

REPUBLIC OF KENYA



REPORT

OF

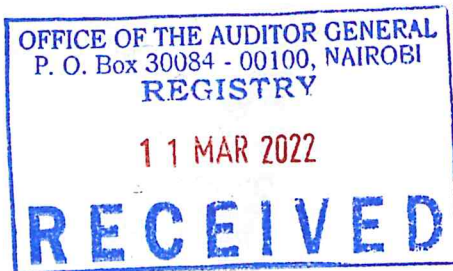
THE NATIONAL ASSEMBLY PAPERS TAID	
DATE: 13 APR 2022	DAY: WED
TABLED BY: LOM	CLERK AT THE TABLE: S KALAMA

THE AUDITOR-GENERAL

ON

NATIONAL IRRIGATION AUTHORITY

**FOR THE YEAR ENDED
30 JUNE, 2020**



National
Irrigation
Authority

NATIONAL IRRIGATION AUTHORITY

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020

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

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

Table of Contents

KEY ENTITY INFORMATION AND MANAGEMENT.....	iii
THE BOARD OF DIRECTORS.....	ix
MANAGEMENT TEAM.....	xvii
CHAIRMAN'S STATEMENT.....	xxiii
REPORT OF THE CHIEF EXECUTIVE OFFICER	xxv
REVIEW OF NATIONAL IRRIGATION AUTHORITY'S PERFORMANCE FOR FY 2019/2020.....	xxxix
CORPORATE GOVERNANCE STATEMENT.....	xxxvii
MANAGEMENT DISCUSSION AND ANALYSIS	xxxviii
CORPORATE SOCIAL RESPONSIBILITY STATEMENT.....	xlvi
REPORT OF THE DIRECTORS	liii
REPORT OF THE INDEPENDENT AUDITORS ON NATIONAL IRRIGATION AUTHORITY.....	lvi
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020.....	1
STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2020.....	2
STATEMENT OF CHANGES IN NET ASSETS AS AT 30-06-2020.....	3
STATEMENT OF CASHFLOWS FOR THE YEAR 30TH JUNE 2020	4
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020.....	5
NOTES TO THE FINANCIAL STATEMENTS 2019-2020.....	6
APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	31
APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY.....	62
APPENDIX III: INTER ENTITY TRANSFERS.....	70

KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The National Irrigation Authority (NIA) was established on August 16, 2019 by the Irrigation Act No. 14 of 2019, a successor institution of the National Irrigation Board. This was after His Excellency the President assented to the Irrigation Bill of 2019 on July 29, 2019 paving way for its gazettment via Kenya Gazette Supplement No. 136 (Acts No. 14) of August 2, 2019. The object of the Act is “to provide for the development, management and regulation of Irrigation, to support sustainable food security and socioeconomic development in Kenya, and for connected purposes”.

The Authority is currently managing seven (7) public Irrigation Schemes namely, Mwea, Perkerra, Hola, Ahero, West Kano, Bunyala and Bura. In these Schemes, the Authority undertakes the development, operation and maintenance of Irrigation infrastructure through which it conveys Irrigation water to the cropland. The Authority 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). The Authority runs two (2) subsidiary companies 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) the Authority is obligated not only to be responsible for undertaking Irrigation development but to also widen the delivery of its services all over the Republic of Kenya. In pursuit of delivering its statutory and constitutional mandates, the Authority is therefore implementing numerous development projects across the Country under the various initiatives. During 2019-20 FY, the Authority implemented projects under the following nine (9) programmes;

- i. Bura Irrigation Rehabilitation Project
- ii. Galana Kulalu Irrigation project
- iii. National Expanded Irrigation Programmes
- iv. Mwea Irrigation Development Project
- v. Rwabura Irrigation Development Project
- vi. Turkana Irrigation Development Project
- vii. Lower Kuja Irrigation Scheme
- viii. Lower Sabor Irrigation Project
- ix. Household Irrigation Water Harvesting Project

The Government through National Irrigation Authority has embarked on the completion of the above stated projects across the country.

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

(b) Principal Activities

The principal activity of the National Irrigation Authority 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 Authority's vision of Water to every Irrigable Acre.

(c) Key Management

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

- i. Board of directors
- ii. Chief executive officer/ General Manager
- iii. Senior Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th JUNE 2020 and who had direct fiduciary responsibility were:

NO.	NAME	DESIGNATION
1	Mr. Gitonga Mugambi	Chief Executive Officer
2	Eng. Raphael Ogendo	Deputy General Manager – (Engineering Services)
3	Mr. Daniel M. Atula	Deputy General Manager – (Operations)
4	Mr. Charles C. Koske	Deputy General Manager – (Corporate Services)
5	Eng. Vincent N. Kabuti	Deputy General Manager – (Research, Planning & Strategy)
6	Ms. Jedidah N. Oduori	Head of Finance
7	Miss. Victoria A. Aloo	Head of Human Resource and Administration
8	Ms Nancy Wambugu	Head of ICT /Ag. Company Secretary
9	Mr. Daniel M. Nzozzo	Head of Corporate Communications
10	Ms Evaline Akoth	Head of Procurement
11	Mr. Kisaka Sakari	Head of Internal Audit

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

(e) Fiduciary Oversight Arrangements

The Board of Directors exercise the oversight role on the Authority. The Board of Directors who held office during the financial year ended 30th June 2020 were:

No.	Name	Board Position
1.	Hon. Eng. Joshua N. Toro	Chairman
2.	Aboud Moeva	Alternate, Principal Secretary State Department of Irrigation
3.	Eng. Laban Kiplagat	Alternate, Principal Secretary State Department of Crop Development
4.	Charles Kairu	Representative of The National Treasury
5.	Christine K. Ileli	Alternate, The Attorney General
6.	Eng. Samuel O. Alima	Alternate, Principal Secretary State Department of Water and Sanitation
7.	Peter Waweru	Inspectorate of State Corporations
8.	Gitonga Mugambi	CEO, Board Secretary.

Board of Directors

The following committees of the Board and Parliament provide fiduciary oversight to National Irrigation Authority.

1. Finance Committee

This is a committee of the Board whose key responsibilities are to:

- i) Review, approve and/or recommend for Board's approval:
 - i. Financial policies and procedures.
 - ii. Estimates of Receipts and expenditures including their revisions,
 - iii. Re-allocation of Funds between budget heads,
 - iv. Special funding proposals including borrowings and grants,
 - v. Proposals for opening bank accounts, and change of bank account signatories,
 - vi. Proposals for investments and their returns,
 - vii. Annual Corporate Social Responsibility activities.

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

- ii) The Committee also ensures that:
 - a) Proper books accounts and records are maintained for Authority's transactions,
 - b) All expenditures are within the approved budget,
 - c) Proper records are maintained on property and material liabilities.

2. Audit and Risk Committee

This is a committee of the Board whose key responsibilities are to;

- i) Review, approve and/or recommend for Board's approval:
 - a) The external auditor's management letter and management's response to the external auditor's findings and recommendations
 - b) The Board's procedures for detecting fraud and to review the investigations and remediation of an of any alleged or suspected fraud,
 - c) At least annually, review the status of the enterprise risk management program
 - d) The annual internal audit work plan.
- ii) Ensure that:
 - a) Unsettled and unimplemented Public Investment Committee's (PIC) issues are resolved,
 - b) Clarity of disclosure in financial reporting and the presentation of a balanced and understandable assessment of the Authority's financial position.
 - c) Recommendations of the Auditor General are implemented.
 - d) Integrity of financial statements of the Board is maintained.
 - e) Disagreements between management and any auditor regarding Authority's financial reporting are resolved.
 - f) Special audit/ investigation on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency are conducted.

3. Public Investments Committee

The Public Investments Committee (PIC) is a parliamentary select committee charged with the responsibility of examining the activities of state agencies. It receives audit reports from the Clerk of the National Assembly who in turn would have received them from the Authority.

Its key responsibilities as appertains to the Authority are to:

- i) Examine the reports of the Auditor General on the financial statements of the Authority,
- ii) Examine in the context of the autonomy and efficiency of the public investments, whether the affairs of the public investments are being managed in accordance with sound financial or business principles and prudent commercial practices.
- iii) Within three months after receiving the PIC report, Parliament shall debate and consider the report and take appropriate action.

(f) National Irrigation Authority Headquarters

National Irrigation Authority
Unyunyizi House
Lenana Road

(g) National Irrigation Authority Contacts

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

(h) National Irrigation Authority Bankers

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

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

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

Absa Bank Kenya PLC
Absa HQS Level 4 Waiyaki Way
P. O Box 30120-00100
Nairobi Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

THE BOARD OF DIRECTORS



Hon. Eng Joshua Toro

HON. ENG. JOSHUA TORO- CHAIRMAN

Hon. Eng. Joshua Ngugi Toro was appointed as the Chairman of NIA 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).

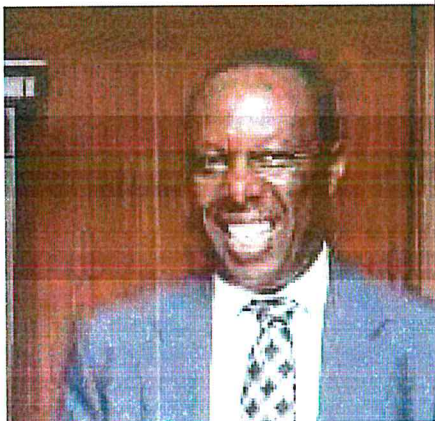

Hon. Eng. Toro served as a Member of Parliament for Kandara Constituency for ten (10) years from 1997 to 2007. H.E Mwai Kibaki, who was the Official Leader of Opposition then, appointed him shadow Minister for Roads, Public Works and Housing in parliament for five (5) years between 1997 and 2002. He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

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

	so as to effect and promote the Government's Big4 Agenda on Food Security and Nutrition
 <p>Mr. Gitonga Mugambi</p>	<p>MR.GITONGA MUGAMBI - CHIEF EXECUTIVE OFFICER</p> <p>Mr. Gitonga Mugambi was appointed the General Manager of National Irrigation Authority 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 Authority.</p>
 <p>Eng. Japhet K. Rutere</p>	<p>ENG. JAPHET KABURU RUTERE-INDEPENDENT DIRECTOR</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. His term in the Board automatically expired on 16th August 2019 under the repealed Irrigation Act Cap 349</p>

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

 <p>Edwin K. Chelluget</p>	<p>MR. EDWIN K. CHELLUGET-INDEPENDENT DIRECTOR</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>His term in the Board automatically expired on 16th August 2019 under the repealed Irrigation Act Cap 349</p>
 <p>Esther A. Longori</p>	<p>MS. ESTHER A. LONGORI-INDEPENDENT DIRECTOR</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>Her term in the Board automatically expired on 16th August 2019 under the repealed Irrigation Act Cap 349</p>
 <p>Hon. Zainab Chidzuga</p>	<p>HON. ZAINAB CHIDZUGA-INDEPENDENT DIRECTOR</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> <p>Her term in the Board automatically expired on 16th August 2019 under the repealed Irrigation Act Cap 349</p>

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

 <p>Hon. Grace Kiptui</p>	<p>HON.GRACE JEMUTAI KIPTUI - INDEPENDENT DIRECTOR</p> <p>Hon. Grace Jemutai Kiptui was appointed as a member of the Board on 5th 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</p> <p>Her term in the Board automatically expired on 16th August 2019 under the repealed Irrigation Act Cap 349</p>
 <p>Arch. Francis M. Gichuhi</p>	<p>ARCH. FRANCIS M. GICHUHI -INDEPENDENT DIRECTOR</p> <p>Arch. Francis M. Gichui was appointed to the Board on 5th 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. His term in the Board automatically expired on 16th August 2019 under the repealed Irrigation Act Cap 349</p>

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020



Dr. Francis K. Njonge

DR. FRANCIS K. NJONGE- INDEPENDENT DIRECTOR

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 Gatunyanga secondary school and the Founding Chairman Board of Governors of Gathigiriri mixed secondary school among others.

His term in the Board automatically expired on 16th August 2019 under the repealed Irrigation Act Cap 349






Rtd. Cap. Stanley O. Ntutu

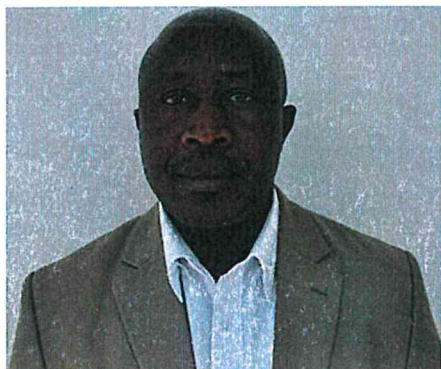
RTD. CAPT. STANLEY O. NTUTU -INDEPENDENT DIRECTOR

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. His term in the Board automatically expired on 16th August 2019 under the repealed Irrigation Act Cap 349

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

	<p>MS. WAMBUI NYUTU -INDEPENDENT DIRECTOR</p> <p>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.</p> <p>Her term in the Board automatically expired on 16th August 2019 under the repealed Irrigation Act Cap 349</p>
	<p>MR. CHARLES KAIRU – ALTERNATE TO CABINET SECRETARY, NATIONAL TREASURY</p> <p>Mr. Charles Kairu was appointed to the Board on 20th May 2020 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.</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 Master 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> <p>Her term in the Board automatically expired on 16th August 2019 under the repealed Irrigation Act Cap 349</p>

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020



Mr. David Bosuben

MR.DAVID BOSUBEN, ALTERNATE, DIRECTOR OF WATER.

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.

His term in the Board automatically expired on 16th August 2019 under the repealed Irrigation Act Cap 349



Eng. Laban Kiplagat

ENG. LABAN KIPLAGAT, ALTERNATE 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 10th February 2020 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.

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020



Mr Aboud Moeva

MR. ABOUD MOEVA, ALTERNATE REPRESENTATIVE OF THE PRINCIPAL SECRETARY, DIRECTORATE OF IRRIGATION, MINISTRY OF WATER, SANITATION AND IRRIGATION

Mr. Moeva was appointed to the Board on 22nd April 2020. 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 Centre-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.



Eng. Samuel O. Alima

ENG. SAMUEL O. ALIMA-ALTERNATE REPRESENTATIVE OF WATER, SANITATION AND IRRIGATION.

Eng. Samuel O. Alima was appointed to the Board on 22nd April 2020

He is a Civil Engineer by profession and holds Masters Degree in Civil Engineering, Masters Degree in Business Administration (MBA), Operations Management and Bachelor's Degree in Civil Engineering, all from University of Nairobi. He is currently undertaking a PHD in Project Planning and Management.

He currently holds the office as the Water Secretary and has previously worked as a Director of Water, Sewerage and Sanitation, Deputy Director Operations and Maintenance, Deputy Director Construction, Technical Manager, Water sector Trust Fund, Provincial Development Engineer, Central Province, Provincial Water Officer, Nyanza Province, Provincial Water Officer Rift Valley Province, District Water Officer, Koibatek and District Water Officer Taita/Taveta.

He is a registered Engineer with Engineers Board of Kenya (EBK) and a Corporate Member of Institution of Engineers of Kenya,

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020



Nancy M. Wambugu

**NANCY M. WAMBUGU, HEAD OF ICT AND AG,
CORPORATION SECRETARY**

Nancy is currently the Head of ICT Services and Acting Corporation Secretary at National Irrigation Authority. 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 MSC Information Security from Strathmore University and BSC, in Computer Studies. 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 Authority in digitization and automation processes.

MANAGEMENT TEAM



Mr. Gitonga Mugambi

**MR. GITONGA MUGAMBI GENERAL
MANAGER / CEO**

Mr. Gitonga Mugambi was appointed the General Manager of National Irrigation Authority 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 Authority.

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020



Mr. Daniel Atula Masatia

MR. DANIEL ATULA MASATIA - DEPUTY GENERAL MANAGER - OPERATION AND IRRIGATION MANAGEMENT SERVICES.

Mr. Daniel Atula Masatia was appointed to the post of Deputy General Manager Operations of National Irrigation Authority 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..



