, by the Head of Public Sector in Kenya. She has greatly contributed to the transformation of National Irrigation Board in digitization and automation processes.



Jedidah N. Oduori

JEDIDAH N. ODUORI, HEAD OF FINANCE

Jedidah was appointed acting Head of Finance on June 6, 2018. Prior to this appointment, she had served in various capacities within the Finance and Audit departments of the Board both at the Head Office and in the Western Kenya Schemes. She has a Master in Business Administration and Strategic Management degree from Daystar University, A Bachelor of Commerce (Accounting option) degree from Punjab University, India, CPA II and currently pursuing CPA III. She has over 21 years of experience in audit and finance. Having diverse experience in the finance and audit sections, she brings in a lot of expertise to the Board.

NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019



Victoria Aloo

VICTORIA ALOO, HEAD OF HUMAN RESOURCE AND ADMINISTRATION

Victoria is the Ag. Chief Officer- HR & Administration. She joined the Board in January 2009. Prior to joining the Board, she worked in the private sector both in Manufacturing and Hospitality industries as a Human Resources practitioner before joining the Public sector.

She is a holder of Bachelor of Arts in Social Development from Agra University – India and a Master of Science in HR Management from Jomo Kenyatta University of Agriculture and Technology. She has over 18 years' wealth of experience in Human capital management, performance management, reward management and Employee relations. She is a Full member of the Institute of Human Resource Management (IHRM).



Kisaka W. Sakari

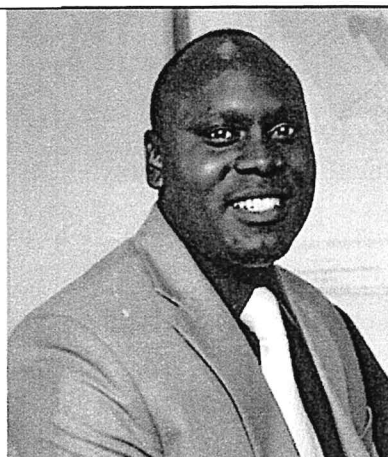
KISAKA W. SAKARI, HEAD OF INTERNAL AUDIT

Mr. Kisaka was appointed as the Head of Internal Audit on December 19, 2018. Before his appointment he was serving as the Head of Finance. He is a holder of Master of Business Administration (MBA) as well as Bachelor of Commerce (Accounting Option) degrees.

He has over 25 years' experience in Finance, Audit and Project Management. Prior to joining National Irrigation Board, he served in the Civil Service as an Auditor. He has held various positions in both Audit & Finance Departments of the Board. More so, he has attended numerous management seminars, workshops, conferences and trainings both locally and internationally. Owing to his wide experience in the field of Finance, Audit and Project Management, he brings in a wealth of expertise to the Board.

NATIONAL IRRIGATION BOARD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019



Daniel M. Nzonzo

DANIEL M. NZONZO, HEAD OF CORPORATE COMMUNICATION

Mr. Nzonzo re-joined the Board as the Head of Corporate Communication on March 19, 2018. He was previously the Public Relations and Communication Officer at Brand Kenya Board and Communication Officer at the National Irrigation Board. He is a Communication and Public Relations expert with more than six (6) years' experience in public service corporate communication. He has been involved in development and execution of Public Relations and Communication strategies, Campaigns, Media Management and monitoring, Events planning and execution among others.

Mr. Nzonzo holds a Master of Arts degree in Communication specializing in Public Relations and a Bachelor of Arts degree with a double major in Communication, Political science and Public Administration both from the University of Nairobi. He is a full member of the Public Relations Society of Kenya.



Evaline Akoth

EVALINE AKOTH, HEAD OF PROCUREMENT

Ms. Evaline Akoth was appointed the Ag. Head of Procurement on June 2018. She holds a Bachelor of Commerce (Purchasing and Supplies option) from University of Nairobi, Kenya, Diploma In purchasing and supplies from Kenya institute of management, and a member of KISM.

She has 7 years' experience in management of public procurement and asset disposal for the purpose of ensuring compliance with obligations such as timely delivery, quality and quantity inspection, acceptance, negotiation among others. Prior to her appointment she had been working as a Procurement Officer.

NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

CHAIRMAN'S STATEMENT

NIB is expected to play a leading role in development of 1 million acres under irrigation as espoused in the Kenya Vision 2030. To deliver this target, NIB is implementing the following irrigation development initiatives: -

- i. Galana Kulalu Food Security Project (GKFSP),
- ii. Flagship irrigation projects namely Mwea irrigation development and Bura Irrigation Rehabilitation project
- iii. National Expanded Irrigation Program (ENIP) that comprises of both large scale and smallholder community management projects.
- iv. Rehabilitation, expansion and modernization of public irrigation schemes.
- v. Implementation of Water Storage dams for irrigation

The Government has identified four key strategic areas of focus over the next five years that will accelerate broad based economic growth. This will help transform the lives of all Kenyans. The strategic areas under "The Big Four" Plan include:

- i. Supporting value addition and raise the manufacturing sector's share of GDP to 15 percent by 2022. This will accelerate economic growth, create jobs and reduce poverty;
- ii. Focusing on initiatives that guarantee food security and improve nutrition to all Kenyans by 2022 through expansion of food production and supply, reduction of food prices to ensure affordability and support value addition in the food processing value chain;
- iii. Providing Universal Health Coverage thereby guaranteeing quality and affordable healthcare to all Kenyans; and,
- iv. Providing at least five hundred thousand (500,000) affordable new houses to Kenyans by 2022, hence improve living conditions for Kenyans.

Under Enhancing Food and Nutrition Security to all Kenyans by 2022, the Government will focus on three broad areas in 2019, namely: enhancing large-scale production; boosting smallholder productivity; and reducing the cost of food. Over the next five years, specific initiatives will be implemented across the three broad areas namely enhance largescale production, drive smallholder productivity, and reduce cost of food. Irrigation has been identified as a key driver to realise the objectives. Consequently, NIB has laid emphasis on executing projects that aim at achieving the government priorities. Towards this end, to build on achievements realised to date, NIB proposes to continue implementing the following ongoing programmes as approved during the MTEF process and contained in the budget policy statement:

-

- Galana Kulalu Food Security Project Model Farm
- National Expanded Irrigation Programme
- Bura Irrigation Rehabilitation project

NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

- Mwea Irrigation development project
- Rwabura Irrigation Development Project
- Turkana Irrigation Development Programme.
- Lower Kuja Irrigation Scheme.
- Lower Sabor Irrigation Project.

In the current year, the production at the 10,000 acres model farm at Galana Kulalu Food Security Project has continued to expand with the construction works at 85%.

The institution also focused on finalization of compensation for the Rukenya dam on the Mwea Irrigation Development Project which was launched by His Excellency the President, Uhuru Kenyatta in November 2017. The contractors for both the dam and the irrigation areas had been engaged and preliminary work had commenced. The project will enhance the availability of water to increase the production of rice in Mwea Irrigation Scheme. On completion, the project will have a significant impact in Mwea by increasing the area under rice crop by approximately 50 percent and support two crops per annum.

The potential of Lotikipi aquifer in Turkana Region is still being considered and a trial borehole is planned to determine the level at which clean water could be tapped as most of the area has saline water. A detailed report on funding proposals to enhance the capacity of the farmers and expand the irrigation projects in the region was in progress.

A number of projects with huge potential continued to be constructed. The Lower Sio Irrigation Project and the Lower Kuja Irrigation Project are both showing progress while Lower Nzoia Irrigation project that would open up a good part of Siaya and Busia Counties was still in its early stages.

During the National Tree planting in the current year, H.E, the President of the Republic of Kenya directed all Parastatals to plant trees as their Corporate Social Responsibility. The Parastatals were further directed to raise tree seedlings that could be distributed to farmers all over the Country in order to achieve 10% forest cover by 2022 and at the same time provide food and source of income. NIB was tasked to raise a total of 1,000,000 seedlings each of Avocado and Macadamia and 400,000 seedlings of Cashew nuts and 50,000 seedlings of the mango tree. The Board identified Mwea research, Perkerra, Ahero and Bura to undertake the seedling production.



.....
HON. ENG JOSHUA TORO

CHAIRMAN

Date. 17/4/2020

NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

REPORT OF THE CHIEF EXECUTIVE OFFICER

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

- 1) Mwea Irrigation Development Project
- 2) Bura Irrigation Rehabilitation Project
- 3) Rwabura Irrigation Development Project
- 4) National Expanded Irrigation Programmes
- 5) Turkana Irrigation Development Project
- 6) Lower Kuja Irrigation Scheme
- 7) Lower Sabor Irrigation Project
- 8) Household Irrigation Water Harvesting Project
- 9) Galana Kulalu Irrigation project
- 10) Operation and maintenance for public irrigation schemes and provision of irrigation management services in other schemes.
- 11) Implementation of Water Storage dams for irrigation

i. Mwea Irrigation Development Project (Thiba Dam and Irrigation Area)

The objective of the project is to improve the reliability of irrigation water and increase area under irrigation and irrigation intensity for Mwea Irrigation scheme financed by JICA and GoK. The component of the project include, construction of the 11MCM Thiba dam, construction of irrigation and drainage facilities in the expansion area (Mutithi section) covering 10,000 acres, procurement works of O&M equipment and resettlement of Project affected Persons (PAP) from the Dam area through community site development. Resettlement has been concluded in the dam site and land compensation is also ongoing under the guidance of the National Land Commission focusing on completing compensation for canal wayleaves at the irrigation area. The progress of the project works for both the ICB Package I and ICB Package II was approximately 28 % and 30 % respectively by 30th June 2019.

ii. Bura Irrigation Settlement Scheme

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

NATIONAL IRRIGATION BOARD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

Construction works for Bura Irrigation and Settlement Scheme Rehabilitation Project was contracted to IVRCL Company at a sum of Kes. 7,355,829,104. The Government of Kenya (GoK) is financing 70% (Kes 5,149,080,372.80) of the project cost while 30% (Kes 2,206,748,731.20) is financed by Arab partners comprising of Kuwait Fund for International Development, Arab Bank for Economic Development in Africa (BADEA) and OPEC Fund for International Development (OFID).

The project construction commenced on 27th May, 2013 and was due for practical completion on 26th November, 2015. The request by the contractor for extension of time was granted with concurrence of the financiers to 27th March, 2018. The contractor did not complete the works by the time but had submitted a request for extension however, this was not considered because there was new development in which the contractor was declared bankrupt and NIB terminated the contract and recalled the performance.

Consequently, NIB has planned to complete the pending works. As agreed with the project financiers, this will be executed in three lots Lot 1; covering the intake and sheet-piling works, Lot 2 covering the balance of the new gravity canal works and Lot 3 covering the rehabilitation of existing infrastructure. Procurement process for Lot 1 commenced in earnest with the guidance of PPRA where a contractor namely Afrikon Limited has been identified with the concurrence of the financiers to carry out pilling works at the intakes at a cost of Kes 1.7 billion. The Contractor has commenced construction works for the intake and sedimentation basin. NIB is now engaging with the donors on the actions to complete the remaining works in LOT 2 and LOT 3 valued at Kes 3.4 billion.

iii. Rwabura Irrigation Development Project

Rwabura irrigation development project is located in Gatundu South Constituency in Kiambu County, sourcing water from Rivers Rwabura and Thiririka. The Spanish government expressed interest in financing the implementation of the phase 1 of the project and consequently provided KES 750,831,193.2 towards the construction works covering 1500 acres.

The National Treasury has concluded the financing agreement and has received the legal opinion from the AG. Subsequently the legal opinion was forwarded to Spain to issue a notice on effectiveness of the financing agreement which has already been done. The Contractor has commenced review of designs whose progress was halted due to the lengthy clearance of the access to forest by KFS occasioned by the moratorium on forests.

iv. National Expanded Irrigation Programme

NIB has made huge strides in irrigation development in Kenya through this programme. It is entirely financed by GoK development funds and comprises of large scale and smallholder irrigation projects some under construction while others are under detailed investigations and designs. NIB has provided irrigation infrastructure for all the regions in the country particularly the arid areas through the NEIP. Through these interventions, communities that have benefited have been shielded from the devastating effects of the current drought.

To date since the start of the programme in 2011, over 120,000 acres have been put under irrigation benefitting over 400,000 farmers countrywide and generating an estimated annual

NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

revenue of Kes 8 billion. NIB targets to roll out more projects under this programme to lessen the food security burden to many in the country.

v. Turkana Irrigation Development Project

The project aims at harnessing surface water that has the potential of irrigating up to 33,000 acres using both perennial rivers (R. Turkwel and R. Kerio) and extensive water harvesting for micro-irrigation and also undertake the rehabilitation of existing irrigation schemes to realise their full potentials notably Katilu scheme, Turkwel and others. The project also aims at utilizing the ground water in the discovered aquifers in the region through sinking of boreholes to be used for irrigation development using water efficient irrigation technologies of center pivots and drip and enhance food production. The Lotikipi aquifer alone has renewable water (slightly saline) amounting to 3.224BCM/year and can irrigate approximately 425,000 acres.

During the 2018/29 FY, NIB managed to rehabilitate and expand some of existing irrigation projects namely Katilu Clusters and Elelea, to bring an additional 637 and 300 acres respectively under irrigation in Turkana. Moving forward, NIB will develop groundwater irrigation using the numerous aquifers in Turkana region.

vi. Lower Kuja Irrigation Scheme

Lower Kuja is located in Nyatike sub county, Migori County close to the shores of Lake Victoria within the River Kuja Basin. The project aims to bring 19,292.5 acres to irrigation on full development which was to be executed in 5 lots. A phased implementation plan was proposed due to its size and cost of construction.

The implementation of Lot 1, covering, the primary infrastructure (intake, conveyance and main canals, cross regulators) and secondary canals commenced in earnest. With the installation of this infrastructure, 1000 acres in Ageng'a and Sagama areas have been put under rice production. During the 2018/19 FY, NIB managed to support rehabilitation and construction of new water management infrastructure in the new areas.

vii. Lower Sabor Irrigation Development Project

Lower Sabor Irrigation Development project is located in Tembelion Location Moiben sub-county, Eldoret East Sub- County in Uasin Gishu County in the Arid- Semi Arid zones of Soy. The project is targeting to develop irrigation infrastructure on 500 acres under gravity- fed sprinkler irrigation system. The project when completed is expected to impact food security for the 458 beneficiaries directly through creation of employment and value chain enhancement. The outcome of these benefits will be improved income levels, agricultural productivity and achievement of vision 2030 .