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 Authority 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 Authority, 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.

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020



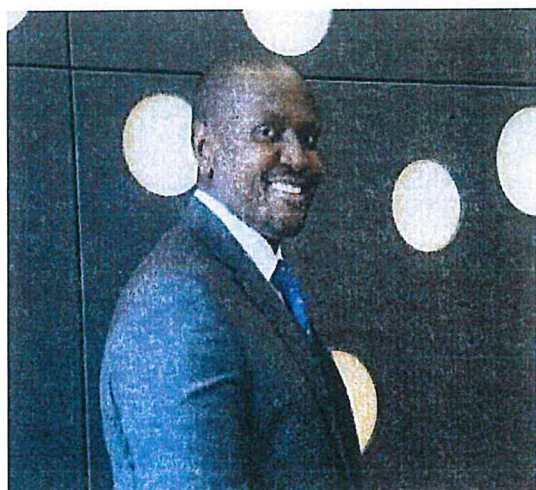
Eng. Raphael Ogendo

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 Authority, 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.



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

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

	scheduling and implementation, farmers training and community mobilization
 <p>Nancy M. Wambugu</p>	<p>NANCY M. WAMBUGU, HEAD OF ICT AND AG, CORPORATION SECRETARY</p> <p>Nancy is currently the Head of ICT Services and Acting Corporation Secretary at National Irrigation Authority. 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 MSC Information Security from Strathmore University and BSC, in Computer Studies. 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 Authority in digitization and automation processes.</p>
 <p>Jedidah N. Oduori</p>	<p>JEDIDAH N. ODUORI, HEAD OF FINANCE</p> <p>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 Authority 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 and CPA K holder. 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 Authority.</p>

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020



Victoria Aloo

VICTORIA ALOO, HEAD OF HUMAN RESOURCE AND ADMINISTRATION

Victoria is the Ag. Chief Officer- HR & Administration. She joined the Authority in January 2009. Prior to joining the Authority, 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 Authority, he served in the Civil Service as an Auditor. He has held various positions in both Audit & Finance Departments of the Authority. 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 Authority.

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020



Daniel M. Nzonzo

DANIEL M. NZONZO, HEAD OF CORPORATE COMMUNICATION

Mr. Nzonzo re-joined the Authority 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 Authority. 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 AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

CHAIRMAN'S STATEMENT

The Irrigation Act, 2019 creates the National Irrigation Authority (NIA) as the sole national body charged with sustainable Irrigation development and management in Kenya. With a vision of providing water to every irrigable acre and a mission to provide and coordinate Sustainable Development and Management of Irrigation services in Kenya, NIA developed its Strategic Plan 2019-2023 and adopted the following strategic objectives: -

- i. Increase area under Irrigation by 518,000 acres in the plan period
- ii. Increase Irrigation water storage capacity by 400MCM
- iii. Achieve at least 200% utilization in each Irrigation scheme.
- iv. Form and strengthen at least one farmer organization in every NIA developed scheme to enter into agreements,
- v. Identify and implement Irrigation development advancement technologies
- vi. Develop and adopt sustainable Irrigation management frameworks
- vii. Develop and implement a transition plan to the Irrigation act.
- viii. Develop and implement management systems to improve efficiency.

The Government's Big Four Agenda on "Enhancing Food and Nutrition Security to all Kenyans by 2022", focusses on three broad areas namely: boosting smallholder productivity; enhancing large-scale production; and reducing the cost of food. Irrigation has been identified as a key driver to realise food security and the Authority has laid emphasis on executing projects that aim at achieving the government priorities. National Irrigation Authority is expected to play a leading role in development of 1 million acres under Irrigation as espoused in the Kenya Vision 2030.

Towards this end, to build on achievements realised to date, the Authority continued implementing the following ongoing programmes in the FY2019/20 as approved during the MTEF process and contained in the budget policy statement with recurrent budget of KSh. 568 million and development budget of KSh. 7.4 billion: -

- i. Mwea Irrigation development project;
- ii. Bura Irrigation Rehabilitation project;
- iii. National Expanded Irrigation Programme;
- iv. Rwabura Irrigation Development Project;
- v. Turkana Irrigation Development Programme;
- vi. Lower Kuja Irrigation Scheme;
- vii. Lower Sabor Irrigation Project;
- viii. Household Irrigation Water Harvesting Project;
- ix. Galana Kulalu Food Security Project Model Farm.

During the FY2019-20, the Authority embarked on the operationalization of the Irrigation Act, through the Ministry, by fast-tracking the formulation and completion of the Irrigation Regulations and gradually implementing the transition provisions, particularly, the transition of National Irrigation Board to National Irrigation Authority.

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

This saw the Authority develop and adopted use of its new logo. Coupled with the Irrigation Regulations is the guidelines that will concisely bring out the roles of all the players in Irrigation to remove red tape and bureaucracies as well as provide platforms where these parties will consult and constructively engage.

Implementation of development projects, Irrigation activities and schemes operations progressed well amid significant interruptions in the third and fourth quarter of FY2019/20. This was as a result of the emergence of the corona virus pandemic and heavy rainfall during the period leading to floods. Notably, the onset of COVID-19 and subsequent containment measures characterized by restriction of movement together with the curfew negatively affected the progress of implementation of projects and construction works with the prospect of incurring litigation costs; public participation thus affecting RAP and EIAs preparation; and the labour intensive operation of Irrigation services as well as farming activities and supply of materials in Irrigation schemes. The Authority was committed to supporting its stakeholders to curb the spread of Covid-19 and mitigate the effects through implementation of government directives, provision of water and hand washing facilities, sanitizing materials, PPEs and donation of foodstuff.

In addition, the effects of the heavy rainfall led to flooding of paddy fields and farmers' homes displacing families and submerging cropped rice fields resulting to loss of income and livelihoods. This was as a result of river banks bursting and overflows in the following water resources: river Nyando banks affecting Ahero scheme; Lake Victoria backflows flooding South West Kano, Bunyala and Lower Kuja schemes; river Nzoia breaching both Northern and Southern dykes in Bunyala; Thiba river flood water breaching the dyke; Migori river flood water slowing drainage; river Turkwel and Kerio flood water breaching Katilu and Lokubae protection dykes; while Laga Tula bursting caused breaching of the main canal in Bura. To mitigate against the flood effects, the Authority embarked on dredging of drainages in schemes and provision of clean water for domestic use to families in affected areas. Plans to repair and raise the breached dykes are ongoing. A detailed assessment on the damage to Irrigation and drainage infrastructure will also be undertaken.

The Authority continued implementing the presidential directive on achieving 10% forest cover by 2022, through distribution of 191,550 fruit tree seedlings produced at Mwea research, Perkerra, Ahero and Bura. The distribution of Hass avocado, coconut, cashew nuts and mangoes has benefited farmers in 24 counties.

pe

.....
HON. ENG JOSHUA TORO

CHAIRMAN

Date.....08/04/2021.....

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

REPORT OF THE CHIEF EXECUTIVE OFFICER

The National Irrigation Authority (NIA) was established on August 16, 2019 by the Irrigation Act No. 14 of 2019 as a successor institution of the National Irrigation Board. This was after His Excellency the President assented to the Irrigation Bill of 2019 on July 29, 2019 paving way for its gazettment via Kenya Gazette Supplement No. 136 (Acts No. 14) of August 2, 2019.

The Authority is expected to play a leading role in development of Irrigation across the country as espoused in the Big Four Agenda in the framework of Kenya Vision 2030. The overall goal of the National Irrigation Authority 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, the Authority is implementing the following Irrigation development programmes and initiatives: -

- 1) Mwea Irrigation Development Project
- 2) Bura Irrigation Rehabilitation Project
- 3) National Expanded Irrigation Programmes
- 4) Rwabura Irrigation Development Project
- 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) Implementation of Water Storage pans and dams for Irrigation
- 11) Operation and maintenance for public Irrigation schemes and provision of Irrigation management services in other schemes.

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 11metrick cubic meters(MCM) 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 and land compensation has been concluded in the dam site. The progress of the project works for both the ICB Package I and ICB Package II was approximately 33% and 43% respectively as at 30th June 2020.

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.

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 the Authority terminated the contract and called on the performance bond.

Consequently, the Authority 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 was identified with the concurrence of the financiers to carry out sheet piling works at the intakes at a cost of Kes 1.7 billion. The Contractor has commenced construction works for the intake and sedimentation basin at 12% overall completion. The Authority 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. National Expanded Irrigation Programme

The Authority 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 are under construction while others are under detailed investigations and designs. NIA 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.

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

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 revenue of Kes 8 billion. The Authority targets to roll out more projects under this programme to lessen the food security burden to many in the country. The acreage under Irrigation planned and achieved in 2019/2020 fiscal year from 24 projects under the National Expanded Irrigation Program was 13,750 and 5,315 acres respectively. Some projects are not yet completed but the target area will be realized fully when construction of such projects will be accomplished.

iv. 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. During the FY2019/20, the Contractor completed the design review and got approval on 28th April, 2020. Verification of PAPs was completed and acquisition of wayleave scheduled to commence once the pipeline alignment is confirmed.

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 to 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 2019/20 FY, the Authority 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, the Authority will develop groundwater Irrigation using the numerous aquifers in Turkana region. Development of community Irrigation scheme namely Naipa with a potential 1200 ha to be implemented in phases. The first phase is to put 400 ha under Irrigation to benefit 1736 beneficiaries. The overall works stand at 30% complete.

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

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, 3000 acres in Ageng'a and Sagama (block 3) areas have been put under rice production. Additionally, Okenge (block M) spanning 200 acres is also under production. During the 2019/20 FY, the Authority managed to achieve additional 445 acres in block 1-1 installed with infrastructure.

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 on 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 88%. The access road to the intake works is complete and material for construction of the sedimentation basin has been conveyed. However, the slow processing of easement permits from the Water Resources Authority (WRA) hence delaying the intake works has been a challenge.

viii. Household Irrigation Water Harvesting Project.

During 2019/20 FY, the Authority continued with implementation of the water for household project in 32 counties. These program targets harvesting and storage of surface runoff at household level for supplementary Irrigation.

The capacities of the targeted water pans range between 1000 to 3000 m³ which can irrigate at least 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 has enabled the project to increase food security and access to water for the benefiting households, thus contributing to the "BIG FOUR" agenda of the government. To date 13,389 water pans have been constructed for 13,389 beneficiaries creating a storage of 18.8 million m³ and putting 15,600 acres under Irrigation.

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

ix. Community Water Harvesting and Storage

Water harvesting is also being undertaken by the Authority by construction of water storage pans with capacity ranging between 80,000-100,000 cubic meters. Such storage pans are used for Irrigation as well as watering animals. These pans are popular with the arid and semi-arid areas with scarce and unreliable rainfall. During the year ending 2019/20, a total of 28 water pans with a capacity of **2,175,000** cubic meters were completed. Another 15 with a volume of 1,069,000.0 cubic meters are undergoing construction. 4 new water pans were also identified for design.

x. Galana Kulalu Food Security 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 400,000-acre pilot farm for 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. center 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 5,100 acres. After extension of the contract, the contractor was expected to complete all the pending activities by January 2018 but the contractor was failed to complete. National Irrigation Authority resolved to disengage from the contractor, call on the performance bond and identify other contractors to complete the pending works. The value for the pending works is Kes 989 million. During the 2019/20 FY, the Authority sustained cropping of maize and other crops on 2,410 for season 1 and 2,500 acres for season 2 at Galana Kulalu.

xi. Implementation of Water Storage dams for Irrigation

To increase reliability of Irrigation water, the Authority 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, the Authority 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.

xii. Operation and maintenance for public Irrigation schemes and provision of Irrigation management services in other schemes developed by NIA on request by farmers.

This involves operation and maintenance of the primary Irrigation and drainage 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.

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

This is done through the Participatory Irrigation Management (PIM) and Irrigation Management Transfer (IMT) model. The services are also extended to other small holder Irrigation schemes developed by the Authority and managed/owned by farmers on request by farmers.

In conclusion, investment in Irrigation remains vital in Kenya since it would increase the area under Irrigation and sustain the country's food production 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 minimizing radicalization. These are truly the key pillars of the Government.



.....
MR. GITONGA MUGAMBI

CHIEF EXECUTIVE OFFICER

Date.....08/07/2021.....

NATIONAL IRRIGATION AUTHORITY **FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

REVIEW OF NATIONAL IRRIGATION AUTHORITY'S PERFORMANCE FOR FY 2019/2020

The National Irrigation Authority has five strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. These strategic pillars are as follows:

- Pillar 1: Sustainable Irrigation Development
- Pillar 2: Sustainable Irrigation Water Harvesting and Storage
- Pillar 3: Sustainable Irrigation Management
- Pillar 4: Irrigation Oriented Research
- Pillar 5: Governance and Institutional Capacity Development

The Authority develops its annual work plans based on the above five pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Authority achieved its performance targets set for the FY 2019/2020 period for its five strategic pillars, as indicated in the table below:

	Strategic Pillar	Objective	Key Performance Indicators	Activities FY2019/2020	Achievements FY2019/2020
1.	Sustainable Irrigation Development	Increase area under irrigation by 518,000 acres by 2023	No. of acres developed	Develop large scale irrigation projects	Ongoing. Implemented three large scale irrigation projects and expansion works in public schemes to completion progress of: 1. Mwea Thiba Dam- 33% progress dam construction and 34% progress irrigation area development. To command additional 15,000 acres once complete; 2. Bura Irrigation development project- 34% progress for phase 1 gravity canal. Project to increase area under irrigation to 25,000acres 3. Developed additional 1,700 acres in Lower Kuja to achieve 2,000 acres under production out of the targeted 19,000 acres 4. Expanded additional 3,300 acres in the public schemes across the country
			No. of acres developed	Construction of new small scale irrigation projects	1.Implemented 24 projects under the National Expanded Irrigation programme targeting additional 15,795 acres;

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Strategic Pillar	Objective	Key Performance Indicators	Activities FY2019/2020	Achievements FY2019/2020
				2.Rehabilitated and expanded projects in Turkana increasing area under irrigation to 6,440 acres;
		Acres under irrigation	Construction of household irrigation water pans	Household water pans with a cumulative volume of 11.12 million cubic metres were constructed, commanding irrigation in 11,119 acres
2. Sustainable Irrigation Water Harvesting and Storage	Increase irrigation water storage holding capacity to 400million m3 by 2023	Volume of water potential to be harvested for irrigation	Carry out feasibility studies, detailed designs for household irrigation water pans	Feasibility studies, detailed designs were done prior to construction of all the household irrigation water pans constructed within the period.
		Volume of water harvested for irrigation; Acres under irrigation	Construction of household irrigation water pans	Additional household water pans with 11.12 million M ³ water storage capacity constructed creating a total storage of 18.8 million M ³
		Volume of water stored	Rehabilitation and expansion of existing community water pans and small dams	Rehabilitated and expanded 28 water pans with a capacity of 3.138 million M ³
		Volume of water harvested for irrigation; Acres under irrigation	Construction of new community water pans/small dams	Constructed new water pans with a cumulative volume of 18.2 million M ³
3. Sustainable Irrigation Management	Achieve at least 200% utilization in	No. of plans	Develop and implement scheme sustainability	Sustainability plans to be developed in subsequent years;

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Strategic Pillar	Objective	Key Performance Indicators	Activities FY2019/2020	Achievements FY2019/2020
	each of the irrigation schemes by 2023	No. of Manuals	plans for public schemes including other schemes with NIA Offices	(7 No.) FY2019/2020 crop intensification and annual work plans developed and implemented for 200% utilization of irrigation infrastructure in all schemes.
	Improve operation and maintenance service in irrigation schemes	% O&M Fees collected per Scheme	Formulate water allocation and management plan within the schemes	Manuals to be developed in subsequent years; Monthly schemes water allocation programme maintained.
		No. of O&M Manuals	Collect 100% O&M fees for schemes under NIA Management	100% O&M fees for public schemes under NIA management were collected
		No. of Interventions	Operate and maintain primary irrigation infrastructure including the main water storage facilities	Operation of the primary infrastructure within the schemes were done albeit twice due to the heavy rains experienced in quarter three and part of quarter four of the FY in most parts of the country which destroyed roads, filled canals and drains
			Mitigate against environmental degradation out of operation of irrigation schemes	Fruit tree seedlings were established in various schemes from which the Authority distributed 191,550 fruit tree of Hass avocado, coconut, cashew nuts and mangoes seedlings as part of realizing 10% forest cover through tree planting.
4. Irrigation Oriented Research	Domesticate guidelines on climate	No. of cropping programs	Develop typical cropping programmes for identified value chain	Seven (7) cropping programmes developed and implemented in all schemes
		Climate change Adaptation and Mitigation	Develop Strategy for mainstreaming climate change	Under development. Consultation meetings have been scheduled.