The Construction works contract for Lower Sabor Irrigation Development project was awarded to Riang International Group Ltd. The contract was signed on 6th November 2017. The Contractor was issued with commencement order on the 15th February 2018. The overall works achievement is about 72%. The infrastructure to deliver irrigation water to 500 acres have been developed and about 28% of works at the intake remains outstanding.

viii. Household irrigation water harvesting project.

During 2018/19 FY NIB continued with implementation of the water for household project in 27 counties after undertaking a pilot phase in 12 counties across the Country. These projects targets development of water storage at household levels for irrigation development with objectives to realise localized water access solution by providing water harvesting and storage reservoirs for irrigation purposes at the household level, harness surface water (runoff) resulting from rainfall received in the reservoir areas in the arid counties and to use harvested water for agricultural production.

The capacities of the targeted water pans range between 1000 to 3000 m³ which can irrigate up to 1 acre each. The proposed crops to be grown using the installed system include maize (green maize), tomatoes, onions, capsicums, bananas and watermelons. It is projected that productivity for all the other proposed crops will increase by more than 100%; with tomatoes being the highest at 240%. This way the project will increase food security and access to water for the benefiting households thus contributing to the “BIG FOUR” agenda of the government. To date 7,421 water pans have been constructed for 7,645 beneficiaries creating a storage of 10.35 million m³ and putting 9,200 acres under irrigation.

ix. Galana Kalalu Irrigation Development Project

The Government initiated the implementation of the project to enhance food security in the country. The phased implementation of the project comprises of 10,000acre model farm as phase 1, followed by 400,000acre pilot farm as phase II. Phase I is under implementation and entailed construction of irrigation infrastructure for 10,000 acres. The components include construction of 2 No. intakes, installation of pipelines, installation of 24 No. centre pivot irrigation systems covering 4,735 acres, installation of drip irrigation systems covering 5,265 acres and production of maize for two seasons.

The implementation of the project is estimated at 85% with irrigation infrastructure for 5,000 acres. After extension of the contract, the contractor was expected to complete all the pending activities by January 2018 but the contractor was not able complete. National Irrigation Board resolved to disengage from the contractor, recall the performance bond and identify other contractors to complete the pending works. The value for the pending works is Kes 980 million. During the 2018/19 FY, NIB completed the rehabilitation works occasioned by the April 2018 floods and commenced cropping of maize and cotton on 3,000 acres at Galana Kulalu.

x. Operation and maintenance for public irrigation schemes and provision of irrigation management services in other schemes developed by NIB on request by farmers.

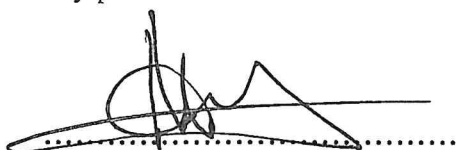
This involves operation and maintenance of irrigation infrastructure for the 7 public irrigation schemes to ensure that the production is sustained. It entails, maintenance of canals, drains, water control structures and intakes (gravity or pump stations), cropping programme development and implementation,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

NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

xi. Implementation of Water Storage dams for irrigation

To increase reliability of irrigation water, NIB targeted to develop various dams across the country and thus carried out feasibility study and detailed designs. Subsequently, by taking a Design, Finance and Build model, NIB has initiated mobilizing for funds for 7 projects namely Radaat Dam in Baringo County, Thuchi Dam in Embu County, Lowaat dam in Turkana County, Gogo Dam in Migori, High grandfall dam in Tharaka Nithi county, Kaiti dams in Makueni, Thiririka and Rwabura dam in Kiambu

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



MR. GITONGA MUGAMBI

GENERAL MANAGER /CEO

Date. 17/4/2020

NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

CORPORATE GOVERNANCE STATEMENT

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

The institution has a Board membership of nine (11) independent Directors and eight (5) Directors representing the Government of Kenya. During the year, there were changes in the composition of the independent Directors.

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

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

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

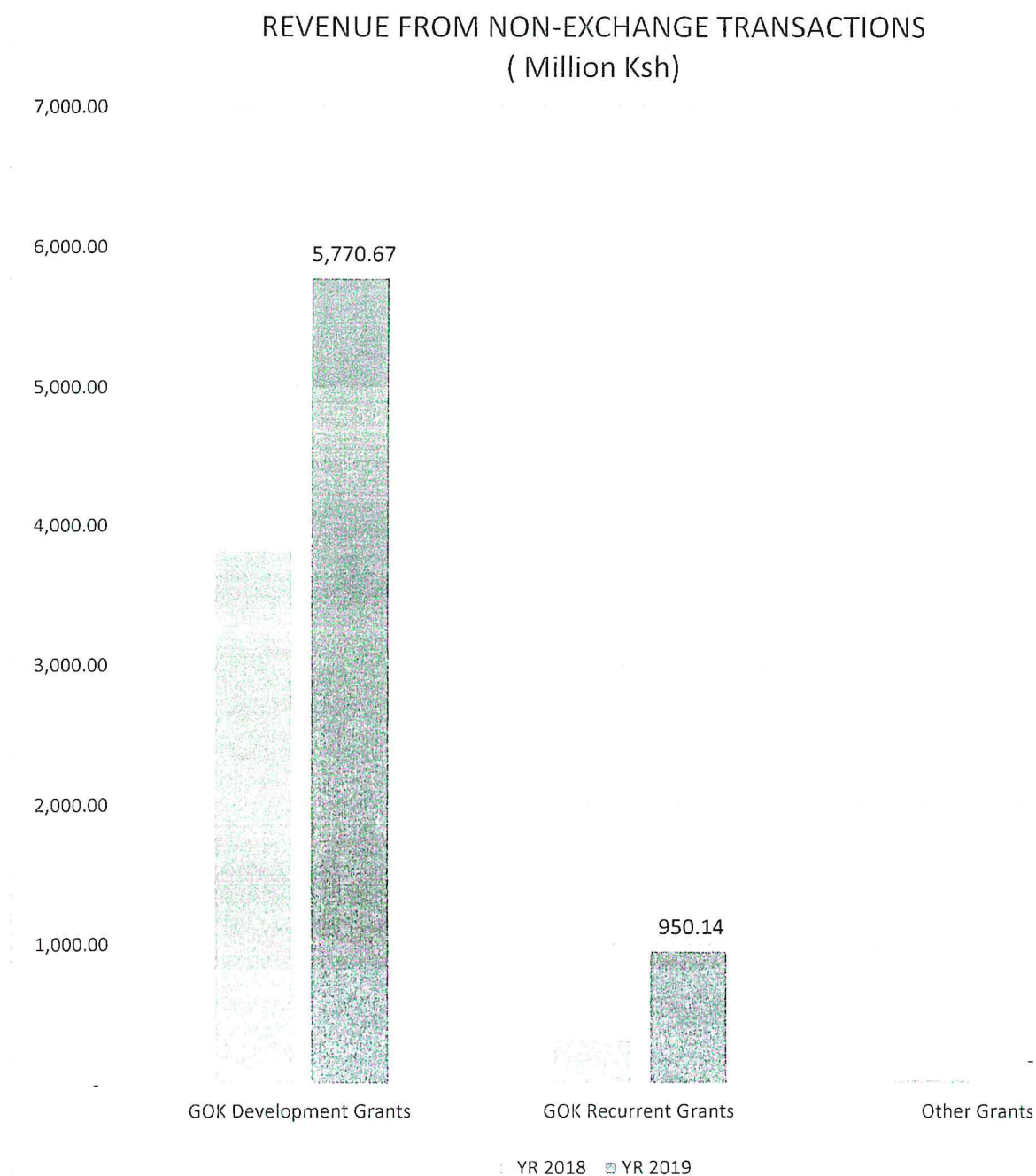
- (i) Full Board - Four (4) meetings
- (ii) Human Resource and General Purposes Committee - Twelve (12) meetings
- (iii) Research, Planning & Development Committee - Twelve (12) meetings
- (iv) Finance - Twelve (12) meetings
- (v) Audit Committee - Twelve (12) meetings

NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

MANAGEMENT DISCUSSION AND ANALYSIS

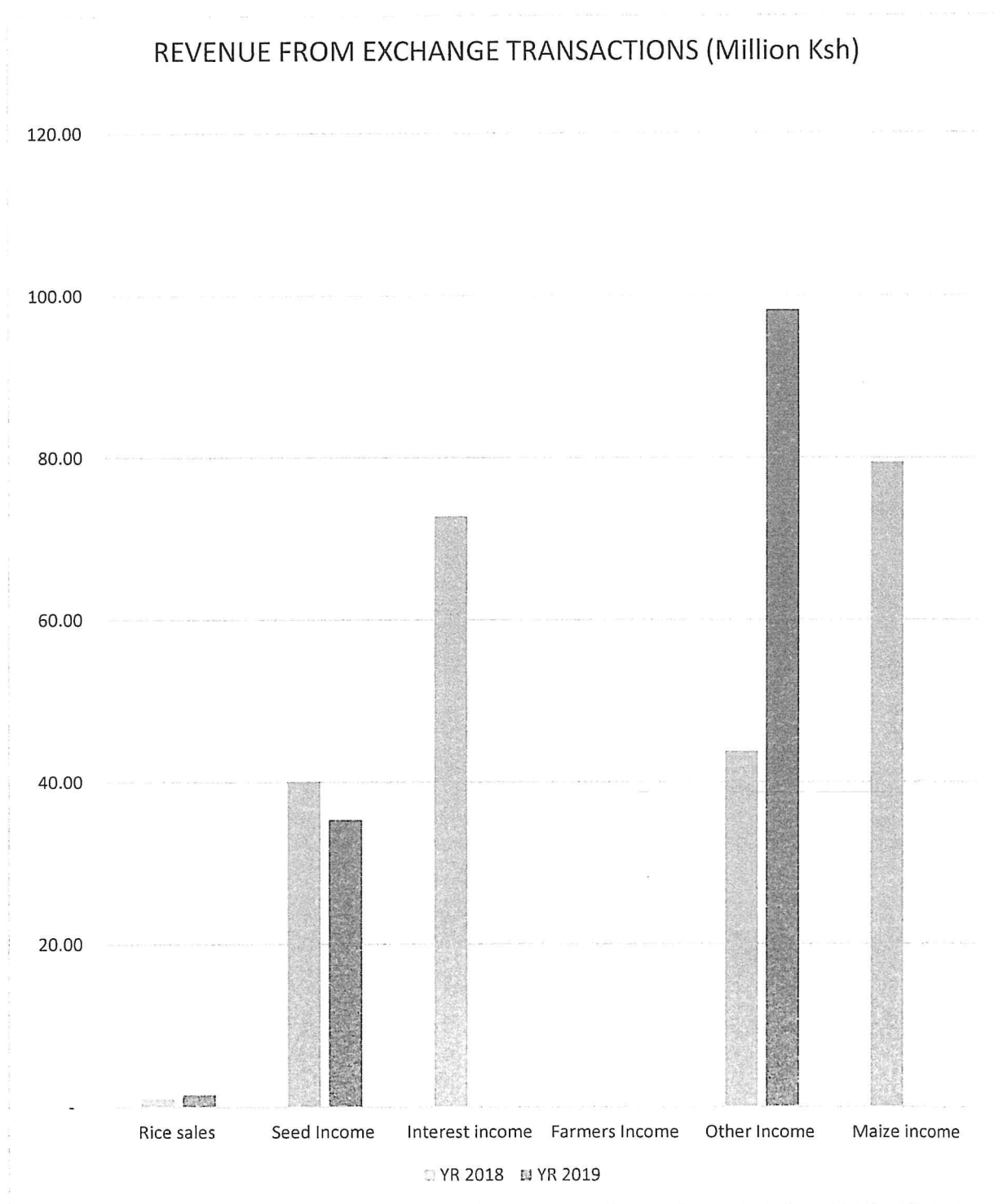
a) Revenue

Chart (i)



NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

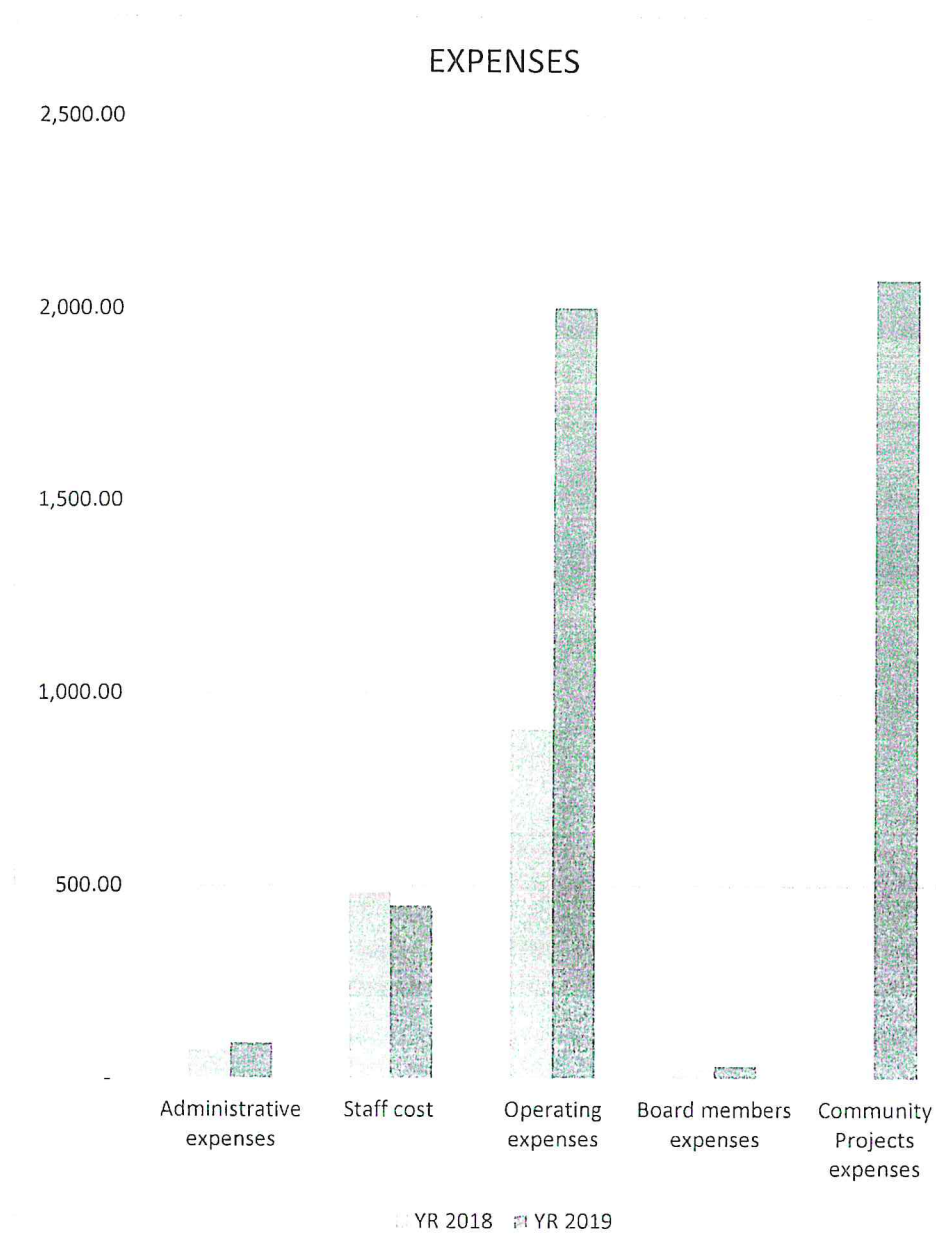
Chart (ii)



NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

b) Expenses

Chart (iii)



NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

Chart (i) above indicate that grants to the institution increased from Ksh. 4,145,598,517 to Ksh.6,720,802,651 in the current year under review. This represents 62.12% increase when compared with the previous year. The increase was in both development and recurrent. Development grants grew by 33.94 % while recurrent grants increased by 67.58 %.The increased disbursements were partly to cater for pending bills and for ground water harvesting program. The second main source of revenue is fees from operational and maintenance charges (O & M) charged on a cost sharing basis to farmers for maintenance of the main infrastructure i.e. irrigation water conveyance canals and farm roads. This category had a minimal increase of 4.33 %.