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Strategic Pillar	Objective	Key Performance Indicators	Activities FY2019/2020	Achievements FY2019/2020
	smart irrigation	Mainstreaming Strategy Report	adaptation and mitigation	
5. Governance and Institutional Capacity Development	Operationalize Irrigation Act	Irrigation Act Audit report	Audit the Irrigation Act to ensure that there are no gaps	Irrigation Act audited and addendum submitted to the AG 's office
		Transition plan	Develop and implement a transition plan to the Irrigation Act	Roadmap for transition from NIB to NIA developed, approved and implementation ongoing.
	Enhance institutional capacity to improve efficiency	Revised functions in the organization structure	Review NIA organization structure and functions	NIA organization structure reviewed and approved by SCAC
			Review Institutional Policies	Ongoing
			Review and implement Board Charter	Ongoing
	Enhance institutional capacity to improve efficiency	No departmental/ business plans	Cascade and implement the strategic plan	Ongoing. Departmental plans and Performance contracts aligned to the Authority's Strategic Plan
		Integrated Project Management guidelines developed	Develop and implement an integrated Project Management guidelines throughout the project lifecycle	Draft guidelines developed; Project management information system developed, to be operationalized in FY2020/21
	Monitoring, evaluation and		Develop and implement a	Draft monitoring, evaluation and learning plan developed

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Strategic Pillar	Objective	Key Performance Indicators	Activities FY2019/2020	Achievements FY2019/2020
		learning plan/strategy/framework developed	comprehensive monitoring, evaluation and learning plan/strategy/framework for the institution	
		M&E Unit established	Establish M&E Unit	M&E Unit established and officers posted.
		Human Resource strategy developed	Develop and implement Human Resource strategy	Ongoing
		Liaison and Resource Mobilization Unit established	Establish a Liaison and Resource Mobilization Unit	Resource Mobilization Unit established and officer posted.
		Resource mobilization strategy developed	Develop and implement resource mobilization strategy	Ongoing
		No. of financial reports	Streamline financial management processes and controls	Quarterly and annual reports submitted; Review of financial system budget module ongoing
		Communication Strategy developed	Develop and implement comprehensive communication Strategy	Ongoing review of the 2015-2020 strategy

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Strategic Pillar	Objective	Key Performance Indicators	Activities FY2019/2020	Achievements FY2019/2020
		All aspect of NIA rebranded	Rebranding of NIB to NIA	Ongoing
	Mainstreaming ICT in NIA processes	No. of automated systems	Develop Automated Budget, procurement plan and document management systems	Ongoing. Procurement processes integrated in ERP system, review of the budget module ongoing

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

CORPORATE GOVERNANCE STATEMENT

The National Irrigation Authority was established on August 16, 2019 by the Irrigation Act No. 14 of 2019 as a successor institution of the National Irrigation Board. This was after His Excellency the President assented to the Irrigation Bill of 2019 on July 29, 2019 paving way for its gazettment via Kenya Gazette Supplement No. 136 (Acts No. 14) of August 2, 2019.

The predecessor Institution, National Irrigation Board had a board Membership of 15 but their term automatically expired on 16th August 2019 under the repealed Irrigation Act Cap 347.

National Irrigation Authority has a membership of nine (9) members, comprising of five (5) directors representing the Government of Kenya and three (3) Independent Directors. During the year, appointment of the Independent Directors and two Directors representing the government of Kenya had not been finalized.

In order to effectively undertake their duties, the directors have formed two (2) Committees namely;

- (i) Development and General Purpose Committee
- (ii) Audit and Risk Committee

During the year, the Board transacted its business by holding two adhoc committee meetings in the main Boardroom.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Revenues

(i) Grants

Grants (Million Ksh)

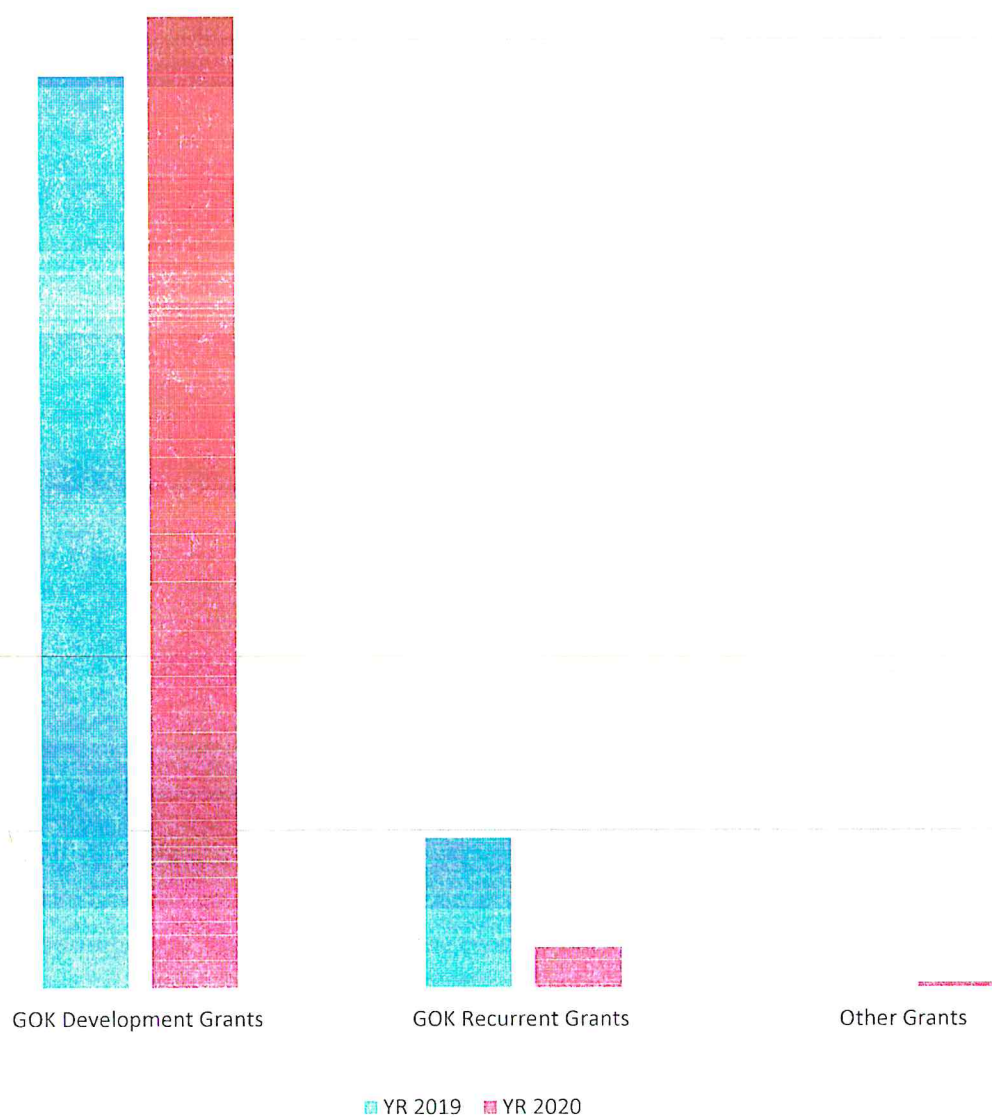
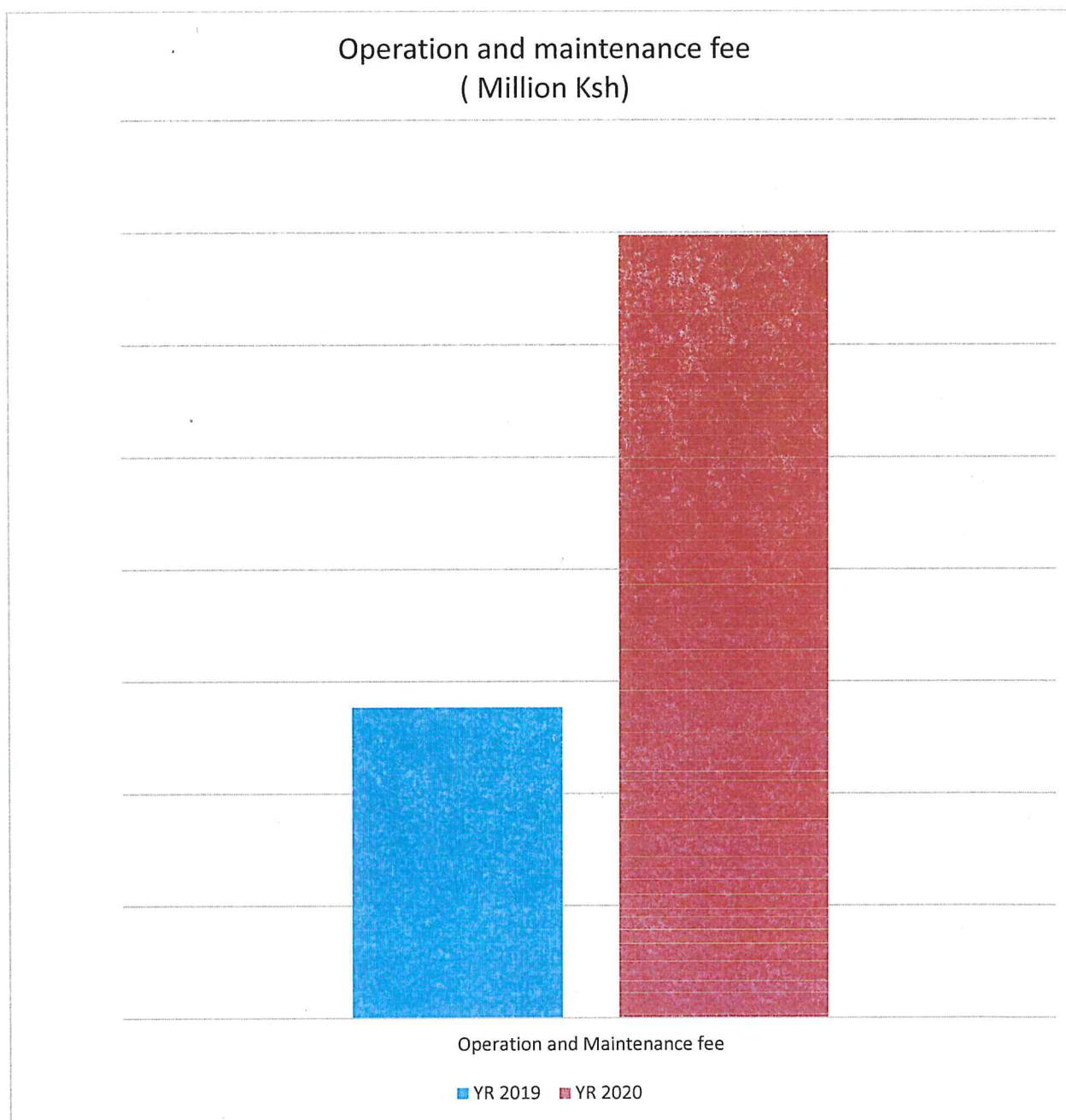


Chart 1: Revenue from Non-Exchange Transactions

Rendering of Services

(ii) Operation and Maintenance fee



(iii)Sale of goods

Sale of Goods (Million Ksh)