Chart (ii) above shows changes in other operational income. The revenue in this category decreased from Ksh 282,567,355 in the previous year to 135,176,766 in the current year under review. This translates to 110 % decrease. The main item of revenue in this category was maize sales. There was reduced activity in Galana Kulalu food security project where maize is grown due to low pace of implementation by the contractor resulting to less area under crop.

Chart (iii) above demonstrates the changes in the expenditure for the financial year under review as compared to last financial year. From the chart it is observed that the overall total expenditure increased by Ksh 3,185,954,912.00 in the current financial year as compared to last financial year. This represents an increase of 209.32 % in the financial year under review. The four major categories of expenditure are administrative expenses, staff costs, operating expenses and board members expenses. Administrative expenses had an increase of 24.88 %. In this category of expenditure the main components which had significant changes include utility bills due to the increase in electricity charges experienced in the year under review. There was a sharp increase in bank charges occasioned by increased funding from the National Treasury which translates directly to more bank transactions hence more charges. General repairs and maintenance also increased due to some rehabilitation works for Ahero Scheme perimeter fence and gate. Office beverages also increased in the year under review. Staff cost decreased by 7.53% which mainly was occasioned by staff retirement. The other category of expenditure is operating expense which recorded an increase of 117.23 %. This was mainly due to major maintenance works carried out in the year under review and which had been put on hold the previous year due to budget and disbursement reduction. It is worth noting that maintenance of irrigation water distribution infrastructure is one of the core activities of the institution and hence carries a large portion of the budget. The last category of expenditure is board member's expenses which increased by 46.18 %. This was due to lack of full board members composition in the previous year against a full composition in the year under review.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

Through the expansive array of life changing corporate initiatives, The National Irrigation Board continues to make a positive impact on its stakeholders, customers and general public guided by its Corporate Social Responsibility guideline and other prevailing Government directives. These activities span from education, sports promotion, community involvement, environmental protection, gender equity, health among others. During the contract period FY 2018 – 2019, the Board carried out the following CSR activities:

- a) Constructed two 1,000 m³ water pans for Kids Alive Children's Home and Kids Alive School in Nyeri County.
- b) Donated 500,000 avocado and 500,000 Macadamia fruit-tree seedlings to the residents of central counties from the MIAD seedlings nursery.
- c) Donated 500,000 avocado and 500,000 Macadamia fruit-tree seedlings to the residents of Rift Valley counties from the Perkerra seedlings nursery.
- d) Donated 150,000 Avocado, 50,000 Mango and 50,000 Macadamia fruit-tree seedlings to the residents of Nyanza counties from the Ahero seedlings nursery.
- e) Donated 400,000 Cashew nuts and 100,000 Coconut fruit-tree seedlings to the residents of Coast counties from the Bura seedlings nursery.
- f) Installation of piped water to Nyakweri primary school in Migori County.
- g) Installation of a meteorological system at Okenge secondary school in Migori County

NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the National Irrigation Board's affairs.

Principal activities

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

Results

The results of the National Irrigation Board for the year ended June 30, 2019 are set out on page 1 to 15.

Directors

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

Auditors

The Auditor General carried out the audit of the National Irrigation Board for the year ended June 30, 2019.

By Order of the Board


Board Secretary
Nairobi

Date: 17/04/2020

NATIONAL IRRIGATION BOARD
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

STATEMENT OF BOARD'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the Irrigation Act cap.347 require the Directors to prepare financial statements in respect of National Irrigation Board, which give a true and fair view of the state of affairs of the National irrigation board at the end of the financial year ended 30th June, 2018 and the operating results of National Irrigation Board for the year ended 30th June, 2018. The Directors are also required to ensure that National Irrigation Board keeps proper accounting records which disclose with reasonable accuracy the financial position of National irrigation Board. The Directors are also responsible for safeguarding the assets of National Irrigation Board


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

The Directors accept responsibility for National Irrigation Board's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Irrigation Act Cap.347. The Directors are of the opinion that National Irrigation Board's financial statements give a true and fair view of the state of National Irrigation Board's transactions during the financial year ended June 30, 2018, and of National irrigation board's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for National Irrigation Board, which have been relied upon in the preparation of National Irrigation Board's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The entity's financial statements were approved by the Board Chairman on 30th September 2019

Name Hon. Eng. Joshua Toro Sign  Date 17/4/2020

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NATIONAL IRRIGATION BOARD FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the National Irrigation Board set out on pages 1 to 48, which comprise of the statement of financial position as at 30 June, 2019, 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, 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 the National Irrigation Board as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unconfirmed Property Plant and Equipment Balance

As disclosed in Note 13 to the financial statements, the statement of financial assets reflects property, plant and equipment amounting to Kshs.5,090,259,635 which includes tractors and motor vehicles with a net book value of Kshs.26,110,558. However, the balance excludes the value of one motor vehicle which was claimed to have been stolen in the financial year 2016/2017. The ownership documents of the said vehicle were not provided for audit review and Management did not explain how the matter had been treated in the financial statements or the steps taken for its recovery.

Further, the balance includes an amount of Kshs.31,457,999 being expenditure incurred on refurbishment and renovations of property, plant and equipment. The expenditure is disclosed separately in the fixed assets register but could not be attributed to specific items or class of plant, property and equipment.

Report of the Auditor-General on National Irrigation Board for the year ended 30 June, 2019

In the circumstances, the accuracy and completeness of the property, plant and equipment amounting to Kshs.5,090,259,635 could not be confirmed.

2. Accuracy of Inventories Balance

As disclosed in Note 18 to the financial statements, the statement of financial position reflects inventories balance of Kshs.129,007,694, out of which an amount of Kshs.5,238,587 relates to inventory maintained at the Head Office. Examination of records and physical verification of stores reflected inventories worth Kshs.1,497,842 were obsolete. However, no provisions has been made for the obsolete stock in the financial statements.

Consequently, the completeness, valuations and accuracy of inventories balance of Kshs.129,007,694 reflected in the statement of financial position as at 30 June, 2019 could not be confirmed.

3. Unexplained Retained Earnings Adjustments

As disclosed in Note 21 to the financial statements, the statement of financial position reflects a balance of Kshs.17,487,862,068 under retained earnings. The balance was arrived at by adding the surplus for the year of Kshs.2,208,953,526 to the opening balance Kshs.15,972,115,340 and deducting an amount of Kshs.693,206,799, which is explained as retained earnings adjustment. However, no explanation was provided for the adjustment.

Further, as disclosed in Note 15 to the financial statements reflects work in progress adjustment balance of Kshs.749,572,258, which is not in the additions to property plant and equipment schedule. The adjustment has also not been explained or supported. The policy of the Board is to offset all projects completed during the year to the retained earnings. However, the policy is not documented or disclosed by a way of a Note to the financial statements as per the requirements of IPSAS 3.

Consequently, the accuracy, completeness, presentation and disclosure of the retained earnings of Kshs.17,487,862,068 could not be confirmed.

4. Variance in Inter Company Transactions

As disclosed in Note 19 to the financial statements, the statement of financial position reflects receivables from exchange transactions net balance of Kshs.209,465,578 comprising staff imprests, trade debtors, farmers and other receivables. The other receivables amount of Kshs.169,714,052 constitutes balances owed by its two subsidiary companies of Mwea Rice Mills Limited and Western Kenya Rice Mills (WKRM) which significantly differ with the balances reflected in the current account of the respective subsidiary's financial statements for the same period as tabulated below:

Entity	Financial Statements for the year ended 30 June 2019		Variance (Kshs.)
	Board (Kshs.)	Subsidiaries (Kshs.)	
Mwea Rice Mills Current Account	11,246,209	44,115,151	(32,868,942)
Western Kenya Rice Mills Current Account	37,704,542	33,482,549	4,221,993

Management has not given any explanation for the above discrepancies.

Further, the other receivables balance of Kshs.169,714,052 constitute a suspense account Kshs.34,280,229 which does not relate to any specific debtors.

In addition, the balance includes staff imprests balance of Kshs.16,706,792 which constitutes in the balance of Kshs.2,468,258 relating to long outstanding imprests dating back to 2015. Management has not explained measures it has taken to recover the long outstanding imprests, whose recovery appear to be doubtful.

In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance of Kshs.209,465,578 could not be confirmed.

5. Long Outstanding Payables from Exchange Transactions

As disclosed in Note 30 to the financial statements, the statement of financial position reflects payables from exchange transactions balance of Kshs.1,993,898,246 which includes an amount of Kshs.934,515,800 which has been outstanding for more than one year.

Further, included in the balance is long outstanding liability of Kshs.30,000,000 owed to Agricultural Development Corporation (ADC). However, the balance differs significantly with respective receivable balance of Kshs.91,323,713 reflected in ADC financial statements by Kshs.61,323,713. Management has not explained the measures it has planned to take settle the long outstanding debts.

In addition, trade payables amounting to Kshs.1,149,645,944 as at 30 June, 2019, includes an amount of Kshs.20,981,308 due to Water Resources Management Authority, which has remained outstanding for a long period. No measures seem to have been taken by the Management to settle the long outstanding debt.

In the circumstances, the completeness and accuracy of the payables from exchange transactions totalling to Kshs.1,993,898,246 could not be confirmed.

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

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. There were no key audit matters to report in the year under review.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amount reflects final receipts budget and actual on comparable basis of Kshs.7,561,667,642 and Kshs.7,383,610,663 respectively resulting to an under-funding of Kshs.178,056,979 of the approved budget. Similarly, the Board spent Kshs.4,757,220,037 against an approved budget of Kshs.7,561,667,642 resulting to an under-expenditure of Kshs.4,757,220,037 or 63% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the stakeholders.

2. Unresolved Prior Year 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, 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's Circular Ref: PSASB/1/12 Vol.1(44) of 25 June, 2019.

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 matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections 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. Delayed Community Irrigation Development Projects

1.1 Water for Household Project Phase II

The Management awarded a contract to a company, for water for household project phase 2 in Mwatate Constituency at a contract sum of Kshs.19,933,250.00 (inclusive of taxes). The project commenced on 18 May, 2019 and was due for completion within four (4) months from the commencement date of the project.

Physical verification of the sampled water pans in Mwakitau Location, Mwaghenyi village on 18 February, 2020 revealed that farmers were required to install a plastic lining after construction was done. However, it was observed that no water pan with a plastic had been lining installed by farmers for all the project visited. The average depth of the water pans exceeded 1.5 meters making it difficult for users to access water especially when the water level was low and the water pans are not fenced rendering them dangerous to the public and animals.

In the circumstances, value for money and intended objective of the water for household projects may not have been achieved.

1.2 Rehabilitation Works of Kerwa Dam Project

A contract for the rehabilitation works of Kerwa Dam Project- Mbeere South Constituency Embu County to a 100,000 cubic meters was awarded to a contractor at a contract sum of Kshs.17,970,000. The contract period was three months with a commencement date of 28 March, 2019 and completion date stated as 28 June, 2019. This could not be achieved at Kerwa earth dam which had a capacity of 59,300 cubic meters only. To achieve the targeted capacity, the contractor was instructed by the resident engineer to de-silt two (2) more identified earth dams within the area to achieve the quantities, thus Mikuuri Earth Dam-15,900 cubic meters and Kariko Earth Dam-24,800 cubic meters. The associated cost of each dam was not provided and change of site for a new project were not approved by the Managing Director.

Physical verification carried out on the Kerwa earth dam on 17 February, 2020 revealed that the dam waters were not utilized for purposes of irrigation as intended, as provision on how the dam water was to be drawn and utilized for agricultural purposes had not been factored in the contract. The dams were not fenced as precaution to users thus posing an environmental threat to the communities around and the contract specifications were not adhered to.

1.3 Rehabilitation Works for Kathanje Earth Dam Project

On 28 May, 2019, the Board signed a contract for the rehabilitation of Kathanje water pan in Tharaka Nithi County was at a contract sum of Kshs.19,430,000 for a contract period of three (3) months. The project involved rehabilitation works by desilting and

Report of the Auditor-General on National Irrigation Board for the year ended 30 June, 2019

expanding Kathanje earth dam to a volume 100,000 cubic meters. The contractor however did not complete the works as per the contract for failure to attain the volume required of 100,000 cubic meters due to land provide ability and soil profile.

Physical verification carried out on the Kathanje dam on 17 February, 2020 established the following: -

- (i) The works of placing and compacting in 300mm layers to achieve 95% MDD for embankment and form slopes of 1:2 on the upstream shoulder and raise to a height of max 4.8m with a crest width of 4m for a length of the embankment was not achieved,
- (ii) The embankment was severely eroded due to erosion and poor compacting,
- (iii) The embankment showed signs of horizontal cracks which if no remedial action is taken and the rains commences, the dam would collapse and cause severe destructions to life and property considering that the dam was constructed between schools,
- (iv) Dam 2, with a total area of 3622.9 meters' square was not fully excavated because of rock and did not achieve the claimed volume of 16,303 m³,
- (v) Similarly, dam 3, with a total area of 2990.16 meters' square was not fully excavated to achieve the claimed volume of 13,455m³,
- (vi) The perimeter fence had not fully been erected due to a dispute on the width of a road reserve and a resident bordering the dam.

Consequently, value for money totalling to Kshs.19,430,000 could not be confirmed as a proper charge to public resources.

1.4 Rehabilitation Works of Iganjo/Silanga Water Pan

The Board awarded to a contractor for rehabilitating Iganjo/Silanga Water Pan in Murang'a at a contract sum of Kshs.17,970,000. According to the Interim Payment Certificate No.1, the contractors gross work done was Kshs.14,430,365.85. The water pan is one of the existing water pans in the country that was identified for rehabilitation in order to achieve one of the Big 4 agendas of ensuring food security. It was to be used for fish and fishing by the community. The water pan was desilted and all the mud and hyacinth in the water removed. However, a physical verification carried out at the water pan site indicated that the water pan had not been put to the intended use and was not fenced off to enhance security and restrict trespassers. It was also noted that water hyacinth and lilies had grown which may lead to future siltation.

Consequently, value for money to the citizens for rehabilitating Iganjo/Silanga Water Pan at a cost of Kshs.17,970,000 could not be confirmed.

1.5. Variations in Households Projects in Murang'a

The Board constructed household projects in various counties in the country which included Nyeri, Laikipia, Nyandarua, Meru, Isiolo, Baringo, Kiambu, Murang'a, Kajiado, Uasin Gishu, Machakos, Trans Nzoia, Embu, Kwale, Taita Taveta, Samburu, Nakuru and Tharaka Nithi counties. The construction of these household projects involved the construction of water pans in identified farmer's land. The water pan of each farmer was to have a capacity of between 1,000- 3,000m³.

The household projects in Murang'a were constructed for farmers in Kambiti, Kamahuha, Gatanga- Ithanga and wards. During physical verification of the pans carried out on 12 February, 2020, it was noted that there were no well-defined spill ways and inlets for the passage of water and the embankments appeared unstable Kigumo

The Management may not have conducted a proper survey and study on the soil around the area of the pans since most of the pans could not hold water for a long time. The farmers on the other hand had not met part of fencing the water pans and even buying pumps to draw the water from the pans.

In the circumstances, value for money and achievement of the intended purposes could not be confirmed.

3.0 Other Projects Management and Related Issues

3.1 Termination of contract for Bura Irrigation and Settlement Scheme Rehabilitation Project

The Contract for the rehabilitation of Bura Irrigation and Settlement Scheme was awarded to company for a contract sum of Kshs.7,355,829,104 inclusive of 10% contingency sum. Notification of award was done on 24 August, 2012 and contact signed on 27 February, 2013. The commencement and revised completion date were 27 November, 2015 and 27 November, 2016 respectively. The following issues were noted: -

- i. The project implementation appraisal report done in May, 2018 shows that the contractor had presented ten interim certificates amounting to Kshs.2,739,494,669.93 and had been paid Kshs.2,444,453,392.43 resulting in outstanding payment to the contractor of Kshs.295,041,277.50. Claims for interest on the overdue payments by the contractor and liquidated damages payable to the Board (clause 47) were Kshs.71,919,006.19 and Kshs.524,908,037.28, respectively. However due to delay in completion of the project the contract was terminated.
- ii. Although the contractor had a performance guarantee with Kenya Commercial bank (KCB) of USD 5,750,000 and performance bond guarantee of USD5,751,744, a demand by the Board was dishonoured by the bank. No

explanation was provided for refusal by the Kenya Commercial Bank to pay the performance bond and advance payment guarantee to the Board given that as at the time of termination of the contract they were still valid.

- iii. The Board has sought legal redress and hired a legal firm for representation in a suit against Kenya Commercial Bank (KCB) for the recovery of advance payment guarantee and performance guarantee. The contract for the above legal services was entered into in March, 2019. The management has, however, not provided details on how far the case has progressed.
- iv. After termination of the initial rehabilitation contract by the employer, a new contractor was awarded phase one of the remaining works (item 1-2.2). However, it was noted that the contract was awarded to a company at a contract sum of Kshs.1,786,927,858.83 as per contract agreement number NIB/DRP/023/2018-2019 dated 4 June, 2019. The contract was awarded on 15 January, 2019 and signed on 4 June, 2019. The commenced date was on 3 October, 2019 for a contract period of twelve months ending 2 October, 2020. However, the works commenced ten months after the contract award. No explanation was provided for the delay.
- v. A progress report dated 4 December, 2019 indicates that only 1% of the work had been done. Further, there was a reservation from resident engineer concerning the need for the contractor to double the efforts to be at par with the program of work.

Consequently, the full recovery of the performance and advance payment guarantee and value for money could not be confirmed.

3.2 Delayed Construction of Thiba Dam

The contract for the construction of the above dam with a capacity of 15.6 Million M³ at Kirinyaga County in Gichugu Constituency was awarded to a company for a contract sum of Kshs.8,221,083,893.09. The commencement date was 1 March, 2018 and completion date of 1 December, 2021. The works involved diversion, spillway, intake and sand trap dam. The expected achievement to date was 46% against actual achievements to date of 25.01%. Delay in progress at January, 2020; against cumulated planned projected progress of 51%. The status report further states that the contractor suspended works on 30 September, 2019 due to delay in payment. No explanation was provided for the delay in payments since it is a donor funded project.

Further, the contract for construction of canals and roads was awarded to a company at a contract sum of Kshs.3,534,724,981.49 for a contract period of 1155 days. The contract was signed on 26 August, 2016 with a commencement date was 9 June, 2017 and completion date of 9 August, 2020. However, it was noted that the expected achievements as at February, 2020 was 62% against actual achievement of

40% resulting to a delay of 22%. During a site visit on 14 February, 2020 the contractor was not on site and had laid down their tools due to non-payment.

In the circumstances, it has not been possible to confirm whether the public got services from the delayed projects.

3.3 Delayed Construction Works of the Lower Nzoia Irrigation Project – LOT 1

The contract for the construction works of the Lower Nzoia Irrigation Project – LOT 1 was awarded to a company through the Ministry of Water & Sanitation and Irrigation and National Irrigation Board as the implementer. The contract sum was Kshs.3,873,317,854 and contract dated 30 October, 2017 commencing on 12 June, 2018 for 1095 days. By February, 2020 certified works accounted for Kshs.822,222,271. It was however noted that the percentage contract period elapsed was 46.20% period of 605 days while the achieved percentage progress of works (financial) was at 21.30% with physical work progress of 10%. The delay was occasioned by compensation of PAPs in the dam way. However, before the commencement of the project the employer should have ensured that the project was free from any encumbrances to avoid project delay.

In the circumstances, it has not been possible to confirm whether the public got services from the delayed projects.

4.0 Failure to implement Internal Audit Management System

During the 2015/2016 financial year, the Management had procured an Internal Audit Management System for control management, analysis and risk assessment. The Audit Management System was procured at a contract sum of Kshs.6,499,736. To date, a total payment of Kshs.5,531,461.36 has been made to the firm. However, it was observed that the system was not being used by the internal auditors.

The Board has not obtained value for money in respect to the expenditure amounting to Kshs.5,531,461 so far incurred for the Audit Management system.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, 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 ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, 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 Management and the Board of Directors

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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Board's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Board or 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 are in compliance with the authorities which govern them, and that public resources are applied in an effective manner.

The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Board 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with

ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Board to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Board to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 December, 2021

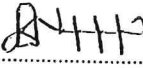
NATIONAL IRRIGATION BOARD

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019

REVENUE FROM NON EXCHANGE TRANSACTIONS	NOTE	2019 KSH	2018 KSH
Government Grants	5	6,720,802,651	4,145,598,517
REVENUE FROM EXCHANGE TRANSACTIONS			
Income	6	86,766,255	83,371,438
Other Operational Income	7	135,176,766	282,567,355
TOTAL INCOME		6,942,745,672	4,511,537,309
EXPENDITURE FROM EXCHANGE TRANSACTIONS			
Administrative Expenses	8	94,105,835	74,709,473
Staff Cost	9	486,510,447	485,892,566
Operating Expenses	10	2,040,715,833	922,070,896
Board Members Expenses	11	34,712,047	22,778,058
Community Irrigation development expenses	12	2,077,747,983	-
TOTAL EXPENDITURE		4,733,792,146	1,505,450,993
Surplus/(Deficit) for the year		2,208,953,526	3,006,086,316

NATIONAL IRRIGATION BOARD
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2019

ASSETS	NOTE	2019 KSH	2018 KSH
NON CURRENT ASSETS			
Property Plant and Equipment	13	5,090,259,635	5,147,169,596
Intangible Assets ICT	14	13,103,267	10,021,831
Work in Progress	15	20,589,339,811	20,196,797,472
Longterm Investments	16	27,950,000	27,950,000
Investment Mortgage	17	198,510,692	193,591,777
Total non- current Assets		25,919,163,405	25,575,530,677
CURRENT ASSETS			
Inventories	18	129,007,694	95,293,715
Receivables from Exchange Transactions	19	209,465,578	262,732,596
cash and Cash Equivalent	20	2,795,168,619	1,577,391,083
Total current assets		3,133,641,891	1,935,417,394
TOTAL ASSETS		29,052,805,295	27,510,948,071
EQUITY AND LIABILITIES			
EQUITY			
Retained Earnings	21	17,487,862,068	15,972,115,340
Development Fund	22		11,695,220
Capital Fund	23	694,921,649	694,921,649
JICA Fund	24	4,054,969,630	3,614,104,638
BADEA Grant	25	644,107,484	644,107,484
KUWAIT Fund	26	555,432,145	555,432,145
OFID Fund	27	150,773,312	150,773,312
Double Crop Grant	28	27,707,439	27,707,439
Bank of Leumi Israel	29	3,443,133,322	3,443,133,322
TOTAL EQUITY		27,058,907,049	25,113,990,550
NON CURRENT LIABILITIES		-	-
TOTAL NON CURRENT LIABILITIES		-	-
CURRENT LIABILITIES			
Payables From Exchange Transactions	30	1,993,898,246	2,396,957,520
TOTAL CURRENT LIABILITIES		1,993,898,246	2,396,957,520
TOTAL EQUITY & LIABILITIES		29,052,805,295	27,510,948,071

SIGN.....

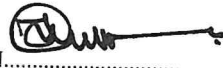
CPA. JOSEPH K.KIGOTHO
NO.17191

DATE 17/04/2020

SIGN.....

GITONGA MUGAMBI
GENERAL MANAGER/CEO

DATE 17/4/2020

SIGN.....

Hon. Eng JOSHUA TORO
BOARD CHAIRMAN

DATE 17/4/2020

NATIONAL IRRIGATION BOARD
STATEMENT OF CHANGES IN NET ASSETS AS AT 30-06-2019

DESCRIPTION	RESERVES	DEVELOPMENT FUND	CAPITAL FUND	JICA GRANT	BADEA GRANT	KUWAIT GRANT	OFID GRANT	LOAN CAPITAL	BANK OF LIJUMI ISRAEL	TOTAL
As At 1st July 2017	16,282,172,344	11,695,220	694,921,649	1,993,471,957	610,743,825	497,530,564	125,760,463	27,707,439	1,702,008,002	21,946,011,462
Addition During the Year	3,006,086,316			1,620,632,681	33,363,659	57,901,582	25,012,849		1,741,125,320	6,484,122,408
write back	-3,316,143,320									
Work in progress write off										-3,316,143,320
As At 30th June 2018	15,972,115,340	11,695,220	694,921,649	3,614,104,638	644,107,484	555,432,145	150,773,312	27,707,439	3,443,133,322	25,113,990,550
As At 1st July 2018	15,972,115,340	11,695,220	694,921,649	3,614,104,638	644,107,484	555,432,145	150,773,312	27,707,439	3,443,133,322	25,113,990,550
Addition During the Year	2,208,953,526	-	-	440,864,991						2,649,818,517
Adjustments	-693,206,799	11,695,220								-704,902,019
As At 30th June 2019	17,487,862,067	0	694,921,649	4,054,969,630	644,107,484	555,432,145	150,773,312	27,707,439	3,443,133,322	27,058,907,049

Note:

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

**NATIONAL IRRIGATION BOARD
STATEMENT OF CASHFLOWS
FOR THE YEAR 30TH JUNE 2019**

	NOT	2019 KSH	2018 KSH
Surplus for the year		2,208,953,526	3,006,086,316
Adjustments of items not involving movement of Funds			
Depreciation	13	77,256,419	237,630,973
Retained Earnings Adjustments	21	(693,206,799)	(3,316,143,321)
Work in progress write off	15	749,572,258	5,958,077,975
Development fund write off		(11,695,220)	(3,058,216,610)
Operating Profit before working capital changes		2,330,880,185	2,827,435,334
Increase in Assets			
Working Capital Changes			
Increase/Decrease in Inventories	18	(33,713,978)	12,750,518
Increase/(Decrease) in Receivables from exchange transactions	19	53,267,018	(139,174,972)
Increase/Decrease in Payables from exchange transactions	30	(403,059,275)	(1,163,792,606)
Net Cash flows from operating Activities		1,947,373,949	1,537,218,273
Investing Activities			
Net change on Fixed Assets Total			
Purchase of Fixed Assets	13	(23,427,891)	(173,617,047)
Work In Progress additions	15	(1,142,114,597)	(4,645,573,212)
Mortgage	17	(4,918,915)	(7,213,415)
Net cash used in investing activities		(1,170,461,403)	(4,826,403,674)
Financing Activities			
JICA Grants	24	440,864,991	1,620,632,681
Badea Grant	25	-	33,363,659
Kuwait Fund	26	-	57,901,582
OFID	27	-	25,012,849
Bank of Liumi Israel	29	-	1,741,125,320
Net cashflows from financing activities		440,864,991	3,478,036,091
Net Increase/(Decrease) in Cash		1,217,777,537	188,850,691
Cash & Cash Equivalent at the beginning of the Year	20	1,577,391,082	1,388,540,391
Cash & Cash Equivalent at the end of the year	20	2,795,168,619	1,577,391,082

NATIONAL IRRIGATION BOARD
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2019 7,561,667,642.00

REVENUE		Original Budget 2018-2019	Adjustment 2018-2019	Final Budget 2018-2019	Actual on Comparable Basis 2018-2019	Performance Difference 2018-2019
Property taxes	-	-	-	-	-	-
Public contributions and donations	-	-	-	-	-	-
Fines , penalties and levies						
Licenses and permits						
Government grants and subsidies	6,519,530,370	642,137,272.00		7,161,667,642.00	7,161,667,642	0
Rendering of services	90,000,000	-		90,000,000.00	86,766,255	3,233,745
Sale of goods	310,000,000	-		310,000,000.00	135,176,766	174,823,234
Finance income						
Gains on disposal,rental income and agency fees						
Total Income	6,919,530,370.00	642,137,272.00		7,561,667,642.00	7,383,610,663.44	- 178,056,978.56
EXPENSES						
Compensation of employees	500,000,000.00	-		500,000,000.00	486,510,447	13,489,553
Goods and services	6,288,530,370.00	642,137,272.00		6,930,667,642.00	4,140,864,996	2,789,802,646
Finance cost						
Rent paid	1,000,000.00	-		1,000,000.00	1,026,712	26,712
Taxation						-
Other payments	130,000,000.00	-		130,000,000.00	128,817,882	1,182,118
Grants and subsidies paid		-				
TOTAL EXPENDITURE	6,919,530,370.00	642,137,272.00		7,561,667,642.00	4,757,220,037.00	
SURPLUS FOR THE PERIOD	-				2,626,390,626	

Budget Notes

1. The original budget was presented to the Ministry in January 2019. After the printed estimates were issued, National Irrigation Board was allocated a budget of Ksh 6,211,530,370 for development and recurrent budget of Ksh 308,000,000 GOK and Ksh 400,000,000 A-in-A .
2. The 56.39 % variance in sale of goods was as a result of non realized revenue from sale of farm produce after the contractor in galana pulled out temporality halting production.
3. The recurrent grants for the period were received in full as per printed estimates. There was an additional recurrent grants allocation of Ksh 642,137,272 for clearing pending bills in supplementary two thus the variance in the original budget vs the final budget.
4. The Under-expenditure on goods and services was as a result of delays in procurement of another contractor for the Bura Irrigation gravity after termination of the former due to failure in delivering the project expectations. The development grants and the release of the supplementary two allocation was also disbursed late.