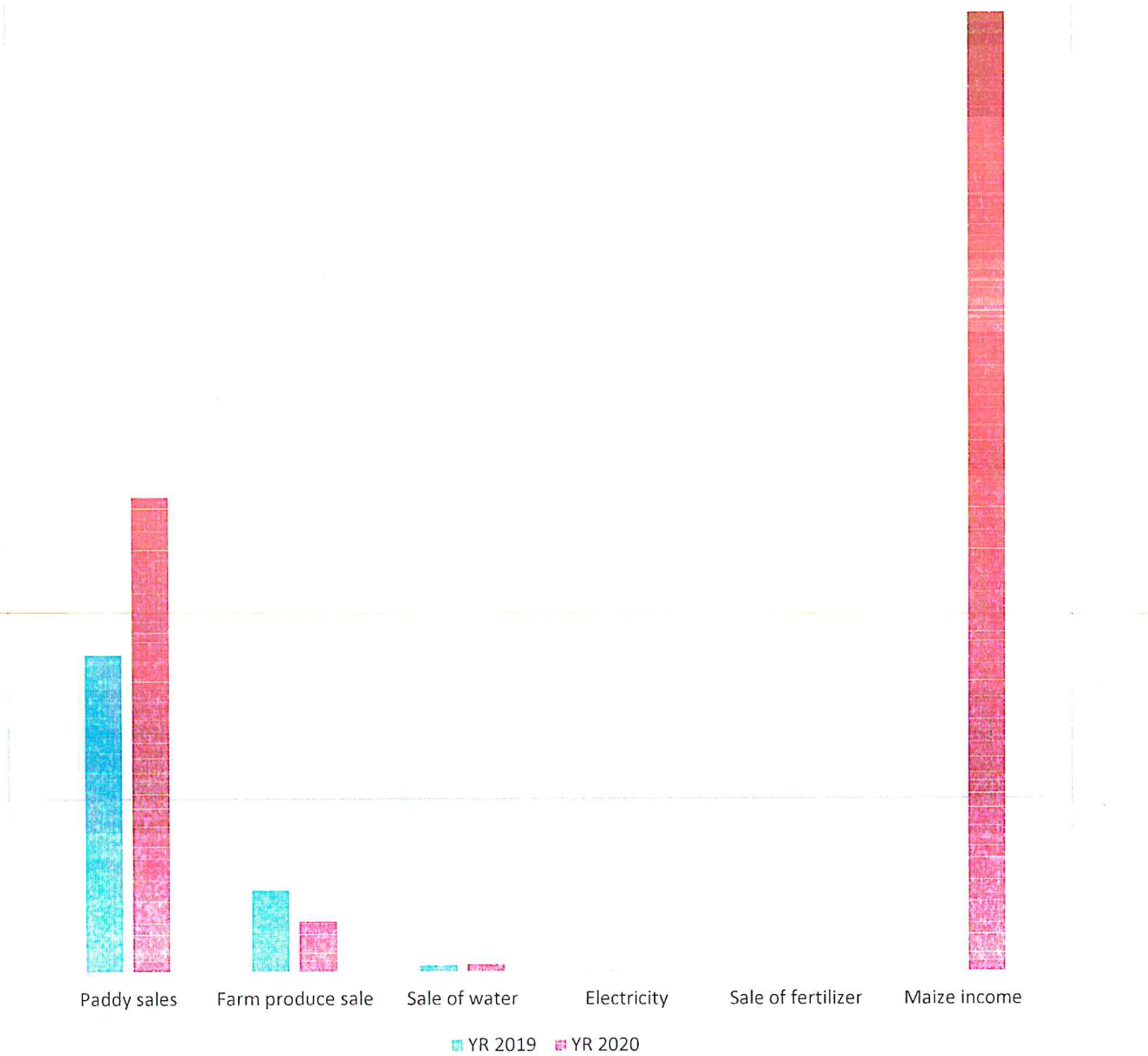


Chart 2: Revenue from Exchange Transactions

(iv) Rental Revenues

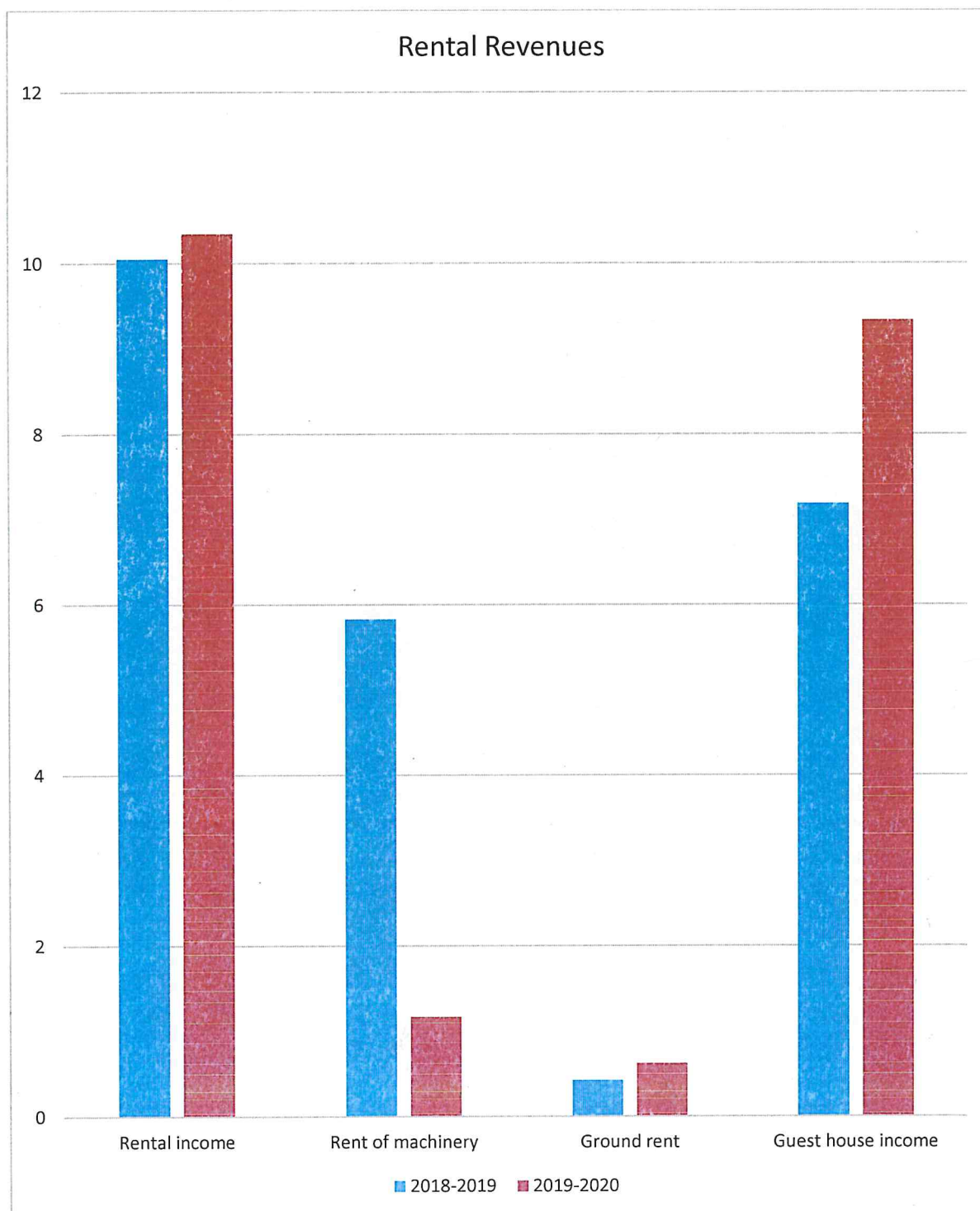
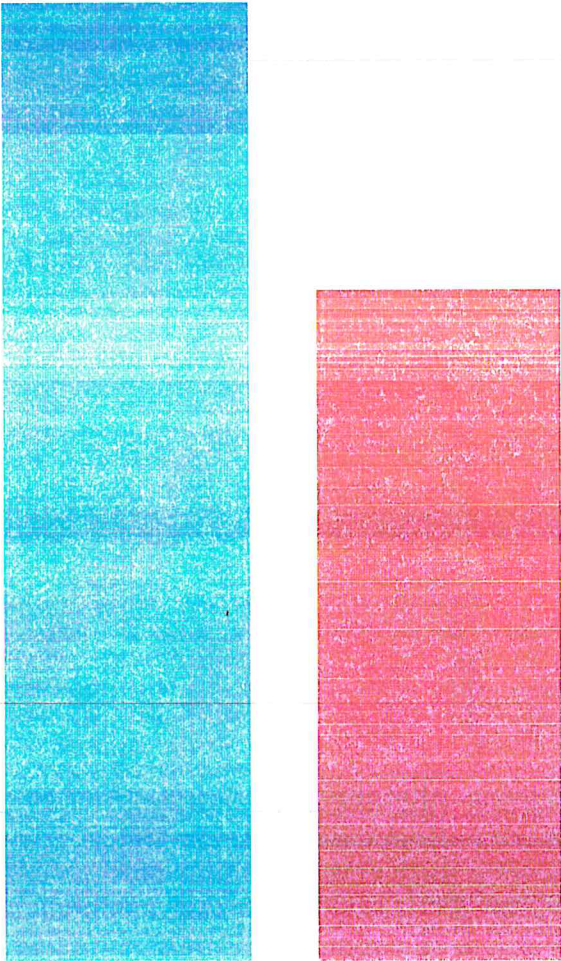


Chart 3: Expenses

(v) Finance Income

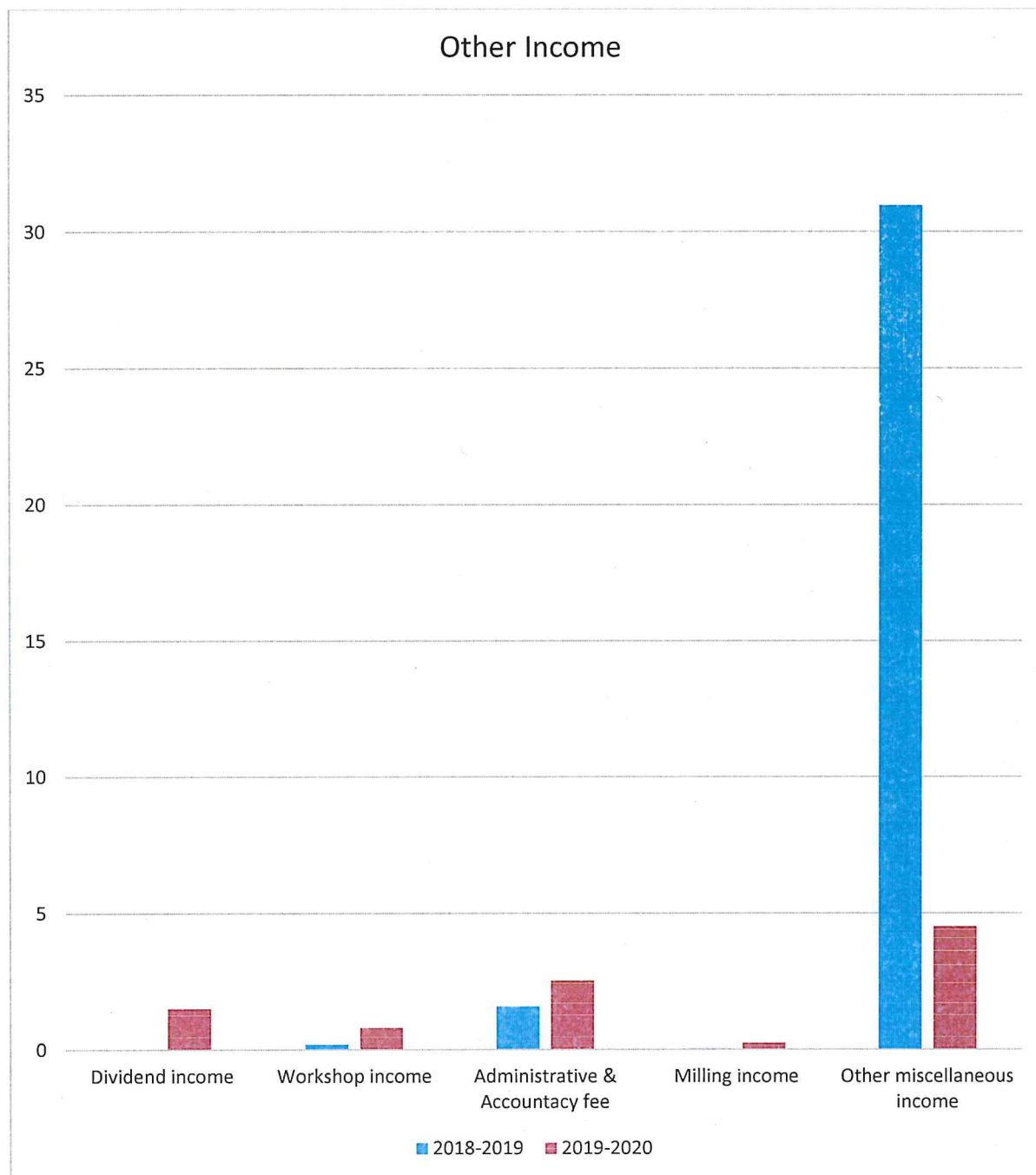
Interest Income
(Million Ksh)



Finance income

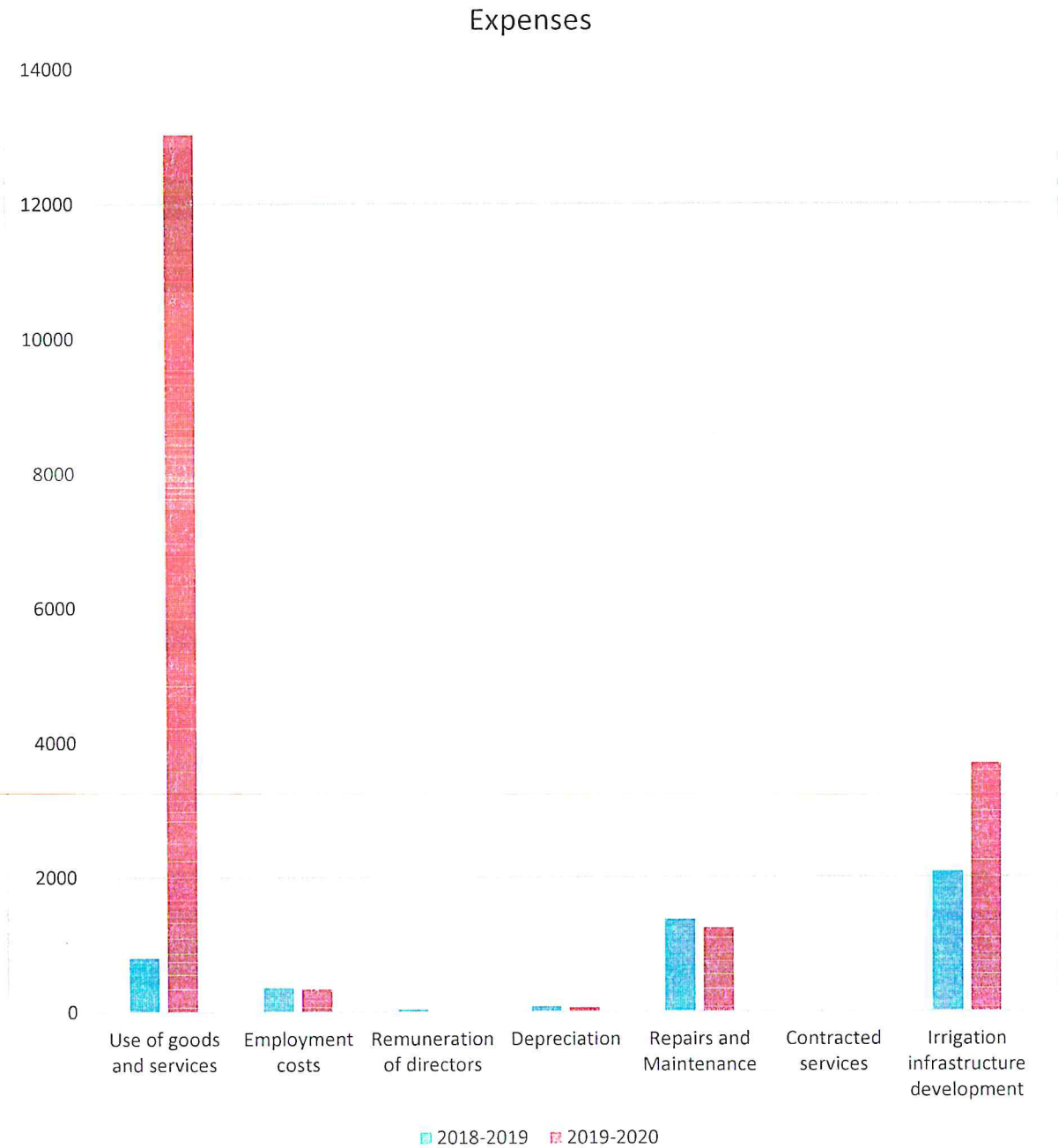
■ YR 2019 ■ YR 2020

(vi) Other Income



NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

(vii) Expenses



NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

Grants:

Chart i above indicates grants received by the institution both from the government and other development partners. Grants from GOK to the institution decreased from Ksh. 6,720,802,651 Ksh. 6,442,238,253 in the financial year 2019-2020 as compared to 2018-2019. This represents 4.14% decrease when compared with the previous year. The decrease was in recurrent grants. Development grants grew by 6.51 % while recurrent grants decreased by 72.6 %. The institution also received grants amounting to Ksh 35.757 for Water resilience and climate change project funded by the World Bank

Rendering of services:

Chart ii shows changes in operational income. The revenue in this category increased from Ksh 86.77 million in the year 2019-2020 as compared to 2018-2019. This translates to 4.85% increase. The increase was occasioned by improved collection of fee charges to from the farmers for maintenance of irrigation infrastructure and farmland access roads.

Sale of goods:

Chart iii shows the revenues collected from sale of goods and services. The main items of revenue in this category is paddy sales and sale of maize grown in Galana Kulalu food security project. Last year there was no sale of maize since the contractor who was developing the demonstration farm had terminated the contract. However National Irrigation Authority took over the production of maize in the project which brought in income of Ksh 110.6 million from zero sales the previous year. The sale of paddy also increased to Ksh 54.859 million as compared to Ksh 36.648 the previous year. The overall increase in this category of income is 166.6%.

Rental Revenues:

Chart iv shows the revenues collected from Rent of facilities and machinery and equipment. National irrigation Authority operates a guest house at Mwea Irrigation Scheme. It is one of the key sources of revenue in this category. Revenue from the guest house grew by Ksh 2.3 million from Ksh 7.1 million in 2019 to Ksh 9.3 million in 2020. This represented a 30.9% growth. The other major source of revenue in this category is house rent. The Authority has houses occupied by staff in all the major traditional Irrigation Schemes. Staff occupying these houses pay monthly rent. The increase from this source of revenue is Ksh. 292,644.00 representing 2.91 % increase. Overall revenue from this category of income decreased by 4.66%.

Finance Income:

Chart v shows revenue from call deposit account. This is money held in the bank account to clear contactors retention money after the end of the defect liability period. This money has to be readily available and hence can only be put in such an arrangement otherwise if invested in treasury bills retiring the same might prove challenging since it may not coincide with the defect liability expiry

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

period. The revenue in this category fell from Ksh 31.9 million to Ksh 22.38 million in 2020. This represent a 29.9 % drop.

Other Income:

Chart vi shows revenue from other miscellaneous sources of income. The overall revenue in this category decreased by 73 % in the year 2020 as compared to 2019. The sources of this revenue do not form part of the key revenue sources and therefore can be erratic in nature.

Expenses

Chart vii shows the various categories of expenses. The overall expenses for the Authority increased from Ksh 4.73 billion in 2019 to Ksh 6.69 billion in 2020. This represents a 41.35% increase. The main items of expenditures that registered huge increase were use of goods and services where the main component in this area was hire of equipment. National Irrigation Authority in its mandate to provide management of irrigation services in the republic is not self-sufficient in equipment. The institution therefore hires equipment and machinery from contractors for various assignments e.g. rehabilitation of canals, dams and water pans. The expenditure for employee cost grew by a mere 3.8 percent. This is mostly occasioned by staff salary increase.

The remuneration of directors dropped by 72. 52%. This is due to the fact that for the better part of 2020 National Irrigation Authority didn't have a full Board after expiry of the terms of the previous board in August 2019. Repairs and maintenance dropped by 9.04% in 2020 as compared to 2019. When major repairs and maintenance are done to facilities and equipment in one year occasioning an increase in expenditure the expenses in the following year tend to decrease and the pattern continues.

The contracted services decrease by 33.06 % in 2020 as compared to 2019. This expenditure is for security services for equipment including machinery working in the field. When the equipment's are working near the main offices they are taken to the station where they don't require additional staff hence saving on security hire.

The other major component in the expenses for the institution is the irrigation infrastructure development. These are projects undertaken by the National Irrigation Authority in line with its core mandate of providing and coordinating sustainable development and management of irrigation services in Kenya. These expenses are for water pans, Dams, and green houses for the communities.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The National Irrigation Authority has been fully aware of its impact to the society including its stakeholders and environment. As such, it has been committed to carrying out its business and affairs in a socially responsible, sustainable and meaningful manner, taking into account ethics, the environment and society at large.

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

1. Sustainability strategy and profile -

The Authority undertakes to provide and coordinate sustainable development and management of irrigation services in Kenya. It is guided by the strategic pillars enshrined in the Authority's Strategic Plan (2019-2023) of sustainable irrigation development; irrigation water harvesting and storage; irrigation management and irrigation oriented research. Globally, expanded irrigation development and improved water management are keys to increasing production under water scarcity conditions. The irrigation potential in Kenya is estimated between 0.35 and 1.34 million ha depending on the water sources. This assumes existence of flood plains that could be irrigated if equipped, additional storage and improvement in irrigation efficiency.

The Government's Big Four Agenda on "Enhancing Food and Nutrition Security to all Kenyans by 2022", focusses on three broad areas namely: boosting smallholder productivity; enhancing large-scale production; and reducing the cost of food. Consequently, the National Irrigation Authority has laid emphasis on executing projects that aim at achieving the government priorities as well as in development of 1 million acres under irrigation as espoused in the Kenya Vision 2030. This is through implementation of various strategies such as: design and construction of small-scale and large-scale irrigation projects, rehabilitation and expansion of existing projects, exploitation of groundwater, plans to map out strategic irrigation schemes per county, adoption of water storage at household level while increasing capacity of existing community water pans and small dams, plans to develop large dams and exploit water stored in existing dams, increasing utilization of irrigation infrastructure, plans to form and strengthen farmers' organizations and to improve operation and maintenance services in irrigation schemes, collaborations on production and development of value chains all while adopting climate proofed irrigation infrastructure, climate smart irrigation farming and, development of technologies to increase irrigation efficiency.

This is however affected by inadequate investment in development and management of irrigation, limited mainstreamed participation of stakeholders, unfavourable land tenure, limited

irrigation water harvesting and storage facilities, and beneficiary community capacity limitations to operate and maintain the irrigation schemes/systems.

2. Environmental performance

The Authority has an Environmental Policy statement through which it commits to comply with applicable local, State, and International environmental regulations, continually improve the environmental performance of its products and processes, protect the health and safety of its employees and surrounding communities and ecosystems as well as use natural resources, including raw materials, energy, and water as efficiently as possible. It has managed to successfully comply with this.

Some of the successes it has achieved include the implementation of climate change adaptation and mitigation initiatives through water harvesting and storage program for irrigation, implementation of environmental ecological enhancement programme through distribution of fruit-tree seedlings to farmers and stakeholders, sensitizing staff and stakeholders on environmental sustainability, establishing structures to address environmental issues and adopting respect for the environment as a core value in the Service Charter.

To manage waste, the Authority has also streamlined waste segregation and handling i.e. installation of waste segregation bins. In addition, it has applied Service Delivery Innovations i.e. All printers have enabled default setting for double sided printing (duplex). Disposal of idle assets that are unserviceable, obsolete and surplus assets by way of sale, transfer to other public institutions and/or destruction is another way through which it manages waste. It also provides targeted training to staff and stakeholders i.e. to purchase of items considering options that minimize waste and has adopted electronic communications as an official communication method to internal and external interested parties

3. Employee welfare

The Authority and its employees are bound by the national values and principles of governance as stipulated in Article 10 of the Kenyan Constitution 2010.

The Authority recognizes that recruitment, selection, appointment, promotion and transfers of its employees in a systematic and fair manner is critical to optimize employee potential and productivity. The Human Resource policy and procedure manual provides rules and procedures governing recruitment, appointments, on-boarding, induction, confirmation in appointment, and promotion of employees in the Authority.

The Authority is an ‘equal opportunity employer’ and thus committed to fair recruitment and selection practices underpinned by principles of merit, equity and its core values. It is therefore the policy of the Authority to attract, retain and develop staff of the highest quality consistent with diversity principles in terms of gender, age, and national character; ensure fair and equitable treatment to its staff; and provide opportunities for professional growth and development.

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

The goal of fair recruitment policy is to secure the highest standards of efficiency, competence and integrity. Therefore, all appointments are made on the basis of ability, as best demonstrated by recognized qualifications, training, experience, aptitude, attitude and competence assessed through appropriate tests and interviews. Whenever possible, suitably qualified and experienced serving employees of the Authority will be given first consideration before external recruitment can be pursued.

The grading structure, qualifications and other requirements for recruitment into the Authority are laid down in its Career Guidelines. The Authority's Career Guidelines is followed in processing appointments and promotions of employees in their respective fields of employment. The Authority further carries out, on regular basis, an annual performance appraisal of its employees as a means of determining their work performance and to help in mapping out career development of that employee. The goal of the Rewards and Sanctions is to establish a basis for rewarding exemplary performance and administering sanctions for under performance, motivate employees to have positive attitude to work and to enhance productivity. The Performance Management Review & Rewards Committee is expected to review and make recommendations to the management on the rewards and sanctions.

In addition, the Authority considers Health and Safety to be an integral part of responsible management. It is therefore committed to the provision of a safe and healthy work place for all employees and stakeholders. It has inculcated a safety and health-oriented culture which emphasizes on attitude change and employee participation in establishing and observing safe working practices.

The Chief Officer, Human Resource is responsible for ensuring strict adherence to the health and Safety procedures and standards within the Authority.

4. Market place practices-

The National Irrigation Authority is the sole body mandated to develop and manage irrigation infrastructure in the country and complies with Article 6 of the Constitution of Kenya 2010. The Authority has developed and is implementing an anti-corruption risk management plan. It monitors its implementation in its headquarters as well as schemes and projects on a quarterly basis.

As enshrined in Article 35 of the Constitution, the Authority provides its services to every citizen of this country despite their political affiliation.

The Authority also advertises its tender and employment opportunities in all the dailies for a wider coverage and to meet a wider audience hence fair competition to the bidders, contractors, suppliers as well as consultants.

To show our respect for competitors, all the tender documents are usually opened before the tenderers who witness and append their signature amongst.

5. Community Engagements

During the contract period FY 2019 – 2020, the Authority engaged several communities by carrying out the following CSR activities:

- i. Distribution of 357,560 fruit seedlings to farmers in Nairobi, Homabay, Kirinyaga, Meru, Nyeri, Murang'a, Kisii, Kajiado, Embu, Kitui, Nyandarua, Kiambu, Machakos, Nyeri, Busia, Kericho, Bomet, Nakuru, Uasin Gishu, Trans Nzoia counties.
- ii. Provided Ksh.200, 000 worth universal anti-snake venom at Galana Dispensary on December 5, 2020 through Galana/Kulalu Food Security Project.
- iii. Contribution of Ksh.150, 000 towards the Beyond Zero initiative.
- iv. Participation in the 5th edition of the Beyond Zero Half Marathon 2020 held in March 8, 2020.
- v. Donation of foodstuff, sanitizers and gloves worth about Ksh.300,000 to the Nyumba ya Wazee home in Kasarani Constituency on May 8, 2020.
- vi. Provided 2 water tanks, one at Busagwa dispensary and at Mabinju area for the accessibility of water to local people which has been an issue for a long period of time on April 25, 2020 through Bunyala Irrigation Scheme.
- vii. Provided 20 litres of sanitizers to Busagwa dispensary as one way to help the community to fight the Covid -19 pandemic through Bunyala Irrigation Scheme. The Scheme also was also engaged in evacuating of flood victims through provision of Lorries and trailers.
- viii. Donated 100 bags of rice to flood affected families in Ahero and West Kano
- ix. Provided clean drinking water to flood displaced families in Ahero and West Kano schemes. The activity is still ongoing to date.
- x. The CEO commissioned a borehole in West Kano to support the community and staff with clean drinking water

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020



ENVIRONMENTAL POLICY

Protecting our shared environment is of fundamental importance to the National Irrigation Authority as it is to our employees, customers and other stakeholders. To support this common goal, the Top Management is committed to:

- Comply with all relevant environmental legislation and regulations requirements
- Reduce our use of natural resources such as water as efficiently as possible.
- Re-use resources whenever possible rather than dispose of them.

We will work to achieve the commitments by:

- Provide appropriate environmental awareness training to staff and stakeholders
- Work collaboratively with our customers, suppliers, and the surrounding community on environmental issues
- Ensure that all our people, our customers and the general public can access our policy

National Irrigation Authority will make every effort to ensure continual improvement in environmental performance.

SIGNED.....

MR. GITONGA MUGAMBI
CHIEF EXECUTIVE OFFICER

DATE: 08/04/2021.....



WASTE MANAGEMENT POLICY

National Irrigation Authority is committed minimize waste generation and promote re-use, recovery and recycling of waste to protect human health and the environment. To support this common goal, the Authority will:

- Contributing to sustainable use of natural resources, e.g. avoiding & reducing waste wherever possible
- Promotes adoption of best waste management practice that protect the environment and community
- Deploying technologies appropriate to prevailing conditions

We will work to achieve the commitments by:

- Implementation of Application of Service Delivery Innovations
- Awareness creation on behavior change on waste
- Participating in supporting any untapped opportunities on waste recycling initiatives
- Minimize the generation of waste, associated with our office-based activities.

We will make every effort to ensure that waste management policy is an integral part of National Irrigation Authority's performance

SIGNED.

MR. GITONGA MUGAMBI
CHIEF EXECUTIVE OFFICER

DATE: 08/04/2021

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the National Irrigation Authority's affairs.

Principal activities

The principal activity of the National Irrigation Authority 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 Authority's vision of Water to every Irrigable Acre

Results

The results of the National Irrigation Authority for the year ended June 30, 2020 are set out on pages 1 to 67.

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 and Irrigation Act 2019 of the Laws of Kenya.

Auditors

1. The Auditor General is responsible for the statutory audit of the entity in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 and no Certified Public Accountants were nominated by the Auditor General to carry out the audit of the entity for the year/period ended June 30, 2020 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf..

By Order of the Board



Nancy Wambugu
Board Secretary
Nairobi

Date: 08/04/2021

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the Irrigation Act 2019 require the Directors to prepare financial statements in respect of National Irrigation Authority, which give a true and fair view of the state of affairs of the National Irrigation Authority at the end of the financial year ended 30th June, 2020 and the operating results of National Irrigation Authority for the year ended 30th June, 2020. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of National Irrigation Authority. The Directors are also responsible for safeguarding the assets of the Authority

The Directors are responsible for the preparation and presentation of National Irrigation Authority financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended 30th June, 2020. 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 Authority; (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 Authority; (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 Authority'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 Authority's financial statements give a true and fair view of the state of the Authority's transactions during the financial year ended June 30, 2020, and of National Irrigation Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for National Irrigation Authority, which have been relied upon in the preparation of the Authority'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 Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

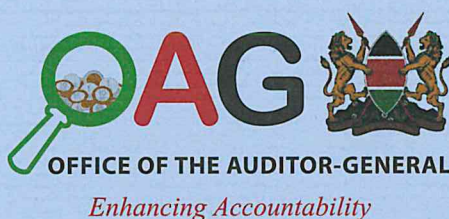
The entity's financial statements were approved by the Board on 08/04/2021 and signed on its behalf by:


.....
CHAIRMAN OF THE BOARD


.....
CHIEF EXECUTIVE OFFICER

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 AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Irrigation Authority set out on pages 1 to 61, which comprise the statement of financial position as at 30 June, 2020, 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 effect of the matters 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 Authority as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Irrigation Act, 2019 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Lack of Ownership Documents and Valuation of Property, Plant and Equipment

The statement of financial position and as disclosed in Note 18 to the financial statements reflect property, plant and equipment balance of Kshs.5,109,012,477. Included in this balance is freehold land with a book value of Kshs.1,189,586,063. However, this balance excludes seven (7) parcels of trust land for located various schemes measuring approximately 75,509 acres and the parcel of land on which the Authority's Head Office is located as detailed on the table below.

	Scheme	County	Size (Acres)
1	Mwea	Kirinyaga	30,350
2	Bura	Tana River	16,750

	Scheme	County	Size (Acres)
3	Tana	Tana River	12,000
4	Perkerra	Baringo	5,875
5	Ahero	Kisumu	4,350
6	West Kano	Kisumu	4,450
7	Bunyala	Busia / Siaya	1,734
	Total		75,509

The National Lands Commission requested the Authority to provide it with approved survey plan for the Schemes to enable processing of ownership documents on 24 January, 2018. However, Management was yet to provide to the Lands Commission with the approved survey plan for the Schemes.

Further, the fixed assets movement schedule at Note 18 reflects adjustments to property, plant and equipment amounting to Kshs.599,324,772. Management explained these to be assets which were written off and disposed in past years but had not been removed from the assets register. However, no approval for the assets write off was availed for audit verification.

Consequently, the accuracy, completeness, ownership and valuation of the property, plant and equipment balance of Kshs.5,109,012,477 as at 30 June, 2020 could not be confirmed.

2.0 Inaccuracies in Inventories

The statement of financial position and as disclosed in Note 23 to the financial statements reflects inventories balance of Kshs.118,168,995 as at 30 June, 2020. Included in this balance are inventories worth Kshs.10,537,318 which are obsolete. However, no provision has been made for the obsolete stock in these financial statements.

Under the circumstances, the inventories balance of Kshs.118,168,995 as at 30 June, 2020 is not fairly stated.

3.0 Unsupported Debtor Accounts

The statement of financial performance and as disclosed in Note 24 to the financial statements reflects receivables from exchange transactions amount of Kshs.222,681,533. Included in this amount is an unsupported amount of Kshs.35,002,109 which could not be traced to any specific debtors.

In the circumstances, the accuracy and completeness of the receivable from exchange transactions amount of Kshs.222,681,533 could not be confirmed.

4.0 Long Outstanding Receivables

The financial statements reflect net receivables from exchange transactions of Kshs.222,681,533, as disclosed in Note 24 to the financial statements. This balance includes receivables amounting to Kshs.458,232,831 which have been outstanding for periods going back to 1998 when the Authority retrench staff. Management

explained that the retrenchment caused a lapse in document management resulting in incomplete records.

In the circumstances, the recoverability of the receivables balance of Kshs.458,232,831 relating to long outstanding debts could not be confirmed.

5.0 Outstanding Payables from Exchange Transaction

The statement of financial position and as disclosed in Note 34 to the financial statements reflects payables from exchange transactions totaling to Kshs.1,174,174,979. Included in this balance are payables amounting Kshs.214,567,872 which have been outstanding for a period exceeding 360 days. Management has not demonstrated efforts made to settle these long outstanding payables.

Consequently, the Authority risks incurring fines and penalties for failure to settle the long outstanding debts which have not been factored in the payables amounting Kshs.214,567,872.