RECONCILIATION OF INCOME STATEMENT AND STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Income as per Statement of Financial Performance	6,942,745,672.00
Add direct payments paid to suppliers by the donor(Note 24)	440,864,991.00
Balance as per statement of comparison of budget and actual amounts	<u>7,383,610,663</u>
Expenses as per Statement of Financial performance statement	4,733,792,146.00
Add purchase of fixed assets not expensed bu capitalized(Note 9 & 10)	23,427,891.00
Balance as per statement of comparison of budget and actual amounts	<u>4,757,220,037.00</u>
Net surplus	<u>2,626,390,626.00</u>
Net surplus as per Statement of Financial Performance	2,208,953,526.00
Add direct payment by the donor	440,864,991.00
Less purchase of assets	(23,427,891.00)
Net surplus	<u>2,626,390,626.00</u>

1. GENERAL INFORMATION

IPSAS 3

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

3. ADOPTION OF NEW AND REVISED STANDARDS

IPSAS 39. The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach. The standard does not have any impact on the entity.

Standard	Impact
IPSAS 40:	Applicable: 1 st January 2019
Public Sector Combinations	The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Property Plant and Equipment

IPSAS17

All 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 entity 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.

The depreciation rates are as tabulated below

Buildings	2%
Computers	33.33%
Furnitures & Equipment	10 %
Irrigation works and sewerage system	None
Land	None
Motor vehicles, Tractors & Heavy Equipment	20 %
Plant & Machinery	10 %
Intangible assets	10.0%

b) Intangible assets

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

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

Intangible assets for National Irrigation board are basically softwares and the ERP system. These have a finite useful life which is ten years with regular upgrades by Microsoft to new versions.

c) Inventories

IPSAS12

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

➤ Raw materials: purchase cost using the weighted average cost method

➤ Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity

d) 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

e) Government grants

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

f) Interest on loans

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

g) Taxation

The National Irrigation Board is exempted from Kenya Income Tax.

i) Investments

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

j) Receivables

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

k) Payables

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

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

l) Donor Funding

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

Donor Revenue

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

Donor A-in-A

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

m) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from the Government

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

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

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

Interest income

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

n) Investment mortgage

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

o) Investment in Fixed Deposit

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

p) Contingent Liabilities

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

q) Subsequent Events

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

r) Significant judgements and sources of estimation certainty

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

s) Budget Information

IPSAS 24

The original budget for FY 2018-2019 was approved by the National Assembly on July 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations in June 2019 on the 2018-2019 budget following the governing body's approval.

The entity'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 financial performance has been presented on page 6 of these financial statements.

t) Operating Risk

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

u) Related parties

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

Except as disclosed in financial statements, no transactions involving management and others requiring disclosure in the financial statements have been entered into. The identity of and balances and transactions with related parties have been properly recorded and when appropriate, adequately disclosed in the financial statements.

v) Work in Progress and Retained earnings adjustments

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

5 GOVERNMENT GRANTS

	2019 KSHS	IPSAS 1 2018 KSHS
Development	5,770,665,379	3,811,821,113
Recurrent	950,137,272	308,000,000
Other grants		25,777,404
Total	<u>6,720,802,651</u>	<u>4,145,598,517</u>

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

6 INCOME

	2019 KSHS	IPSAS 9 2018 KSHS
Operation and Maintenance	86,766,255	83,371,438
Total	<u>86,766,255</u>	<u>83,371,438</u>

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

7 OTHER OPERATIONAL INCOME

	2019 KSHS	IPSAS 9 2018 KSHS
Rice Sales	1,563,000	1,050,289
Seed Income	35,340,378	40,051,353
Farmers Income	-	14,500
Other Incomes	98,273,388	116,548,654
Maize Income	-	124,902,560
Total	<u>135,176,766</u>	<u>282,567,355</u>

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

8 ADMINISTRATIVE EXPENSES

	2019	2018
	KSHS	KSHS
Printing & Stationery	7,169,132	6,734,832
Rent & Rates	1,026,712	976,074
Subscription & Periodicals	2,855,540	2,022,247
Office tea, Beverages & Consumables	12,339,397	9,132,418
Utility Bills	39,932,152	34,111,974
Audit fees	2,320,000	2,320,000
Insurance	15,576,478	18,224,301
General Repairs & Maintenance	10,267,694	
Parking charges	7,260	8,700
Bicycle Expense	70,500	69,900
Bank charges	2,540,970	1,109,028
Total	<u>94,105,835</u>	<u>74,709,473</u>

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

9 STAFF COST

	2019	2018
	KSHS	KSHS
Salaries & Wages	447,485,204	446,390,943
Staff Training	5,421,867	12,378,086
Medical Expenses	31,897,701	24,702,347
Staff Uniforms	362,406	195,689
Staff Welfare	1,343,268	2,225,502
Total	<u>486,510,447</u>	<u>485,892,566</u>

These are expenditures related to staff as tabulated above.

10 OPERATING EXPENSES

	2019	2018
	KSHS	KSHS
Advertising	970,296	3,504,794
Travelling Meals & Accommodation	155,353,228	126,549,686
Guest House Expenses	5,587,565	6,847,989
Licence Charges	754,969	2,384,280
Consultancy	42,778,622	49,823,960
Fuel Expenses	142,699,451	118,617,716
Agricultural Expenses	68,956,172	96,696,836
Repairs and Maintenance Expenses	1,362,190,522	354,506,047
Depreciation Expense	77,256,419	120,689,783
Hire of Equipment	121,595,295	2,462,267
Legal Charges	17,854,437	655,134
Other Expenses	44,718,856	39,332,405
Total	<u>2,040,715,833</u>	<u>922,070,896</u>

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

11 BOARD EXPENSES

	2019	2018
	KSHS	KSHS
Board Sitting Allowance	13,054,993	8,284,600.00
Board Mileage Allowance	6,175,040	5,468,812.50
Board Accomodation Allowanc	13,195,000	7,053,800.00
Board Lunch Allowance	942,500	813,450.00
Board Travel By Air Expense		197,395.00
Board Training Expense	720,000	
Chairman's Honoraria	624,515	960,000
TOTAL	34,712,047	22,778,058

These are allowances for Board members as they discharge their duties

**COMMUNITY
IRRIGATION DEV.**

12 PROJECT EXPENSES

	2019	2018
	KSHS	KSHS
Community Project expenses	2,077,747,983	-

NATIONAL IRRIGATION BOARD

NOTE 13

FIXED ASSETS MOVEMENT SCHEDULE AS AT 30 JUNE 2019

IPSAS 17

	Irrigation Works & Sewerage	Freehold Land	Buildings	Plant Machinery	Computer	Furniture & Equipment	Tractors & Motor Vehicles	Total
COST:	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
COST 1 st July 2017	3,627,797,246	1,189,586,063	129,840,113	610,724,581	75,025,854	75,965,776	930,825,247	6,639,764,881
Additions	373,124		14,888,567	1,405,196	1,663,043	637,955	32,886,260	51,854,146
Disposals				(29,000)		(312,548)	(9,830,829)	(10,172,377)
Revaluation	-	-	-	-	-	-	-	-
30 th June 2018	3,628,170,371	1,189,586,063	144,728,680	612,100,777	76,688,897	76,291,183	953,880,678	6,681,446,650
DEPRECIATION:								
1 st July 2017	-	-	51,535,983	403,009,332	65,233,216	56,097,491	853,455,039	1,429,331,061
Charge			3,822,971	32,354,133	6,977,413	3,107,972	68,855,881	115,118,370
Adjustment				(29,000)		(312,548)	(9,830,829)	(10,172,377)
Disposal								
30 th June 2018	-	-	55,358,954	435,334,465	72,210,629	58,892,915	912,480,091	1,534,277,054
N.B.V 30 th June 2018	3,628,170,371	1,189,586,063	89,369,726	176,766,312	4,478,269	17,398,268	41,400,587	5,147,169,596
COST 1 st July 2018	3,628,170,371	1,189,586,063	144,728,680	639,382,458	76,618,698	76,291,183	926,669,197	6,681,446,650
Additions	5,596,243			8,915,784	2,389,664	1,127,878		18,029,569
Disposals								
Revaluation	-	-	-	-	-	-	-	-
30 th June 2019	3,633,766,614	1,189,586,063	144,728,680	648,298,242	79,008,362	77,419,061	926,669,197	6,699,476,218
DEPRECIATION:								
1 st July 2018	-	-	55,358,954	462,616,145	72,140,430	58,892,916	885,268,611	1,534,277,057
Charge			3,062,308	48,892,321	3,558,005	4,136,865	15,290,027	74,939,526
Adjustment								
Disposal	-	-						
30 th June 2019	-	-	58,421,263	511,508,465	75,698,435	63,029,781	900,558,639	1,609,216,583
N.B.V 30 th June 2019	3,633,766,614	1,189,586,063	86,307,418	136,789,776	3,309,926	14,389,280	26,110,558	5,090,259,635

NATIONAL IRRIGATION BOARD

IPSAS 31

NOTE 14. INTAGIBLE ASSETS MOVEMENT SCHEDULE AS AT 30 JUNE 2019
COMPUTER SOFTWARE FOR WAN, LAN AND ERP

Cost 1st July 2017	121,434,707
Additions	4,821,711
Disposals	-
Revaluation	-
30th June 2018	126,256,418
<u>DEPRECIATION:</u>	
1st July 2017	110,663,174
Charge	5,571,413
Revaluation	-
Disposal	-
30th June 2018	116,234,587
N.B.V 30th June 2018	10,021,831
Cost 1st July 2018	126,256,419
Additions	5,398,329
Disposals	
Revaluation	
30th June 2019	131,654,748
<u>DEPRECIATION:</u>	
1st July 2018	116,234,587
Charge	2,316,893
Revaluation	
Disposal	
30th June 2019	118,551,480
N.B.V 30th June 2019	13,103,268

The intangible assets referred to in this note are the various softwares procured by National Irrigation Board e.g ERP system, fleet management system and GPRS systems.

15 WORK IN PROGRESS

	2019 KSHS	2018 KSHS
Work in progress b/f (see attac	20,196,797,472	18,451,085,625
Additions during the period	1,142,114,597	4,645,573,212
Transfer of completed projects	(749,572,258)	(5,958,077,975)
WIP adjustments		3,058,216,610
	<u>20,589,339,811</u>	<u>20,196,797,472</u>

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

16 LONG TERM INVESTMENTS

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

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

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

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

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

That is when the actual market value will be attained.

17 INVESTMENT MORTGAGE

IPSAS 30

	2019 KSHS	2018 KSHS
Investment in Kenya Developm		
Balance B/F	193,591,777	186,378,362
Interest for the period	4,918,915	7,213,415
	<u>198,510,692</u>	<u>193,591,777</u>

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

18 INVENTORIES

	2019	2018
	KSHS	KSHS
A General Store	8,497,970	8,227,773
B Workshop Store	58,099,211	56,252,522
C Input Store	23,395,305	17,987,023
D Paddy Store	15,231,198	11,288,652
E Farm Produce Store	23,784,010	1,537,745
TOTAL	<u>129,007,694</u>	<u>95,293,715</u>

IPSAS 12

19 RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2019	2018
	KSHS	KSHS
A Staff Imprests	16,706,792	12,590,850
B Trade	128,548,879	127,060,541
C Farmers	394,170,559	382,808,562
D Others	169,714,052	239,947,346
E Provision for bad debts	-499,674,704	-499,674,704
TOTAL	<u>209,465,578</u>	<u>262,732,596</u>

IPSAS 1

20 CASH AND CASH EQUIVALENTS

	2019	2018
	KSHS	KSHS
A Cash Balances	2,289,388	1,483,416
B Bank Balances	<u>2,792,879,231</u>	<u>1,575,907,667</u>
Total	<u>2,795,168,619</u>	<u>1,577,391,083</u>

IPSAS 2

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

21 RETAINED EARNINGS

	2019	2018
	KSHS	KSHS
Balance b/ f	15,972,115,340	16,282,172,345
Excess/Deficit for the year	2,208,953,526	3,006,086,316
Retained earnings adjustment	(693,206,799)	-
Balance c/f	<u>17,487,862,068</u>	<u>15,972,115,340</u>

IPSAS 1

The adjustments in the retained earnings refer to prior periods adjustments

22 DEVELOPMENT FUND**IPSAS 1**

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

	2019	2018
	KSHS	KSHS
MWEA	-	10,129,501
AHERO	-	908,490
BUNYALA	-	207,916
WEST KANO	-	449,313
	<u>-</u>	<u>11,695,220</u>

23 CAPITAL FUND

	2019	2018
	KSHS	KSHS
Balance brought forward	694,921,649	694,921,649
Additions during the year	-	-
Balance C/Forward	<u>694,921,649</u>	<u>694,921,649</u>