6.0 Undisclosed Liability on Leased Land for Galana Kulalu

The statement of financial position and as disclosed in Note 34 to the financial statements reflects payables from exchange transactions balance of Kshs.1,174,174,979 as at 30 June, 2020. The balance excludes an undisclosed liability of Kshs.270,000,000 due to the Agricultural Development Corporation on lease of land for the Galana Kulalu Irrigation Project.

The Authority entered into a lease of land agreement with the Agricultural Development Corporation for lease of 20,000 acres of land under the Galana Kulalu Irrigation Project at a total cost of Kshs.480,000,000 on 7 April, 2014. The Authority made an initial payment of Kshs.150,000,000 resulting in an unpaid lease amount of Kshs.270,000,000 which has not been recognized as a liability in the financial statements. However, Management made a disclosure in Note 37 of the financial statements reflecting the unpaid amount as a contingent liability which is also not disclosed in the financial statement. The Authority contested the terms of the Agreement as unfavorable and has since written to the parent Ministry requesting for review of the terms of the lease agreement arguing that the project entails development of the irrigation infrastructure, and thereafter hand it over to the Agricultural Development Corporation.

Consequently, the payables from exchange transactions balance is understated by the amount of Kshs.270,000,000 being outstanding lease amount which has not been recognized as a liability in the financial statements.

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

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

Basis for Conclusion

1.0 Galana Kulalu Food Security Project – Kilifi / Tana River Counties

The Authority entered into a lease of land agreement with the Agricultural Development Corporation for lease of 20,000 acres of land under the Galana Kulalu Irrigation Project at a total cost of Kshs.480,000,000 on 7 April, 2014. However, the Authority contracted for the construction works of the irrigation scheme on 10,000-acre model farm for Galana/Kulalu food security project on 20 August, 2014 leaving 10,000-acre unutilised. Further, the Authority terminated the contract for the construction works of the irrigation scheme because the contractor failed to provide a performance guarantee and complete the works. At the time of the contract termination, the contractor had completed works on 3,300 acres of land which the Authority has since taken over. Although the Authority had entered into two contracts for the completion of the remaining works, the execution of the works had not commenced by the time of this audit in April, 2021.

Consequently, value for money has not been realised because of the delay in completion of the project and in the use of the leased land. The delay in implementation of project is likely to result in cost overrun.

2.0 Rwabura Irrigation Project - Kiambu County

The Authority awarded the consultancy services for the preparation of Pipeline Way-Leave Acquisition Plan for Rwabura Irrigation Development Project. However, review of the Rwabura Irrigation Project documents revealed that the financing agreement became effective on 24 August, 2018, approximately 3 years after the contract was awarded on 23 December, 2015. This was contrary to Section 44 (2) (a) of the Public Procurement and Assets Disposal Act, 2015, an Accounting Officer should ensure that

procurement of goods, works and services of a public entity is within approved budget of that entity and Regulation 51(c) of the Public Finance Management (National Government) Regulations, 2015 which provides that contracts which create financial obligations in excess of one year may be concluded only if the accounting officer secures the resources required in line with the financing requirements set out in the contract.

In addition, the Consultant's final report required the Authority to provide for Kshs.68,206,531 to compensate land owners for trees, crops and structures affected by the pipeline in 1,138 parcels of land. However, the works had begun by the time this audit in April, 2021, while the compensation process had not commenced. Review of project documents revealed that although the construction contract was signed on 23 December, 2015, the commencement of works document was issued on 1 September, 2019 approximately four years after the contract was signed. The delayed commencement of the work may result in delayed completion of the Project and achievement of project objectives.

Consequently, Management was in breach of law in awarding contract before funding could be obtained and the Authority risks penalties and fines for delayed payment of the of Kshs.68,206,531 to compensate land owners for trees, crops and structures affected by the pipeline.

3.0 Bura Irrigation Development Project – Tana River County

Review of records revealed that the Bura Irrigation Development Project in Tana River County was to have been implemented on 12,000 acres of land. However, only 3,500 acres were under maize cultivation resulting to an under-utilization of 8,500 acres of land. Further, the Authority entered into a contract for sheet piling and associated works at Kora Kora intake for the Bura Irrigation and Settlement Rehabilitation Project on 4 June, 2019 at a contract price of Kshs.1,786,927,859. However, the Project's monthly report as at 30 June, 2020 revealed 75% of the contract period had elapsed with only 12% of the works completed.

Consequently, value for money has not been realised because of the delay in completion of the project and in the use of the land. The delay in implementation of project is likely to result in cost overrun.

4.0 Lower Kuja Irrigation Project – Migori County

The Authority entered into contracts for the development of a compensation for wayleaves acquisition plan for the Lower Kuja Irrigation Development Project phase I and Canal Wayleave Acquisition Plan for Lower Kuja Irrigation Development Project phase II. The Consultant's final report required the Authority to provide Kshs.116,751,225 and Kshs.87,934,731 for compensation of persons affected by the project in Phase I and Phase II respectively. However, by the time of this audit the Authority was yet to compensate all the PAPs, as detailed on the table below;

Phase	Budget (Kshs.)	Amount Paid (Kshs.)	Pending (Kshs.)
Phase I	116,751,225	80,528,900	36,222,325
Phase II	87,934,731	Nil	87,934,731
Total	204,685,956	80,528,900	124,157,056

Consequently, value for money has not been realised because of the delay in completion of the project and in the use of the land. The Authority risks penalties and fines for delayed payment of the of Kshs.124,157,056 to compensate land owners for trees, crops and structures affected by the pipeline.

5.0 Ndula Magogoni Irrigation Project – Kiambu County

The Authority entered into a contract for construction of Ndula Magogoni Irrigation Project Phase II at a contract price of Kshs.239,676,285, on 4 April, 2016 for period was twelve (12) months with an expected to be completion date of 14 May, 2017. The construction works involved installation of truck main conveyance line, conveyance pipelines and infield irrigation system. However, review of project documents revealed that the contractor stopped the works while some tasks including Infield System valued at Kshs.47,452,050 had not been implemented at all, 1.5 KM of the pipeline for Ndula Feeder II, and 1 KM of the pipeline for BK Chege were incomplete.

Consequently, value for money has not been realised because of the delay in completion of the project.

6.0 Rahole Canal irrigation Project – Garrisa County

Delay in Implementation of Rahole Canal Irrigation Project Phase III

The Authority entered into a contract for construction of Rahole Canal Irrigation Project Phase III at a contract price of Kshs.235,537,830, on 9 June, 2014. The contract was for a duration of 364 days ending 17 September, 2015. However, by the time of audit on 6 April, 2021, the Project had not been completed more than seven (7) years after the commencement of the works despite the contractor having been paid a total of Kshs.177,680,060.

Consequently, value for money has not been realised because of the delay in completion of the project and the expenditure of Kshs.177,680,060.

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 on whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities which govern them. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1.0 Understaffing

Review of the Authority's staff establishment revealed that the Authority has approved staff establishment of 389 staff members. However, the Authority had only 273 staff members in place, resulting to a shortage of 116 staff members. Further, the Authority did not have qualified procurement officers at the Schemes which were having major procurement processes were carried out at the Scheme level.

In addition, due to staff shortage, review revealed that, there was no rotation of the members of the Tender Evaluation Committee. This was contrary to the provisions of Section 46(4)(b) of the Public Procurement and Asset Disposal Act, 2015 which provides that an evaluation Committee shall consist of between three and five members appointed on a rotational basis comprising heads of user department and two other departments or their representatives and where necessary, procured consultants or professionals, who shall advise on the evaluation of the tender documents and give a recommendation on the same to the committee within a reasonable time.

The understaffing in the Schemes resulted in inadequate segregation of duties, and this may have resulted in weaknesses in internal controls.

2.0 Lack of Budgetary Controls System

The Authority processes its financial reports using a financial reporting system which has a budget module. However, the budget module had not been operationalized by the time of this audit in March, 2021. In the absence of a budget control system, it may not be possible to adequately control expenditure and this may lead to overspending.

The audit was conducted in accordance with ISSAI 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance on whether effective 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 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 which are free from material misstatement, whether due to fraud or error and for assessment of the effectiveness of the internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Authority'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 Authority 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 way.

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

Auditor-General's Responsibilities for the Audit

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 which 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 review is planned and performed to express a conclusion on whether, in all material respects, 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 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 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 which 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 which 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 non-compliance. 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 Authority's 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 which 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 which may cast significant doubt on the Authority'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 Authority 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 which achieves fair presentation.
 - Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority 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 which are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 February, 2022

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020	2019
REVENUE FROM NON EXCHANGE TRANSACTIONS		KSH	KSH
Government Grants	5	6,442,238,253	6,720,802,651
REVENUE FROM EXCHANGE TRANSACTIONS			
Rendering of services (O & M)	6	90,977,499	86,766,255
Sale of Goods	7	172,289,250	46,989,776
Rental revenues from facilities and Equipment	8	21,473,829	23,492,629
Finance Income	9	22,384,561	31,929,328
Other Income	10	8,860,410	32,765,032
TOTAL REVENUE		6,758,223,802	6,942,745,672
EXPENSES			
Use of Goods and Services	11	1,330,166,481	803,888,446
Employee Costs	12	348,768,746	362,754,503
Remuneration of Directors	13	9,538,538	34,712,047
Depreciation and Amortization	14	61,534,902	77,256,419
Repairs and Maintenance	15	1,247,574,877	1,372,372,215
Contracted Services	16	3,387,102	5,060,531
Irrigation Infrastructure Development	17	3,689,893,028	2,077,747,983
TOTAL EXPENSES		6,690,863,673	4,733,792,145
Surplus for the year		67,360,129	2,208,953,527

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2020

	NOTE	2020	2019
		KSH	KSH
ASSETS			
NON CURRENT ASSETS			
Property Plant and Equipment	18	5,109,012,477	5,090,259,635
Intangible Assets ICT	19	11,339,412	13,103,267
Work in Progress	20	22,454,890,691	20,589,339,811
Long-term Investments	21	27,950,000	27,950,000
Investment Mortgage	22	200,590,788	198,510,692
Total non- current Assets		27,803,783,368	25,919,163,405
CURRENT ASSETS			
Inventories	23	118,168,995	129,007,694
Receivables from Exchange Transactions	24	222,681,533	209,465,578
cash and Cash Equivalent	25	2,040,311,610	2,795,168,619
Total current assets		2,381,162,138	3,133,641,891
TOTAL ASSETS		30,184,945,507	29,052,805,295
EQUITY AND LIABILITIES			
EQUITY			
Retained Earnings(Reserves)	26	17,778,943,624	17,487,862,068
Capital Fund	27	694,921,649	694,921,649
JICA Fund	28	5,715,751,553	4,054,969,630
BADEA Grant	29	644,107,484	644,107,484
KUWAIT Fund	30	555,432,145	555,432,145
OFID Fund	31	150,773,312	150,773,312
Double Crop Grant	32	27,707,439	27,707,439
Bank of Leumi Israel	33	3,443,133,322	3,443,133,322
TOTAL EQUITY		29,010,770,528	27,058,907,049
NON CURRENT LIABILITIES			
TOTAL NON CURRENT LIABILITIES			
CURRENT LIABILITIES			
Payables From Exchange Transactions	34	1,174,174,979	1,993,898,246
TOTAL CURRENT LIABILITIES		1,174,174,979	1,993,898,246
TOTAL EQUITY & LIABILITIES		30,184,945,507	29,052,805,295

SIGN.....

CPA. JOSEPH K.KIGOTH0

NO.17191

DATE...08/01/2021

SIGN.....

GITONGA MUGAMBI

CHIEF EXECUTIVE OFFICER

DATE...08/01/2021

SIGN.....

Hon. Eng. JOSHUA TORO

BOARD CHAIRMAN

DATE...08/01/2021

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

STATEMENT OF CHANGES IN NET ASSETS AS AT 30-06-2020

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 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
Additions 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	-	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
As At 1st July 2019	17,487,862,067	-	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
Additions During the Year	67,360,129	-		1,660,781,923						1,728,142,052
Adjustments	223,721,427	-								223,721,427
As At 30th June 2020	17,778,943,623	-	694,921,649	5,715,751,553	644,107,484	555,432,145	150,773,312	27,707,439	3,443,133,322	29,010,770,527

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 National Irrigation Board, it is represented by land and buildings in the statement of financial position.
- v) JICA grants represent donor Funding for Mvea Irrigation Development project
- vi) Badea, Kuwait and Ofid represent donor funding for development of Bura Gravity Irrigation Project 8.43%, 14.63% and 6.32% respectively. GOK carries the balance of 70.62%
- vii) Bank Of Liumi Israel represent donor Funding by Israel Government for development of Galana Kulalu Food Security Project

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

STATEMENT OF CASHFLOWS FOR THE YEAR 30TH JUNE 2020

		2020	2019
	NOTES	KSH	KSH
Surplus for the year		67,360,129	2,208,953,526
Adjustments of items not involving movement of Funds			
Depreciation	14	61,534,905	77,256,419
Decrease in provision for bad & doubtful debts	24	41,441,873	
Work in progress write off	20	445,086,689	749,572,258
Retained Earnings Adjustments	26	89,213,961	(693,206,799)
Loss on disposal of fixed assets		60,308,944	(11,695,220)
Operating Profit before working capital changes		764,946,501	2,330,880,185
Working Capital Changes			
Increase/Decrease in Inventories	23	10,838,698	(33,713,978)
Increase/(Decrease) in Receivables from exchange transactions	24	(13,215,955)	53,267,018
Increase/Decrease in Payables from exchange transactions	34	(819,723,267)	(403,059,275)
Net Cash flows from operating Activities		(57,154,023)	1,947,373,949
Investing Activities			
Net change on Fixed Assets Total			
Purchase of Fixed Assets	18	(20,939,452)	(23,427,891)
Work In Progress additions	20	(2,335,465,361)	(1,142,114,597)
Mortgage	22	(2,080,096)	(4,918,915)
Net cash used in investing activities		(2,358,484,909)	(1,170,461,403)
Financing Activities			
JICA Grants	28	1,660,781,923	440,864,991
Net cash flows from financing activities		1,660,781,923	440,864,991
Net Increase/(Decrease) in Cash		(754,857,009)	1,217,777,537
Cash & Cash Equivalent at the beginning of the Year	25	2,795,168,619	1,577,391,082
Cash & Cash Equivalent at the end of the year	25	2,040,311,610	2,795,168,619

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

	Original Budget	Adjustment	Final Budget	Actual Comparable Basis	Performance Difference	% Variance
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	
REVENUE						
Government grants and subsidies	5,175,450,000	1,570,000,000	6,745,450,000	6,442,238,253	303,211,747	4.50
Rendering of services	121,550,000	-25,000,000	96,550,000	90,977,499	5,572,501	5.77
Sale of goods	137,817,500	37,000,000	174,817,500	172,289,250	2,528,250	1.45
Rental revenues from facilities and Equipment	10,500,000	12,000,000	22,500,000	21,473,829	1,026,171	4.56
Finance income	8,000,000	15,000,000	23,000,000	22,384,561	615,439	2.68
Other Income	30,132,500	-21,000,000	9,132,500	8,860,410	272,090	2.98
Total Income	5,483,450,000	1,588,000,000	7,071,450,000	6,758,223,802	313,226,198	4.43
EXPENSES						
Employee Costs	336,662,491	16,000,000	352,662,491	348,768,746	3,893,745	1.10
Use of Goods and Services	109,239,796	1,400,000,000	1,509,239,796	1,391,701,383	117,538,413	7.79
Remuneration of Directors	10,000,000	-	10,000,000	9,538,538	461,462	4.61
Repairs and Maintenance	80,820,175	1,200,000,000	1,280,820,175	1,247,574,877	33,245,298	2.60
Contracted Services	31,677,538	-	3,677,538	3,387,102	290,436	7.90
Irrigation Infrastructure Development	4,915,050,000	-	3,915,050,000	3,689,893,028	225,156,972	5.75
TOTAL EXPENDITURE	5,483,450,000	1,658,000,000	7,071,450,000	6,690,863,673	380,586,327.25	
SURPLUS FOR THE PERIOD	-			67,360,130		

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS 2019-2020

1. GENERAL INFORMATION

IPSAS 3

National Irrigation Authority is established and derives its authority and accountability from the irrigation Act cap 347.

National Irrigation Authority is wholly owned by the Government of Kenya and is domicile in Kenya. The principal activities is to promote, develop and improve irrigated agriculture to ensure food security in the country.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

National Irrigation Authority adopted IPSAS in the year 2013-2014 following the gazzement 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 Authority 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 relate 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: 1st 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 IPSAS 17

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%
Furniture & Equipment	10 %
Irrigation works and sewerage system	None
Land	None
Motor vehicles ,Tractors & Heavy Equipment	20 %
Plant & Machinery	10 %
Intangible assets	10%
Depreciation is on straight line basis.	

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 Authority 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.

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

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 labour 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 current replacement cost.

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 term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

e) Government grants

National Irrigation Authority 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 Authority is not servicing any loan hence no interest on loans in the books of account.

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

g) Taxation

The National Irrigation Authority is exempted from Kenya Income Tax.

h) 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.

i) 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 five years as we wait for approval for write off by The National Treasury.

j) Payables

Trade and other payables are non-interest bearing and are carried at amortized cost, which is measured at 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 Authority or not, less any payments made to the supplier. The Authority writes back all credit balances which have been outstanding for over seven years without demand notices from creditors/(suppliers).

k) Donor Funding

National Irrigation Authority 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 Authority 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 Authority to as stipulated in the funding agreement.

l) Revenue recognition IPSAS 9

i. Revenue from non-exchange transactions

Transfers from the Government

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

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

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

ii. Revenue from exchange transactions

Rendering of services

National Irrigation Authority recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

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

Interest income

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

m) 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.

n) 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.

o) 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.

p) 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, 2020.

q) 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.

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

r) Budget Information IPSAS 24

The original budget for FY 2019-2020 was approved by the National Assembly on June 2019. 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 2020 on the 2019-2020 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.

s) Operating Risk

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

t) 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.

u) Work in Progress and Retained earnings adjustments

National Irrigation Authority 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 Authority's assets.

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

5. GOVERNMENT GRANTS

			IPSAS 1
	2020	2019	
	KSH	KSH	
Development	6,146,180,663	5,770,665,379	
Recurrent	260,300,000	950,137,272	
Other grants	35,757,590	-	
Total	6,442,238,253	6,720,802,651	

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

6. RENDERING OF SERVICES

			IPSAS 9
	2020	2019	
	KSH	KSH	
Operation and Maintenance Fee	90,977,499	86,766,255	
Total	90,977,499	86,766,255	

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

7. SALE OF GOODS

			IPSAS 9
	2020	2019	
	KSH	KSH	
Paddy sales	54,859,708	36,648,721	
Farm Produce sales	5,845,273	9,459,239	
Sale of Water	896,550	762,250	
Electricity	24,650	119,566	
Sale of Fertilizer	27,000	-	
Maize Income	110,636,069	-	
Total	172,289,250	46,989,776	

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

8. RENTAL REVENUES FROM FACILITIES & EQUIPMENT

	2020	2019	
	KSH	KSH	
Rental Income	10,344,534	10,051,890	
Rent of Machinery	1,169,924	5,829,814	
Ground Rent	624,571	425,252	
Guest house Income	9,334,801	7,185,673	
	21,473,829	23,492,629	

These are revenues generated from hiring out of machinery and facilities like the guest house in Mwea Scheme and MIAD Centre.

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

9. FINANCE INCOME

	2020	2019	
	KSH	KSH	
Interest Income	22,384,561	31,929,328	

This is income generated from call deposit account and treasury bills.

10. OTHER INCOME

	2020	2019	IPSAS 9
	KSH	KSH	
Dividend Income	1,512,649.00	-	
Workshop Income	80,110.00	192,900	
Administration & Accountancy Fee	2,527,849.82	1,578,701	
Milling Income	234,713.00	38,764	
Other miscellaneous income	4,505,088.64	30,954,667	
Total	8,860,410	32,765,032	

These are revenues from miscellaneous sources which are in most cases a one off revenue

11. USE OF GOODS AND SERVICES

	2020	2019	IPSAS 1
	KSH	KSH	
Casual Wages	138,599,181.91	117,971,671	
Staff Training	8,032,304.02	5,421,867	
Staff Uniforms	522,475.00	362,406	
Printing and Stationery	11,963,484.94	7,169,132	
Bank Charges	1,840,436.15	2,540,970	
Rents & Rates	517,760.00	1,026,712	
Subscriptions and Periodicals	1,494,799.00	2,855,540	
Advertising	17,440,144.66	970,296	
Telephone and Postages	10,426,786.61	10,438,310	
Internet charges	17,514,207.59	15,380,615	
Electricity Charges	19,466,734.82	27,638,327	
Water Charges	534,472.40	809,498	
Audit Fee	2,320,000.00	2,320,000	
Consultancies	122,330,088.45	42,778,622	
Travelling ,Meals & Accommodation	147,993,891.01	161,018,553	
Legal Fees	24,983,038.07	17,854,437	
Licenses	2,753,361.00	754,969	
Office Tea & Beverages	4,558,497.01	4,007,939	
Consumables	10,073,973.18	8,331,458	
Fuel, oils & Greases	162,076,715.49	142,699,451	
Agricultural expenses	167,962,043.08	68,956,172	
Hire of Equipment & Facilities	412,541,695.50	130,305,402	
Insurance	31,968,350.00	15,576,478	
Other expenses	12,252,040.85	16,699,620	
Total	1,330,166,481	803,888,446	

These are expenses incurred in the normal cause of business as outlined in the expenditure description

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

12. EMPLOYEE COST

	2020	2019	IPSAS 1
	KSH	KSH	
Salaries & Wages Basic	205,089,452	206,643,457	
Commuter Allowance	13,141,436	12,665,786	
Overtime Pay	5,896,706	7,406,571	
Leave Allowance	5,428,409	4,720,153	
Transfer Allowance	24,000	24,000	
N.S.S.F	1,362,200	1,007,400	
Medical Expenses	15,428,350	31,897,701	
Pension Employer	27,607,164	27,550,774	
House Allowance	49,669,992	47,856,531	
Gratuity	8,395,371	10,189,850	
Other Allowances	16,725,665	12,792,279	
Total	348,768,746	362,754,503	

These are costs related to employees in terms of salaries and allowances paid as part of the salary.

13. REMUNERATION OF DIRECTORS

	2020	2019	IPSAS 1
	KSH	KSH	
Directors Sitting Allowance	3,920,000	13,054,993	
Directors Mileage Allowance	630,938	6,175,040	
Directors Accommodation Allowance	3,785,600	13,195,000	
Directors Lunch Allowance	242,000	942,500	
Directors Training	-	720,000	
Chairman's Honoraria	960,000	624,515	
Total	9,538,538	34,712,047	

These are payments relating to directors as they carry out official assignments

14. DEPRECIATION

	2020	2019	IPSAS 1
	KSH	KSH	
Buildings depreciation	2,748,432.85	3,062,308	
Plant & Machinery depreciation	36,863,865.24	48,892,321	
Tractors & Vehicles depreciation	13,025,330.81	15,290,027	
Furniture & Fittings depreciation	3,763,599.06	4,173,104	
Computers & Accessories	2,960,164.42	3,558,005	
Amortization	2,173,510.00	2,280,653	
Total	61,534,902	77,256,419	

These are depreciation expenses for each category of assets

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

15. REPAIRS AND MAINTENANCE

	2020	2019	
	KSH	KSH	
Irrigation Works -Canals & Roads Maintenance	1,076,415,416.18	1,180,039,730.02	
Motor Vehicles Maintenance	51,815,069.10	42,514,435.39	
Plant , Equipment & Machinery Maintenance	46,879,380.45	84,413,797.97	
Buildings Maintenance	63,392,518.75	50,454,794.80	
Computers & Accessories Maintenance	9,072,492.09	14,949,456.94	
Total	1,247,574,877	1,372,372,215	

16. CONTRACTED SERVICE

	2020	2019	
	KSH	KSH	
Hire of Security Guards	394,902	1,621,239	
Security Services	2,992,200	3,439,292	
TOTAL	3,387,102	5,060,531	

These expenses relate to outsourced security services from security firms.

17. IRRIGATION INFRASTRUCTURE DEVELOPMENT

	2020	2019	
	KSH	KSH	
Community Project expenses	3,689,893,028	2,077,747,983	

These are expenses incurred by the Authority in discharging its core activities of ensuring water is available to every irrigable acre.

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

18. FIXED ASSETS MOVEMENT SCHEDULE AS AT 30 JUNE 2020 **IPSAS 17**

	Irrigation Works & Sewerage	Freehold Land	Buildings	Plant Machinery	Computer	Furniture & Equipment	Tractors & Motor Vehicles	Total
<u>COST:</u>	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
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								
30th 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
<u>DEPRECIATION:</u>								
1st July 2018	-		55,358,954	462,616,145	72,430,161	58,892,916	885,268,611	1,534,566,788
Charge			3,062,308	48,892,321	3,558,005	4,136,865	15,290,027	74,939,526
Adjustment								
Disposal	-	-						
30th June 2019	-	-	58,421,263	511,508,465	75,988,166	63,029,781	900,558,639	1,609,506,314
COST 1 st July 2019	3,633,766,614	1,189,586,063	144,728,680	648,587,969	79,008,362	77,419,061	926,669,197	6,699,765,945
Additions	15,559,440			61,993,593	4,344,080	626,277	55,899,791	138,423,181
Transfers								
Disposals								
Adjustment	-			(325,138,897)	-	-	(274,185,875)	- 599,324,772
30th June 2020	3,649,326,054	1,189,586,063	144,728,680	385,442,665	83,352,442	78,045,338	708,383,113	6,238,864,355
<u>DEPRECIATION:</u>								
1 st July 2019	-	-	58,421,263	511,508,465	75,988,166	63,029,781	900,558,639	1,609,506,314
Charge			2,748,433	36,863,865	2,955,956	3,767,807	13,025,331	59,361,392
Adjustment				(270,672,918)			(268,342,910)	(539,015,828)
Disposal								-
30th June 2020	-	-	61,169,695	277,699,412	78,944,122	66,797,588	645,241,060	1,129,851,878
N.B. V 30 th June 2020	3,649,326,054	1,189,586,063	83,558,985	107,743,253	4,408,319	11,247,750	63,142,053	5,109,012,477
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 AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

19. INTAGIBLE ASSETS MOVEMENT SCHEDULE AS AT 30 JUNE 2020

COMPUTER SOFTWARE FOR WAN, LAN AND ERP	
Cost 1st July 2018	126,256,419
Additions	5,398,329
Disposals	
Revaluation	
30th June 2019	131,654,748
DEPRECIATION:	
1st July 2018	116,234,587
Charge	2,316,892
Revaluation	
Disposal	
30th June 2019	118,551,480
N.B.V 30th June 2019	13,103,268
Cost 1st July 2019	131,654,748
Additions	409,655
Disposals	
Revaluation	
30th June 2020	132,064,403
DEPRECIATION:	
1st July 2019	118,551,480
Charge	2,173,510
Revaluation	
Disposal	
30th June 2020	120,724,990
N.B.V 30th June 2020	11,339,413

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

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

20. WORK IN PROGRESS

	2020	2019	
	KSH	KSH	
Work in progress b/f (see attached schedule)	20,589,339,811	20,196,797,472	
Additions during the period	2,335,465,361	1,142,114,597	
Capitalization of assets from WIP	(24,827,791)		
Expensing of community projects from WIP	(57,933,397)	(749,572,258)	
WIP adjustments	(387,153,292)		
	22,454,890,691	20,589,339,811	

Work in progress refers to ongoing projects on irrigation infrastructure development which have not been handed over to the beneficiary community while assets handed over to the Authority are capitalized. Refer to policy 'v' on page 10 for disclosure and treatment. WIP adjustments refers to certificates (invoices) that were erroneously captured.

21. LONG TERM INVESTMENTS

	2020	2020	
	KSH	KSH	
Mwea Rice Mills Ltd. 55% shareholding 137,500 shares of Ksh 20 Par Value	2,750,000	2,750,000	
Western Kenya Rice Mills Ltd 60% shareholding 252,000 shares of Ksh 100 Par Value	25,200,000	25,200,000	
	27,950,000	27,950,000	

22. INVESTMENT MORTGAGE

			IPSAS 30
Investment in Kenya Development Bank	2020	2019	
	KSH	KSH	
Balance B/F	198,510,692	193,591,777	
Interest for the period	2,080,096	4,918,915	
	200,590,788	198,510,692	

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

23. INVENTORIES

			IPSAS 12
	2020	2019	
	KSH	KSH	
General Store	8,192,539.65	8,497,970	
Workshop Store	52,139,756.96	58,099,211	
Input Store	19,333,529.39	23,395,305	
Paddy Store	8,262,084.80	15,231,198	
Farm Produce Store	30,241,084.50	23,784,010	
TOTAL	118,168,995	129,007,694	

These are the closing balances of inventories in various stores which include spares for motor vehicles, heavy equipment, maize, paddy stationery and other items for use by the Authority in discharge of its Mandate.

24. RECEIVABLES FROM EXCHANGE TRANSACTIONS

			IPSAS 1
	2020	2019	
	KSH	KSH	
Staff Imprests	9,610,966.20	16,706,792	
Trade	92,575,275.17	128,548,879	
Farmers	392,780,139.02	394,170,559	
Others	185,947,983.29	169,714,052	
Provision for bad debts	-458,232,831	-499,674,704	
TOTAL	222,681,533	209,465,578	

These are amounts owed to the Authority, the provision for bad debts is for historical amounts dating before the year 1998 when the Authority retrenched its staff causing a lapse in document retrieval.

25. CASH AND CASH EQUIVALENTS

	2020	2019	
	KSH	KSH	
Cash Balances	1,303,405	2,289,388	
Bank Balances	2,039,008,205	2,792,879,231	
Total	2,040,311,610	2,795,168,619	

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

		2020	2019
FINANCIAL INSTITUTION	Account Number		
a) Current Account			
COOPERATIVE BANK			
COOPERATIVE BANK- NAIROBI BUSINESS CENTRE BRANCH			
Co-op Bank 217 Head Office	01136128012900	65,660,064	760,048,172
Co-op Bank Retention A/C Head Office	01136128012902	1,034,733,874	616,328,860
Cooperative Bank Recurrent A/C Head Office	01136128012901	2,667,370	2,419,649
COOPERATIVE BANK- SIAYA BRANCH			
Co-op Bank NIB-Bunyala Irrigation Scheme	01141237592000	3,443,004	54,050,334
EQUITY BANK			
Equity bank Head Office	1290297813162	82,911,173	31,381,156
EQUITY BANK HOLA BRANCH			
Equity Bank Tana	0580295576683	17,925,343	30,084
Equity Bank Bura	0580293746943	5,276	5,276
Equity Bank Eastern Regional Office	1600270952006	6,629,456	5,036,720
BARCLAYS KENYA			
Barclays Bank Head Office Queensway House Branch	0945036826	185,595,551	292,186,969
Barclays Bank Ahero Reg	0091010127	605,876	1,583,013
Barclays Bank Mwea	0041196262	600	600

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

KENYA COMMERCIAL BANK			
KENYA COMMERCIAL BANK -HOLA BRANCH			
Kenya Commercial Bank Tana	1104605481	2,275,806	71,025,673
Kenya Commercial Bank Bura	1108161944	491,064	81,390,813
Kenya Commercial Bank BCF	1115111027	392	392
KENYA COMMERCIAL BANK-KISUMU BRANCH			
Kenya Commercial Bank Recurrent Ahero	110828799	86,868	2,273,436
Kenya Commercial Bank Development Ahero	1125402237	2,487,288	62,790,594
Kenya Commercial Bank Bunyala	1125401931	278,228	24,629
KENYA COMMERCIAL BANK-MWEA BRANCH			
Kenya Commercial Bank Recurrent Miad	1103977776	961,791	1,385,322
Kenya Commercial Bank Development Miad	1125550813	1,448,144	150,575
Kenya Commercial Bank Recurrent Mwea	1103977458	13,187,923	7,142,432
Kenya Commercial Bank Development Mwea	1125550775	18,901,914	62,619,368
Kenya Commercial Bank Miad Seed	1117094669	8,765,897	8,418,812
KENYA COMMERCIAL BANK- MARIGAT BRANCH			
Kenya Commercial Bank Recurrent Perkerra	1103663917	412,592	449,951
Kenya Commercial Bank Development Perkerra	1124921761	608,638	56,707,408
Kenya Commercial Bank ESP Perkerra	1124922237	923,013	10,823

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

KENYA COMMERCIAL BANK-LODWAR BRANCH			
Kenya Commercial Bank Katilu	1130948382	1,291,081	7,628,345
NCBA BANK			
NCBA HOUSE BRANCH			
NIC Bank MIDP	1000584588	11,616,191	175,156,263
NIC Bank Western Regional Office	1004150194	7,269,319	6,877,130
NIC Bank Kenya Water Security & Climate Res. Project	1004150167	29,014,065	2,947,134
b) On- Call Deposits			
COOPERATIVE BANK- NAIROBI BUSINESS CENTRE BRANCH			
Co-op Bank	011501280012904/901	319,423,424	311,254,246
NCBA BANK			
NCBA House Branch	1008614508	18,791,618	73,587,189
EQUITY BANK	1600379398616	200,595,362	97,967,863
		2,039,008,205	2,792,879,231

The bank balance amount refers to all monies held in all bank accounts of National Irrigation Authority. The cash balance refers to all monies held in cash form in all cash offices of National Irrigation Authority. Included in this figure is Ksh. 2,947,134 being cash for Kenya Water Security and Climate Resilience Project.