24 JICA FUND**IPAS 5**

	2019	2018
	KSHS	KSHS
Balance b/f	3,614,104,638	1,993,471,957
Received within the year	440,864,991	1,620,632,681
Balance c/f	<u>4,054,969,629</u>	<u>3,614,104,638</u>

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

440,837,427

25 BADEA FUND**IPAS 5**

	2019	2018
	KSHS	KSHS
Balance brought forward	644,107,484	610,743,825
Received within the year	-	33,363,659
Balance C/Forward	<u>644,107,484</u>	<u>644,107,484</u>

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

26 KUWAIT FUND**IPAS 5**

	2019 KSHS	2018 KSHS
Balance brought forward	555,432,145	497,530,564
Work in progress during the year		57,901,581
Balance C/Forward	<u>555,432,145</u>	<u>555,432,145</u>

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

27 OFID FUND**IPAS 5**

	2019 KSHS	2018 KSHS
Balance brought forward	150,773,312	125,760,463
Work in progress during the year		25,012,849
Balance C/Forward	<u>150,773,312</u>	<u>150,773,312</u>

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

28 DOUBLE CROP GRANT**IPSAS 1**

	2019 KSHS	2018 KSHS
Kenya Government Grant in respect of Mwea	<u>27,707,439</u>	<u>27,707,439</u>

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

29 BANK OF LEUMI ISRAEL**IPAS 5**

	2019 KSHS	2018 KSHS
Balance brought forward	3,443,133,322	1,702,008,002
Received within the year	<u>3,443,133,322</u>	<u>1,741,125,320</u>
		<u>3,443,133,322</u>

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

30 PAYABLES FROM EXCHANGE TRANSACTIONS**IPSAS 1**

	2019 KSHS	2018 KSHS
Trade	1,149,645,943.61	1,786,047,320
Contractors	673,139,127.19	385,374,469
Consultants	125,499,445.25	183,276,142
Gratuity Provision	17,015,959.30	12,392,295
Others	<u>28,597,770.48</u>	<u>29,867,294</u>
TOTAL	<u>1,993,898,246</u>	<u>2,396,957,520</u>

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

IPSAS 20

31 Related Party Balances**a) Nature of related party relationship**

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

The entity is related to:

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

b) Transactions with related parties

	2019 KSHS	2018 KSHS
Transfers from Ministry of Water & Irrigation parties	6,720,802,651	4,119,821,113
Transfers to related parties	-	-
Net Balance	<u>6,720,802,651.00</u>	<u>4,119,821,113.00</u>

c) Key Management remuneration

	2019 KSHS	2018 KSHS
Directors	34,712,047	22,780,178
Key Management remuneration	-	21,902,698
Net Balance	<u>34,712,047.00</u>	<u>44,682,875.50</u>

d) Due from related parties

	2019 KSHS	2018 KSHS
Due from Ministry of Water & Irrigation parties	-	-
Transfers to related parties	-	-
Net Balance	<u>-</u>	<u>-</u>

e) Due to related parties

	2019 KSHS	2018 KSHS
Due to Ministry of Water & Irrigation parties	-	-
Due to other related parties	-	-
Net Balance	<u>-</u>	<u>-</u>

32 FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company'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 company 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 entity's financial risk management objectives and policies are detailed below:

(i) Credit risk

The entity has exposure 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. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due Kshs
At 30 June 2019			
Receivables from exchange transactions	709,140,282	209,465,578	499,674,704
Receivables from non exchange transactions			
Bank balances	2,795,168,619		
Total	3,504,308,901	209,465,578	499,674,704
At 30 June 2018			
Receivables from exchange tra	762,407,300	262,732,596	499,674,704
Receivables from non exchange transactions	-		
Bank balances	1,577,391,083		
Total	2,339,798,383	262,732,596	499,674,704

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from farmers

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity Risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company 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.

	Less than 1 month	Between 1-3 months	Over 3 months
	Kshs	Kshs	Kshs
At 30 June 2019			
Trade payables	526,501,545	1,258,026,910	209,369,791
Current portion of borrowings			
Provisions			
Deferred income			
Employee benefit obligation			
Total	526,501,545.00	1,258,026,910.00	209,369,791
At 30 June 2018			
Trade payables	856,927,706	372,079,000	1,142,048,929
Current portion of borrowings			
Provisions			
Deferred income			
Employee benefit obligation			
Total	856,927,705.67	372,078,999.83	1,142,048,928.50

(iii) Market Risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity 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 entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control 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 company'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 entity's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2019			
Financial assets(investments, cash, debtors)	xxx	xxx	xxx
Liabilities			
Trade and other payables	xxx		
Borrowings	xxx	xxx	xxx
Net foreign currency asset/(liability)	xxx	xxx	xxx

The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2018			
Financial assets(investments, cash, debtors)			0
Liabilities			0
Trade and other payables			0
Borrowings			0
Net foreign currency asset/(liability)	0	0	0

Foreign currency sensitivity analysis

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2018			
Euro	10%	xxx	Xxx
USD	10%	xxx	Xxx
2017			
Euro	10%	xxx	Xxx
USD	10%	xxx	Xxx

b) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShsxxx. A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of xxx

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the entity's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *entity* considers relevant and observable market prices in its valuations where possible.

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value (Continued)

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

At 30 June 2019	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs
Financial Assets			
Quoted equity investments			
Non- financial Assets			
Investment property	27,950,000.00		
Land and buildings	1,275,893,480.71		
At 30 June 2018			
Financial Assets			
Quoted equity investments			
Non- financial Assets			
Investment property	27,950,000.00		
Land and buildings	1,278,955,789.00		
At 30 June 2019			
Financial Assets			
Quoted equity investments			
Non- financial Assets			
Investment property	27,950,000.00		
Property, plant and equipment	3,814,366,150.83		
At 30 June 2018			
Financial Assets			
Quoted equity investments			
Non- financial Assets			
Investment property	27,950,000.00		
Land and buildings	1,278,955,789.00		

There were no transfers between levels 1, 2 and 3 during the year.

Fair value of financial assets and liabilities

a) Financial instruments not measured at fair value (Continued)

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2018-2019		2017-2018
	Kshs		Kshs
Revaluation reserve			
Retained earnings	17,487,862,068		15,972,115,340
Capital reserve	694,921,649		694,921,649
Total funds	18,182,783,716.87		16,667,036,989.30
Total borrowings	0		
Less: cash and bank balances	2,795,168,619		1,388,540,391
Net debt/(excess cash and cash equivalents)	15,387,615,098.11	-	15,278,496,598.30
Gearing			0

PROGRESS ON FOLLOW UP OF AUDITOR'S RECOMMEDATION ON 2017-18 ANNUAL REPORT AND FINANCIAL STATEMENTS

1. Bank Balances

The statement of financial position as at 30 June 2018 reflects a balance of Kshs.1, 577,391,083 under cash and cash equivalents. This balance as disclosed under Note 19 to the financial statements includes cash balances of KShs.1,483,416 and bank balances amounting to KShs.1,575,907,667. A review of records relating to the bank balances revealed the following errors:-

- (i) The cash book for KCB-Katilu Account No.1130948382 reflected a balance of KShs.1, 203,710 as at 30 June 2018. The bank reconciliation statement for the account reflected a reconciling suspense amount of KShs.546, 021, which was described as overcast.
- (ii) The cash book for Barclays Bank Head Office Account No.0945036826 reflected a balance of KShs.84, 663,108 as at 30 June 2018. Included in the bank reconciliation statement for the account was an unexplained entry dated 14 July 2016 amounting to KShs.2, 134,555.90 that had not been resolved.

Consequently, the accuracy of the cash and cash equivalents position to the extent of the erroneous reconciling items could not be ascertained.

Management Response

- i. NIB cashbook in relation to KCB Katilu Account gives the true position of the cashbook closing balance as at the end of the financial year 2017/2018, the suspense amount in the bank reconciliation statement resulted from wrong opening balances in the NIB's bank statement for the month of March 2018. Despite the fact that the management wrote to the bank on the same, the issue has still been outstanding.

Current Status- Resolved

Management Response

- ii. The entry of Ksh 2,134,555.90 relates to an erroneous entry by the bank debiting the NIB's account twice. The management has been making follow up with the bank so as to be able to correct the error.

Current Status. - Resolved

2. Property Plant and Equipment

2.1 Loss of Motor Vehicle KBT 972A

Disclosed in Note 12 under property, plant and equipment are tractors and motor vehicles with a net book value of Kshs.41, 400,587 as at June 30 2018. The latter excludes a motor vehicle registration number KBT 972A not captured in the fixed asset register, which was claimed to have been stolen in the last financial year 2016/2017. In addition, ownership documents of the said vehicle were not made available for audit review. As a result, the completeness and accuracy of the net book of Kshs.41m400, 587 for tractors and motor vehicles could not be confirmed.

Management Response

The project vehicle was stolen while still under the contractor and had not been handed over to the employer. The contractor was instructed to replace the vehicle accordingly as per the conditions of the contract by the employer; National Irrigation Board. The vehicle could also not have been included in the fixed assets register since it was still in possession of the contractor and had not been handed over to NIB.

Current status – Resolved

3. Unaccounted for Retention Monies

The statement of financial position and as disclosed in Note 29 to the financial statements reflects a balance of Kshs.2,396,957,520 under payables from exchange transactions, which include an amount of Kshs.560,207,474 relating to retention monies due to contractors and consultants. However, banks statement for the retention account held at Cooperative Bank account No.01136128012902 reflected a balance of Kshs.99, 141,648 as at 30 June 2018 thus, resulting in a difference of Kshs.461, 065,826, that was not reconciled or explained.

Management Response

The figure of Ksh 560,207,474 refers to the retention money deducted from contractors' payments but not transferred from the main development bank account to the retention bank account as it used to be done before. This has led to the variance of Ksh. 461, 065,826 between the retention ledger account and the retention bank account

Current Status _ Resolved

4. Inventories

4.1 Obsolete Stock

The statement of financial position as at 30 June 2018 reflects inventories balance of Kshs.95, 293,715, out of which an amount of Kshs.5, 238,587 relates to inventory maintained at the National Irrigation Board head office. Examination of records and physical verification of stores revealed that inventories worth Kshs.1, 497,842 were obsolete. However, no provisions have been made for the obsolete stock in these financial statements. The inventories are under the circumstances not fairly stated.

Management Response

We note that there was no provision for obsolete stocks. This was an omission which will be addressed in the year 2018-2019.

Current Status- Not resolved, the Board paper is yet to be raised

NIB will make a provision for obsolete stocks in financial year 2018-2019. We shall also do a board paper to the board of directors seeking approval for the disposal of these stores in line with the provisions of the Public Procurement and Asset Disposal Act of 2015.

5. Retained Earnings

The statement of financial position and as disclosed under Note 20 to the financial statements reflects a balance of Kshs.15, 972,115,340 under retained earnings as at 30 June 2018. The balance was arrived at by adding the surplus for the year of Kshs.3,006,086,316 to the opening balance Kshs.16,282,172,345 and deducting an amount of Kshs.3,316,143,321 which is explained as retained earnings adjustment. However, Note 14 to the financial statements on work in progress indicates WIP adjustment of KShs.3,058,216,610 and transfer of completed projects to retained earnings of Kshs.5,958,077,975 resulting in a net adjustment of Kshs.2,899,861,365 which differs with the retained earnings adjustment figure of Kshs.3,316,143,321 in Note 20 amount by Kshs.416,281,956. The variance of Kshs.416, 281,956 was not explained.

The policy of the Board is to offset all projects completed during the year to the retained earnings. However, the policy is not documented or disclosed by a way of a note to the financial statements in alignment to the requirements of IPSAS 3.

Management Response

The variance of Kshs.416, 281,956 refers to a book error that occurred while transferring completed community projects being implemented by NIB from Work In Progress to retained earnings. This error was corrected and verified by the auditor as per attached reconciliation schedule. The schedule for the completed projects supporting the above adjustments is hereby attached.

Current Status- Resolved

The error which existed at the time of audit has now been reconciled.

6. Inter Company Transactions

The statement of financial position reflects receivables from exchange transactions net balance of Kshs.262, 732,596 comprising staff imprests, trade debtors, farmers and other receivables as disclosed in Note 18 to the financial statements. The other receivables gross amount of KShs.239, 947,346 disclosed under Note 18 further includes balances owing from Mwea Rice Mills Limited and Western Kenya Rice Mills (WKRM) as tabulated below:

Entity	NIB Books (Kshs.)	Mills' Books (Kshs.)	Variance (Kshs.)
Mwea Rice Mills Current Account	68,499,382	43,549,705	24,949,677
Western Kenya Rice Mills Current Account	79,331,536	27,950,094	51,381,442
Total	147,830,918	71,499,799	76,331,119

The variance of Kshs.76, 331,119 between the books of National Irrigation Board and the Mills, respectively was not explained. Consequently, the accuracy of the receivables from exchange transactions net balance of Kshs.262, 732,596 could not be confirmed.

Management Response

The variance of Kshs.76, 331,119 between the books of National Irrigation Board and the Mills, respectively arose due to lapse in the handing over of accounts records by retrenched NIB staff, in the year 2002.

Current Status – Not resolved

7. Staff Imprests

Disclosed in Note 18 to the financial statements under receivables from exchange transactions are staff imprests balance of Kshs.12, 590,850 as at 30 June 2018. However, included in the balance is amount of Kshs.2, 468,258 relating to long outstanding imprests dating back in 2015. No measure seems to have been taken by the management to recover the long outstanding imprests, whose recovery appears to be doubtful.

Consequently, the accuracy of the staff imprests balance of KShs.12, 590,850 could not be confirmed.

Management Response

The long outstanding imprest of Kshs.2, 468,258 is being recovered through the payroll system. The board has implemented a computerized system Enterprise Resource Planning (ERP) whereby any unsurrendered imprest is automatically transferred to salaries section for recovery through the payroll.

Current status- Resolved

The recoveries for the un-surrendered staff imprest of Ksh 2,468,258 is ongoing through the payroll. So far Ksh 1,970,348 has been recovered. The recoveries will continue until all outstanding staff imprest is fully recovered.

8. Long Outstanding Debts

Note 18 to the financial statements on receivables from exchange transactions includes trade, farmers and others with balances of Kshs.127,060,541, Ksh.382,808,562 and Ksh.239,947,346, respectively. Although, the Board made a provision for bad debt of Kshs.499, 674,704 or 66%, no aging analysis of the receivables was made available for audit review. In addition, no documentary was provided to confirm that the board of directors had given approval for the write-off of bad debts.

Consequently, the accuracy of receivables from exchange transactions net balance of Kshs.262, 732,596 as at 30 June 2018 could not be ascertained.

Management response

Though the management did not provide the aging analysis at the time of audit review, the same is hereby attached and the auditor has reviewed it.

On the issue of approval by the directors for the write off of bad debts, the management first did the provision as indicated in Note 18 to the financial statements. Plans are underway to do a board paper to the board of directors for deliberations and possible approval for the write off as provided for in the PFM Act, 2015.

Current Status – Not resolved

NIB is preparing a board paper for presentation to the board members for deliberations, necessary approval and recommendation to the National Treasury for write off in accordance with the PFM Act regulation 145(5)

9. Suspense Account

Included in other receivables balance of Kshs.239, 947,346 disclosed under Note 18 to the financial statements is an amount of Kshs.34, 280,229.29 which does not relate to any specific debtors. In the circumstances, the validity, completeness and accuracy of the suspense account balance of Kshs.34, 280,229.29 could not be confirmed.

Management Response

The figure of Ksh.34, 280,229 comprising of;

- i. other trade debtors(Kshs.11,098,611.60),
- ii. sundry debtors (Kshs.23,142,117.76) and
- iii. Other debtor (Kshs.39, 499.93)

These are historical figures recorded in the books. Due to difficulties in establishing the list supporting the figure, the management decided to include the same in the provision for bad debts in the financial statements.

Current Status – Not resolved

NIB is preparing a board paper for presentation to the board members for deliberations, necessary approval and recommendation to the National Treasury for write off in accordance with the PFM Act regulation 145(5).

10. Payables from Exchange Transactions

Disclosed under Note 29 to the financial statements are payables from exchange transactions totaling to Kshs.2, 396,957,520 as at 30 June 2018. However, included in the payables is amount Kshs.1, 126,307,614 owed to KRA and which had accumulated over a long period of time. The amount has increased by Kshs.152, 916,045 (16%) as compared to the previous year balance of Kshs.973, 391,569.20. The interest and penalties on the balance have, however, not been recognized in the Board's books of account.

In view of the foregoing, the completeness and accuracy of payables from exchange transactions balance of Kshs.2, 396,957,520 as at 30 June 2018 could not be ascertained.

Management Response

NIB which depends on the National Treasury for her funding has been facing challenges due to budget cuts from the government since the financial year 2014. The management has been settling the KRA bills as and when it receives funding from the Treasury. The management shall however, endeavor to clear the outstanding KRA bill when we receive the exchequer. NIB has made a commitment to make part payments until the whole debt is cleared.

Current Status – Resolved

1. Galana/Kulalu Food Security Project

The statement of financial position reflects a balance of Kshs.20,196,797,472 under Work in Progress and as disclosed in Note 14 to the financial statements includes several projects among them Galana/Kulalu Food Security Project.

1.1. Payment Certificates

According to the status report dated 1 March 2019 the contractor had presented 11 completion certificates, out of which 10 totaling Kshs.5, 711,546,898.03 had been fully settled. However, the eleventh certificate was still in dispute.

Examination and analysis of the payment certificates since inception of the project revealed a total cost of Kshs.5, 963,931,113.45. The difference of Kshs.252, 384,215 related to withheld taxes between what was actually paid and what was released to the client. Certificates Nos.1 to 5 totaling Kshs.2, 268,413,575.64 appear to have been settled by the Board while Certificates Nos.6 to 10 were paid directly the National Treasury. In addition, the Board paid to the contractor the gross amount, which included total VAT for Certificate nos.1 to 5 amounting to Ksh.417, 036,617.79 contrary to clause 60.1(b) of the signed contract which stipulated that all taxes should be withheld and remitted by the employer.

Management Response

The Employer (NIB) acted as per the VAT Act and withheld 6% of VAT and 3% of withholding Tax and remitted the same to KRA.

1.2. Purchase of Vehicles and Mowers

The contract document provided for purchase of two Prado vehicles for the Project Manager and deputy but the project instead procured five Prado vehicles. In addition, the contract document provided for purchase of one mower but instead the project procured three. No reason was given for these variations.

Management Response

The need to purchase additional 3 Prado vehicles was justified to facilitate effective supervision of the project due to the bad road conditions in Galana and the expansive project area to be covered. The variation was presented by the Engineer to the Employer and it was approved.

Due to the big size of the farm, there was need to also increase the number of mowers from one to three to facilitate in land preparation during production and the variation was duly approved by the employer.

Current status - Resolved

The additional vehicles are currently being used for project supervision and the mowers are being used in crop production.

1.3. Irrigation Systems

The irrigation system was described in contract documents as a pressurized one, where pressure pipes are used for conveyance. The entire pipe network is about 200Km (32Km centre pivot and 168km drip). Thirty kilometers of pipeline has been done for centre pivot and seventy two kilometers in drip area. The sizes of the main line pipes range from 710mm to 225mm in diameter and are made of steel, uPVC and HDPE. There are two types of pressurized irrigation system – centre pivot and drip (open field and greenhouses).

1.3.1. Centre Pivot (CP)

Information available indicates that centre pivot irrigation method will be using sprinklers and

is targeted to irrigate 3,960 acres. A total of 24 units were to be installed with each centre pivot irrigating 165 acres. Currently, there are 20 centre pivots with a capacity to irrigate 3,300 acres which have been supplied and installed. The supply and installation was verified during audit inspection but testing and operation of the centre pivots was not done as no water was available to enable testing of the same. Consequently, their functionalities could not be confirmed. Further, the contractor is yet to supply and install the 4 remaining centre pivots.

Management Response

The installed 20 centre pivots have been tested comprehensively and handed over to the employer and they are functioning well. The remaining 4 centre pivots have not been installed due to the failure of the contractor to proceed with the works as instructed by the employer and the matter is being addressed by a committee constituted to provide a way forward by the Cabinet Secretary, Ministry of Agriculture, Livestock, Fisheries and Irrigation comprising of officers from Attorney General (AG), National Treasury (NT), Presidential Delivery Unit (PDU), State Department of Irrigation and the National Irrigation (NIB).

Current status – Resolved

The 20 centre pivots are functioning well. The remaining 4 center pivots form part of the pending works.

1.3.2. Drip System

Drip irrigation system will be used for the irrigation of 5,265 acres. The contractor had supplied drip lines capable of covering 2,050 acres as per the status report. Installation of drip system covering about 1,800 acres is almost complete according to the same report. Land preparation was ongoing during the site visit.

A physical verification revealed that the main pipeline and the first reservoir of about 45 cubic meters for sedimentation for the first drip irrigation are of 2,435 acres was complete but the other lateral were yet to be installed. The next pipeline to the drip area of 2,830 acres was under construction but had stalled. The verification also revealed that pipe fusion had been

done in some cases, and was ready for eventual laying, however in most cases the trenches for laying of the pipeline had not been dug. The reservoir for drip irrigation had algae filled green water that was indicated to have been pumped several months ago during the testing of the pumps.

Management response

The total area to be put under drip irrigation system is 5,265 acres which is divided in two components. The first component covers 2,435 acres out of which installation of irrigation system on 1,800 acres has been completed with a pending balance of 635 acres for which laterals have not been installed and form part of the pending works.

The second component of drip irrigation system covers 2, 830 acres in which out of the targeted 5 km of the main water conveyance pipeline, 4 km have been done and construction of the remaining 1 km is pending together with construction of 45,000 cubic metres reservoir and installation of water distribution pipelines and laterals. The works have not been done due to the failure by the contractor to proceed with the works as instructed.

Current status - Not resolved

NIB plans to put the completed area of 1,800 acres under maize crop

1.4. Pumping Stations

Two pumping stations were planned for construction. The first pumping station was to have 5 pumps to irrigate 4,265 acres and to supply water also for all the domestic requirements at the logistic centre and staff quarters. The second pumping station was to have 8 pumps installed to irrigate 5,735 acres.

It was explained that eight pumps were installed but during the long rains season in 2018 the area had been flooded and after receding of the floods, the 8 pumps were cleaned and retested. Out of the 8 pumps, 6 pumps were said to have been tested but failed to restart. So only two pumps are said to be working. However, during the audit inspection the pumps were not tested as no water was available to pump.

It was observed during the audit verification that the intake canal was silted and full of mud. In addition, the diversion canal had also been damaged during the floods and was also heavily silted. National Irrigation Board has contracted another contractor to desilt the canal. No reason was given for awarding another contract to a third party when the project has not yet been handed over to the Board by the main contractor.

The eight installed pumps are currently connected to 20 centres pivots and part of drip irrigation area. Six electric pumps have been supplied and installed for the drip area.

However, it was noted that the pumping station had not been roofed although the roofing materials were on site and abandoned by the contractor for reasons that he had not been paid Certificate No.11.

Management Response

The contractor tested the 8 installed pumps out of which 6 pumps were in good working condition and were taken over by the employer. The contractor will repair the remaining 2 pumps before handing over.

After the flood event of May 2018, the contractor was instructed by the Employer to desilt the inlet canal to allow water to flow to the pumping stations and resume production activities in the farm. The contractor declined and as per the FIDIC conditions of contract 1987 edition which form part of the signed contract clause 63.1, the employer, NIB, engaged another contractor and the cost will be met by the main contractor.

Likewise, the contractor failed to proceed with the works and roof the pumping station at the reservoir as instructed by the employer and the stalemate is being addressed.

Current status – Not resolved

The six pumps are currently being used to irrigation the cropped area and the inlet canal was

fully desilted and water is flowing to the pumping stations and production has commenced. The roofing of the pumping station has not been done due to the contractor's failure to proceed with the works as instructed. It is part of the pending works.

1.5. Logistics Centre and Machinery

The logistics centre was set up to consist of several components as detailed below:

No.	Description	Deferred Components	Other Observations
1.	Maize mill and storage silos	Maize mill	No storage silos
2.	Generator house, gas station and electricity	Gas station	No electricity
3.	Garage, tractor shed and weighbridge (fully equipped)	Weighbridge	Garage and tractor shed exists
4.	Water treatment works	Not deferred	No treatment works
5.	Cold storage and packaging house	Deferred	Deferred
6.	Dispensary	Deferred	Deferred
7.	Office block complex complete with training centre	Training centre deferred	Office block exists but incomplete
8.	On farm roads, drainage	On farm roads	Drainage canals were incomplete
9.	Fencing	Not deferred	Completed but batteries and solar panels not seen
10.	Agricultural machinery and vehicles some machinery and vehicles were deferred	Some machinery deferred	Some of the machinery is on site. Not all expected machinery were on site.

The logistics center appears like a hangar. The office is in an open garage area. There is not air condition and staff working in the offices are at the mercy of the extreme conditions of weather.

Management Response

Due to the amendment of the contract from the original contract amount of Ksh 14.5 billion to Ksh 7.2 billion on 27th January 2016, several components were deferred which were not directly contributing to

the irrigation infrastructure amongst which were the employer offices for the Resident Engineer. The Employer therefore decided to use the logistics centre for the office accommodation for the Resident Engineer which is the only convenient location for office space and a long term solution is being sought.

Current status - Resolved

There was no provision for an office in the amended contract and therefore it has not been constructed and the Resident Engineer is still being accommodated at the logistics centre.

1.6. Effect of Floods in April 2018

Information available indicates that the flooding of River Galana in April 2018 caused destruction of part of the intake works and the river shifted from its original course. The contractor was requested during a site meeting to rehabilitate the intake by restoring water back to its original course to enable production to continue but he declined. He proposed that a lasting solution was required which would cost the employer Kshs.700 Million.

The perpendicular width of the river at the intake, along one of the axis also widened by about 196m as a result of the floods and therefore there was need for National Irrigation Board (NIB) to carry out river training to redirect water flow towards the intake for irrigation. NIB engaged another contractor to carry out the works and the water has been restored to the intake. The total amount incurred for the additional works was Kshs.19, 000,000.

The contractor declined and as per the FIDIC conditions of contract 1987 edition which form part of the signed contract clause 63.1, the employer, NIB, engaged another contractor and the cost will be met by the main contractor. Please refer to annex XIV.

Current status –Resolved

The rehabilitation works for river training has successfully been completed.

1.7. Land Preparation

It was noted that the National Irrigation Board has prepared 570 acres of land under centre pivots for crop production. However, the contractor had stopped working and had actually vacated the

site other than for a very lean staff comprising of watchmen. It is therefore apparent that the project will not be completed soon. The National Irrigation's Board attempt at carrying out task of preparation of land and irrigation of the 570 acres appears intended to fail as the Board had not initially planned for the actual implementation of the irrigation process and does not appear to have the capacity to carry out the growing of maize.

Management Response

National Irrigation Board has in the interim continued to undertake production in the farm. According to the production plan the role of NIB is infrastructure development after which the project will be handed over to Agricultural Development Corporation (ADC) was to undertake production.

Current status -Resolved

Currently 1,500 acres has been cropped under the centre pivot.

1.8. Under-Utilization of 20,000 Acres Leased Land

The lease agreement signed between Agricultural Development Corporation and the National Irrigation Board dated 7 April 2014 indicates portion of land measuring 20,000 acres. However, the signed agreement between Green Arava Limited and National Irrigation Board indicated that 10,000 acres only would be utilized. The remaining 10,000 acres are idle and will remain idle since they were not included in the model farm programme. No reason was given by management for leasing 20,000 acres of land when they only required 10,000 acres.

The Board from the inception of the Project has paid Kshs.150, 000,000 in respect of lease of the land as follows:

Financial Year	Amount (Kshs)
2013/2014	50,000,000
2014/2015	70,000,000
2015/2016	30,000,000
Total	150,000,000

In the circumstances it was not possible to establish why the Board leased 20,000 acres and only utilized 10,000 acres but making lease payments for 20,000 acres.

Management Response

NIB Board approved the leasing of 20,000 acres based on the pre-feasibility and pre-investment study, the water available in Galana River on direct abstraction could irrigate 20,000 acres. Based on this, NIB planned to implement the Model Farm measuring 10,000 acres and then develop the remaining 10,000 acres but this has delayed due to lack of funds. Board minutes are hereby attached.

Current Status - Resolved

Out of the leased land of 20,000 acres, 10,000 acres is occupied by the model farm and part of the remaining 10,000 acres is occupied by the contractor's camp site, the employer staff houses, the pumping stations, police camp and the workers houses.

2. Rahole Canal Irrigation Project Phase 3

As noted in the previous year, the project has been under implementation by the Board over the last four financial years (since the year 2013) and only three phases of the project have been implanted at a total cost of Kshs.679,805,824 (Phase I: Kshs.143,911,619, Phase II: Kshs.300,356,375 and Phase III: Kshs.235,537,830). The contract was awarded to M/S Concordia Building and Civil Engineers Limited for all the phases. The main activities/components of the project include; construction of intake works, excavation of secondary canals and construction of water distribution structures.

The contract for phase II was to commence on 17 September 2014 and to be completed on 17 September 2015. The current status report indicates that 85% of the works have been done. No reason or explanation has been provided for delay in completion of the project.

Management Response

The delay in the completion project has been occasioned by several factors the key being the budgetary cuts which caused delay in payment to the contractor. The other factors which have caused delay are insecurity in area due the risk of attack by Al-Shabaab as most of the workers come from outside the area and they are the most affected. There is also lack of enough skilled labour in the area. Completion certificate attached.

Current Status - Resolved

This phase two of the project was completed.

3. Yakitaa Irrigation Development Project

Tender No. NIB/T/004/2015-2016 for the above project was awarded to Benisa Limited for a contract sum of Kshs.123, 500,147. The start and completion dates were 30 December 2015 and 30 December 2016, respectively. Although Certificate No.1 for Kshs.40, 381,824 has been paid, the completion status is 30%. The performance guarantee was for up to 30 December 2016. No reason has been provided for the delay in completion of the project.

Management Responses

The contract was terminated due non-performance of the contractor and failure to extend the performance guarantee and the balance of the works have been procured.

Current Status - Resolved

The new contractor is currently mobilizing to commence the works.

4. Oldonyiro Irrigation Scheme

Contract No. NIB/T/100/2014-2015 for construction works in respect of Oldonyiro Irrigation Scheme was awarded to Dido and Sons Limited at a sum of Kshs.224, 584,457.77. The works commenced on 4 September 2015 and were expected to be completed on 28 October 2016. According to a Memo dated 9 September 2016 the project targeted 300 acres of land under

irrigation and was to provide also water for domestic and livestock use.

At the time of the audit, the project's progress of completion was 74% but payments totaling Kshs.212, 628,059.78 or about 95% of the contract sum had been certified and made to the contractor. However, the management did not provide reasons for the delay in project completion.

Management Responses

The delay in the completion of the project was occasioned by delayed delivery of equipment notably pumps and turbines which were been manufactured from China which is a new technology in Kenya. Payments to the contractor were done for measured certified works as per the contract provisions and the works were fully inspected before payment.

Current Status - Resolved

The equipment has been imported and installation is complete. The project is currently at 90% completion and the pending works will be delivered by July 2019.

5. Lower Kithengi Irrigation Development Project

Contract No. NIB/T/120/2013-2014 in respect of construction works for Lower Kithengi Irrigation Development Project was awarded to Siyale Investment at a sum of Kshs.27, 546,902.77. The works commenced in July 2015 and were expected to be completed in June 2016. The Project is located in lower Kithimu location, Nembure Division of Embu County. The project targeted to put 30 acres of land under irrigation and benefitting 150 farmers.

A certificate for an amount of Kshs.18, 618,185 representing about 68% of the contract sum was approved on 29 January 2016 and paid. However, no further certificates have since been submitted or approved for payments and the project has remained 67% complete. No explanation has been provided for non-completion of the project.

Management Responses

The contract was terminated due to non-performance of the contractor and the balance of the works have been procured.

Current Status - Resolved

The new contractor has achieved 80% completion status.

6. Rehabilitation Works of Riu Nderi Water Pan

Contract No. NIB/T/087/2014-2015 for rehabilitation works of Riu Nderi Water Pan was awarded to Bofas Zipper Ltd at a sum of Kshs.84, 476,370. The works commenced on 24 September 2015 and were expected to be completed on 24 June 2016. The works were as of 30 June 2018 still being reflected as in progress in the financial records and a total of Kshs.60, 797,600 or 72% of the contract sum had been paid to the contractor. Although, performance guarantee expired on 24 June 2016, the management did not confirm the extension of the performance guarantee. Further, no reasons were given for the delay in completion of the project.

Management Responses

The contract was terminated due non-performance of the contractor and procurement to complete the balance of the works has been initiated.

Current Status – Not resolved

Procurement of a new contractor is in progress.

7. Rehabilitation Works of Bura Irrigation and Settlement Scheme Project

7.1 Award of Contract

Contract No. NIB/T/046/2010-2011 for rehabilitation of the Bura Irrigation and Settlement

Scheme project was awarded to IVRCL Limited on 24 August 2012 at a sum of Kshs.7, 355,829,104 inclusive of 10% contingency sum. The contract was signed on 27 February 2013. The project was to be financed in the following proportion:

	Ksh.
GOK	5,394,199,104
Kuwait Fund	1,856,400,000
BADEA	680,000,000
OPEC Fund	510,000,000

7.2. Status of Progress of Works

The rehabilitation works commenced on 27 November 2013 and were expected to be completed within a period of twenty-four months on 27 November 2015 which was later revised to 27 November 2016. A letter from National Irrigation Board dated 7 February 2017 addressed to the Principal Secretary on the project gave an extension of up to 31 December 2017 for the completion of the entire works. A revised date of completion was later granted up to 31 March 2018. To date the project overall completed works is 30% against elapsed contract period of 1821 days as per the status report dated October 2018. It was noted that the delay in completion of the works was partly due to inability of the contractor to finance the works.

On 3 March 2018 a public announcement was made under the provisions of regulation 6 of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons), Regulations, 2016 on IVRCL Ltd (the contractor) which the contractor confirmed. Information available indicates that the Board has written to Kenya Commercial Bank (KCB) demanding payment of the advance payment guarantee of USD5, 750,000 and performance bond guarantee of USD5, 751,744 a demand which the bank dishonored.

7.3 Payments Certified

Works valued at Kshs.2, 693,229,804.41 have been certified with the amounts certified and paid totaling Kshs.2, 487,528,120.93 which includes an advance payment of Kshs.665, 192,201.30 to the contractor, which has not been fully recovered.

Management Response

NIB after seeking legal advice from the Attorney General made an application at the High Court seeking orders for KCB to be compelled to honor the demand and pay the amounts guaranteed both for the advance payment and performance bond guarantees to enable full recovery of the advance payment.

Current status – Not resolved

The hearing of the case at the high court has started.

8. Failure to Implement Internal Audit Management System

NIB had procured an Internal Audit Management System for control management, analysis and risk assessment in September 2015. The Audit Management System (Pentana v 2015) was procured from Service and Computer Industries Kenya Limited vide Contract Number: NIB/T/061/2014-2015 of 4 September 2015 at a contract sum of Kshs.6, 499,736.

A total payment of Kshs.5,531,461.36 has been made to date to the firm in two installments vide cheque No.012122 dated 8/29/2017 for Kshs.2,209,523.81 and cheque No.012807 dated 3/21/2018 for Kshs.3,321,892.55. However, it was observed that the system was not being used by the internal auditors for their audits. Consequently, the Board appear not to have obtained value for money in respect of the expenditure of Kshs.5, 531,461.36 so far incurred for the Audit Management System.

Management Response

Immediately after the implementation of the Internal Audit Management system, we experienced a technical challenge integrating the Audit System with the ERP Finance system. This posted a challenge in operationalizing all the modules.

Current Status - Resolved

The integration issue was sorted out and therefore the Internal Audit Management System is currently in use and fully operational.

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1. Mvea Irrigation development	1167100900	Jica	2017/18	2,358,000,000	No	Yes
2. Galana Kulala Food Security	1167100700	Bank Leumi of Israel	2017/18		No	Yes
3. Bura Irrigation	1167100400	Kuwait Fund, Baidoa, Ofid	2017/18		No	Yes

Status of Projects completion

No.	Project Title	Total Project Cost (KES.)	Total Expended to date	Project status (Completion %)	Budget (FY 2018/19)	Actual Expenditures	Source of Funds
1	Construction of Akaga irrigation Project	77,766,744.00	69,634,460.00	90 % complete	5,000,000.00	3,868,603.44	GoK
2	1104100400 Bura Irrigation Scheme Construction of Bura rehabilitation project (BADEA,KF, and GoK)	7,355,829,104.00	3,385,566,084.66	30 % Complete	511,000,000.00	181,795,492.63	GoK
3	Construction of Gachoka clusters 2 Irrigation Project	500,000,000.00	217,864,882.00	90 % completed, contractor applied for an extension	30,000,000.00	20,000,000.00	GoK
4	Construction of Lower Kidlegi Irrigation Project	480,000,000.00	240,390,585.16	Contract terminated at 80% completion,another contractor will be identified to complete the project	5,000,000.00	-	GoK
5	Construction of Lower Sio Irrigation Project	1,695,344,000.00	578,466,414.15	79% Complete	12,442,883.87	12,442,883.87	GoK

6	Construction of Mvithiga	46,912,932.00	26,828,749.80	85 % complete, contractor applied for extension	20,000,000.00		GoK
7	Construction of Nyakuni Water Pan	74,000,000.00	61,027,025.68	85 % complete			GoK
8	Construction of Oldonyiro Irrigation Development Project	224,000,000.00	212,628,059.78	85 % complete	35,000,000.00		GoK
9	Ruu Ndert Water Pan	84,476,370.00	61,027,025.68				
10	Construction of Runga Irrigation Scheme Project	81,196,196.00	44,648,534.00	95 % complete, contractor applied for extension	20,000,000.00		GoK
11	Construction of Soan Phase 2 Project	109,000,000.00	128,194,376.00	85 % complete	3,124,377.81	3,124,377.81	GoK
12	Construction of Thina Model Farm Irrigation Project	97,000,000.00	52,494,000.00	80 % complete, contractor has applied for extension, delay has been caused by time taken to identify an alternative site for borehole.			GoK
13	Construction of Yikitia Irrigation Development Project	123,500,147.0	40,381,824.0	60 % complete, contractor applied for extension, delay due to flooding of the Athi River	-	-	GoK
14	Chesagariat March Irrigation project	58,888,720.00	23,729,001.00	50 % complete, Project delayed due to insecurity, contractor applied for extensions			GoK
15	Civil Works For Irrigation Projects	-	-				
16	Construction Rahole canal phase 3 Irrigation Project	235,537,830.00	132,344,984.00	75 % complete	30,000,000.00		GoK
							50

	1104100700 Galana Kulalu Irrigation Development Project								
17	Galana Model Farm (studies and other infrastructure) (supply of pumps and pipes to Lango Mbaya clusters as CSR and other infrastructure	7,294,800,000.00	7,654,622,721.76	Projected completed and handed over to the community	153,750,000.00	153,750,000.00		GOK	
18	Construction Of Lower Sabor Irrigation Project	397,501,272.00	175,025,191.58						
19	Construction of Nachu Water Pan	94,891,650.00	70,012,320.00	80 % complete	30,000,000.00			GoK	
20	Nachu Small (Kinore)	19,989,420.00	12,570,200.00	Project 95% completed and the remaining activity is installation of greenhouses in order to hand over the project to the community	10,000,000.00			GoK	
21	Construction for Ndula Magogoni	280,000,000.00	254,977,809.84	90% complete . Pending supply of in-field system to farmers and completion of 3km magogoni 'B'	30,000,000.00	5,000,000.00		GoK	
	1104100900 MwcaIrrigation Development Project								

22	Mwea Thiba Dam (land compesation)	350,000,000.00	6,340,420,558.44	Contract has been signed and contractor is mobilizing	2,551,000,000.00	54,252,545.67		GOK	
23	Construction Awagera water Pan	99,980,100.00	55,421,200.00	80 % complete, contractor abandoned site, termination process initiated	-			GoK	
24	Kieni Water Pan		31,413,393.97						
25	Mansa Borehole and Irrigation Development project	29,893,787.00	20,471,710.00	Projected completed and handed over to the community	20,000,000.00			GOK	
26	Kina Water Pan	40,000,000.00	22,928,482.92		40,000,000.00				
27	Household Water Pans	500,000,000.00	206,850,977.80		5,000,000,000.00				
28	Construction of Muringa Banana , Phase 2 construction works	456,000,000.00	56,856,900.00	99% complete. DLP expired	80,000,000.00	17,271,514.00		GoK	
29	Logologo Water Pan Project	-	-						
	TOTAL	20,806,508,272.0	20,196,797,472.2	-	8,586,317,261.7	470,559,866.4			51

NATIONAL IRRIGATION BOARD
NOTES TO FINANCIAL STATEMENTS
2018-19
APPEDIX III : INTER ENTITY TRANSFERS

Breakdown of transfers from Ministry of Water & Irrigation
FY 2018/2019

a.	Recurrent Grants			
	Min of Water & Irrigation	8/10/2018	Amount (KSH)	For Financial Year
	Min of Water & Irrigation	19-12-2018	51,250,000	2018-2019
	Min of Water & Irrigation	17-04-2019	58,800,000	2018-2019
	Min of Water & Irrigation	30-06-2019	58,800,000	2018-2019
	Min of Water & Irrigation	30-06-2019	61,250,000	2018-2019
	Min of Water & Irrigation	30-06-2019	10,000,000	2018-2019
	Min of Water & Irrigation	30-06-2019	710,037,272	2018-2019
		TOTAL	950,137,272	
b.	Development Grants			
	Min of Water & Irrigation	25-10-2018	1,110,000,000	2018-2019
	Min of Water & Irrigation	02-01-2019	1,285,000,000	2018-2019
	Min of Water & Irrigation	14-05-2019	1,197,500,000	2018-2018
	Min of Water & Irrigation	25-06-2019	881,000,000	2018-2018
	Min of Water & Irrigation	30-06-2019	66,500,000	2018-2018
	Min of Water & Irrigation	14-06-2019	438,040,462	2018-2018
	Min of Water & Irrigation	25-06-2019	161,959,538	2018-2018
	Min of Water & Irrigation	30-06-2019	630,665,379	2018-2018
		TOTAL	5,770,665,379.00	
c.	Other Grants			Nil
d.	Direct Payments			
	JICA For Thiba dam	18-09-2018	7,363,240	2018-2019
	JICA For Thiba dam	28-11-2018	77,114,086	2018-2019
	JICA For Thiba dam	14-12-2018	7,582,667	2018-2019
	JICA For Thiba dam	19-12-2018	10,946,529	2018-2019
	JICA For Thiba dam	29-03-2019	115,114,457	2018-2019
	JICA For Thiba dam	29-04-2019	7,078,909	2018-2019
	JICA For Thiba dam	06-05-2019	11,329,158	2018-2019
	JICA For Thiba dam	17-05-2019	124,402,204	2018-2019
	JICA For Thiba dam	18-06-2019	79,933,743	2018-2019
		TOTAL	440,864,991	
e.	Donor Receipts		Nil	

[illegible]

NB: NO TRANSFERS FROM OTHER GOVERNMENT ENTITIES