26. RETAINED EARNINGS

			IPSAS 1
	2020	2019	
	KSH	KSH	
Balance b/ f	17,487,862,067	15,972,115,340	
Excess/Deficit for the year	67,360,129	2,208,953,526	
Retained earnings adjustment	223,721,427	(693,206,799)	
Balance c/f	17,778,943,623	17,487,862,067	

The retained earnings refer to accumulated excess of revenue over expenditure. The adjustments in the retained earnings refer to prior period adjustments for revenues or expenditures not captured.

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

27. CAPITAL FUND

	2020	2019	
	KSH	KSH	
Balance brought forward	694,921,649	694,921,649	
Additions during the year	-	-	
Balance C/Forward	694,921,649	694,921,649	

28. JICA FUND

			IPAS 5
	2020	2019	
	KSH	KSH	
Balance b/f	4,054,969,630	3,614,104,639	
Received within the year	1,660,781,923	440,864,991	
Balance c/f	5,715,751,553	4,054,969,630	

The cumulative amounts refer to Loans and Grants from the Government of Japan to the Kenya government for construction of Thiba dam. The amount is not captured as a loan in NIA's books since NIA is just an implementing agent and the loan is to the National Treasury.

29. BADEA FUND

			IPAS 5
	2020	2019	
	KSH	KSH	
Balance brought forward	644,107,484	644,107,484	
Received within the year			
Balance C/Forward	644,107,484	644,107,484	

This is a loan to the Kenya Government from BADEA, for development of Bura Gravity System

30. KUWAIT FUND

			IPAS 5
	2020	2019	
	KSH	KSH	
Balance brought forward	555,432,145	555,432,145	
Work in progress during the year			
Balance C/Forward	555,432,145	555,432,145	

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

This is a loan to the Kenya Government from Kuwait Government, for development of Bura Gravity System

31. OFID FUND

			IPAS 5
	2020	2019	
	KSH	KSH	
Balance brought forward	150,773,312	150,773,312	
Work in progress during the year			
Balance C/Forward	150,773,312	150,773,312	

This is a loan to the Kenya Government from Ofid, for development of Bura Gravity System

32. DOUBLE CROP GRANT

			IPSAS 1
	2020	2019	
	KSH	KSH	
Kenya Government Grant in respect of Mwea	27,707,439	27,707,439	
	27,707,439	27,707,439	

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

33. BANK OF LEUMI ISRAEL

	2020	2019	IPAS 5
	KSH	KSH	
Balance brought forward	3,443,133,322	3,443,133,322	
Received within the year			
	3,443,133,322	3,443,133,322	

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

34. PAYABLES FROM EXCHANGE TRANSACTIONS

			IPSAS 1
	2020	2019	
	KSH	KSH	
Trade	958,640,724.85	1,149,645,944	
Contractors	145,989,205.42	673,139,127	
Consultants	2,848,079.33	125,499,445	
Gratuity Provision	17,681,118.30	17,015,959	
Others	49,015,850.78	28,597,770	
TOTAL	1,174,174,979	1,993,898,246	

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

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

35. RELATED PARTY BALANCES

IPSAS 20

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

	2020	2019	
	KSH	KSH	
Transfers from Ministry of Water & Irrigation parties	6,442,238,253	6,720,802,651	
Net Balance	6,442,238,253	6,720,802,651	

c) Key Management remuneration

	2020	2019	
	KSH	KSH	
Directors	9,618,538	34,712,047	
Key Management remuneration			
Net Balance	9,618,538	34,712,047	

36. 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 minimize 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:

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

1. 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	Fully performing	Past due	Impaired
		Ksh		Ksh	Ksh
Receivables from exchange transactions		722,356,237	222,681,533	499,674,704	499,674,704
Receivables from non-exchange transactions		-			
Bank balances		2,025,766,000	2,025,766,000		
Total		2,748,122,237	2,248,447,533	499,674,704	499,674,704
At 30 June 2019		-	-		
Receivables from exchange transactions		762,407,300	209,465,578	499,674,704	499,674,704
Receivables from non exchange transactions		709,140,282	209,465,578	499,674,704	499,674,704
Total		1,471,547,582	418,931,156	999,349,408	999,349,408

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

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

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.

2. 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 5 months	Total
	KSh	KSh	KSh	KSh
At 30 June 2020				
Trade payables	724,497,031	307,146,448	160,222,588	1,191,866,067
Total	724,497,031	307,146,448	160,222,588	1,191,866,067
At 30 June 2019				
Trade payables	856,927,706	652,986,245	483,984,295.3	1,993,898,246
Total	856,927,706	652,986,245	483,984,295	1,993,898,246

3. 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.

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

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 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. During the year there were no foreign exchange risks.

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. During the year NIA did not operate in foreign currency.

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. During the year NIA was not exposed to interest rate risk

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

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

decrease/increase of KSh A rate increase/decrease of 5% would result in a decrease/increase in profit before tax.

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 non- financial instruments recorded at fair value by level of the fair value hierarchy:

At 30 June 2020			
	Level 1 KSh	Level 2 KSh	
Non- financial Assets			
Investment property	27,950,000.00	27,950,000.00	
Land and buildings	4,918,818,436	4,918,818,436	
At 30 June 2019			
Non- financial Assets			
Investment property	27,950,000.00	7,950,000.00	
Land and buildings	4,909,660,094	4,909,660,094	

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

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 as the carrying amounts are a reasonable approximation of their fair values.

4. Capital Risk Management

	2019-2020	2018-2019	
	KSh	KSh	
Revaluation reserve			
Retained earnings	17,778,943,623	17,487,862,068	
Capital reserve	694,921,649	694,921,649	
Total funds	18,473,865,272	18,182,783,717	
Total borrowings	-	-	
Less: cash and bank balances	2,040,311,610	2,795,168,619	
Net debt/(excess cash and cash equivalents)	16,433,553,662	15,387,615,098	
Gearing			

37. CONTINGENT LIABILITY

The Authority entered into lease of land however, the Authority has contested the agreement since it was unfavourable. The liability has not been recognized in the books till the matter is settled. NIA has since written to the parent Ministry requesting for the reconsideration of the lease agreement as the implementation of the project, NIA was to develop the irrigation infrastructure and hand over to Agricultural Development Corporation for production.

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
Cash and Cash Equivalent - Inaccuracy of Cash and Cash Equivalent	The Cash and Cash Equivalents as at 30 June 2019 was KSh. 2,795,168,619 compared to KSh.1,577,391,083 as at 30 June 2018. The Company operated thirty-seven (37) bank accounts and two (2) agent accounts. Out of the thirty-seven (37) bank accounts seven (7) were inactive and dormant. However, the board failed to disclose the following bank and agent accounts contrary to the Public Finance and Management Act, 2012 Account Identity Co-operative account prepayment Bank 7 Mpesa Account Tana PC017 No explanation was provided for the non-disclosure of bank accounts held by the Board. Consequently, the accuracy of Cash and Cash Equivalents as at 30 June 2019 totaling to Ksh.2,795,168,619 cannot be confirmed.	The two accounts identified as Bank 7 and PC017 which had not been disclosed in the schedule supporting cash and cash equivalent since they had nil balances have now been disclosed.		Resolved	
Property, Plant and Equipment					

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
Loss of Motor Vehicle KBT 972A	As noted in the previous year, a Motor vehicle registration number KBT 972A was stolen while in the custody of ENIP Coordinator-Upper Ea8stem in the financial year 2016/2017. Ownership documents have not been made available for audit review. Further, the asset is not included in the Fixed Assets register of NATIONAL IRRIGATION AUTHORITY. No measures have been taken to recover the vehicle. Status of the stolen vehicle KBT 972A cannot be explained. As a result, the completeness and accuracy of the net book of Ksh.5, 112,379,287 for property, plant and equipment cannot be confirmed.	The vehicle was stolen under the custody of the contractor who has accordingly been requested to replace the vehicle failure to which recovery will be done from monies owed to him by the Authority		Resolved	
Capitalization of Expenses Not Qualifying to be Assets	The statement of financial position reflects property, plant and equipment netbook value of Ksh.5, 112,379,287 and as per Note 13 to the Financial Statements. Fixed Assets register includes items classified as fixed assets totaling Ksh.55, 726,884.31 that do not qualify for recognition as PPE. Similarly, Fixed Assets register includes items of PPE with a cost, Depreciation and Netbook value of Ksh.166,097,089, Ksh.134,639,090 and Ksh.31,457,999 that does not have a title of the specific asset. Consequently, the balance of PPE is not properly presented and disclosed and contradicts recognition of an asset as per IPSAS 17(26).	The Fixed Assets register which includes items of PPE with a cost, Depreciation and Netbook value of Ksh.166,097,089, Ksh.134,639,090 and Ksh.31,457,999 respectively have now been correctly classified		Resolved	
Receivables from Exchange Transactions					

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
Un-reconciled Intercompany Transaction	The statement of financial position reflects trade and other receivables from exchange transactions totaling to Ksh.282, 709,320.13. Out of this amount, Ksh.69, 064,828 and Ksh.81, 244,791 represents outstanding intercompany transfer balances from MRM and WCRM respectively. However, corresponding balances in the accounts for both companies are stated at Ksh.44, 115,151 and Ksh.33, 482,549 for MRM and WCRM respectively resulting to un-reconciled balance of Ksh.72, 711,919. The variance of Ksh.72, 711,919 between the books of National Irrigation Authority and the mills, respectively was not explained. Consequently, the accuracy of the receivables from exchange transactions net balance of Ksh.282, 709,320.13 cannot be confirmed.	The inter-company balances have been reconciled and the correct balances reflected in the financial statements		Resolved	
Suspense Account	The figure of Ksh.34,280,229.29 which does not relate to any specific debtor but instead classified as other trade debtors(Ksh.11,098,611.60), sundry debtors (Ksh.23,142,117.76) and other debtor (Ksh.39,499.93). The debtors' ledger for trade and other debtors is unavailable due to the handing over lapse that was occasioned by massive retrenchment in 2002. It has therefore been challenging to locate the schedules supporting the debtors under trade and other debtors. The management will seek approval from the board of directors for the write off in line with Public Finance Management Act, Section 69. The figures are still in the books pending approval for write off.	The figure of Ksh.34,280,229.29 which does not relate to any specific debtor but instead classified as other trade debtors(Ksh.11,098,611.60), sundry debtors (Ksh.23,142,117.76) and other debtor (Ksh.39,499.93). The debtors' ledger for trade and other debtors is unavailable due to the handing over lapse that was occasioned by massive retrenchment in 2002. It has therefore been challenging to locate the schedules supporting the debtors under trade and other debtors. The management will seek approval from the board of directors for the write off in line with Public Finance Management Act, Section 69. The figures are still in the books pending approval for write off.		Resolved	

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
Payables form Exchange Transactions					
Long Outstanding Payables from Exchange Transactions -Water Resources Management Authority	<p>The statement of financial position reflects payables from exchange transactions balance of Ksh.1,994,492,965 as 30 June,2019</p> <p>Included in trade payables is an amount of Ksh.20, 981,308.38 for Water Resources Management Authority and which has remained outstanding for long period. No measures seem to have been taken by the management to settle the debt.</p> <p>Consequently, the completeness and accuracy trade payables totaling to Ksh.20, 981,308.38 cannot be confirmed.</p>	<p>The figure of Ksh.20, 981,308.38 is a balance for water abstraction permit fee payable to Water Resources Authority (WRA). However, NIA Management is engaging various stake holders in the Water Sector with the view to reach an understanding to waive the outstanding debt since National Irrigation Authority does not directly use the water but only facilitates the farmers in accessing this vital commodity in matters Irrigation. Based on this, NIA feels that it is the responsibility of WRA to directly engage the farmers and make them understand that it is their responsibility to pay for the water.</p>	DGM (infrastructure)	Not Resolved	2020/2021
Un Reconciled Intercompany Transaction	<p>The statement of financial position reflects payables from non-exchange transactions totaling Ksh.1, 994,492,965 as disclosed under Note 30 to the financial statements which includes others payables totaling to Ksh.39, 167,931.22. The other payables from non-exchange transactions includes balances owing to Mwea Rice Mill Ltd and Western Kenya Rice Mill Ltd as at 30June,2019. The variance of Ksh. 5,5143,456 between the books of National Irrigation Authority and the Mills, respectively was not explained.</p> <p>The accuracy of the payables from exchange transactions net balance of Ksh.1, 994,492,965 cannot be confirmed.</p>	<p>The inter-company balances have been reconciled and the correct balances reflected in the financial statements</p>		Resolved	

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
Long-outstanding payables from exchange transactions	The statement of financial position reflects payables from exchange transactions totaling to Ksh.1, 994,492,965 and as disclosed under Note 30 as at 30 June, 2019. Review of the board's records reflects that a total of Ksh.934, 515,799.67 of these amounts have been outstanding for a period more than one year. No explanation has been provided to explain why it has taken long for the board to pay the liabilities. Further, included in the balance is long outstanding liability of Ksh.30, 000,000 owed to Agricultural Development Corporation (ADC). However, the figure differs with receivable balance of Ksh.91, 323,712.80 as reflected in ADC financial statements. In the circumstances, the completeness and accuracy payables from exchange transactions totaling to Ksh.1, 994,492,965 cannot be confirmed.	NIA has no plans to continue paying for the lease. This is due to the fact that it is not within its mandate to engage in production. NIA's initial responsibility was to develop the Irrigation infrastructure and hand over the land back to ADC for production. Discussions are therefore, ongoing between NIA, ADC, as well as the parent ministry to intervene and possibly negotiate with the Ministry of Agriculture under which ADC is domiciled for the waiver of the lease amount. This is still ongoing and if well concluded, the amount may be waived for the period not utilized.		Resolved	
Understatement of gratuity provision	The statement of financial position reflects payables from exchange transactions totaling to Ksh.1, 994,492,965 which includes an amount of Ksh.7, 040,517.65 that relates to gratuity provision. Review of documents provided for audit reflects that the gratuity provision balance for the year was Ksh.17, 294,120.50 resulting to unexplained difference of Ksh.10, 253,602.85. It was further noted that the closing balance on gratuity as per prior year audited financial statement was Ksh.12, 392,294.95. This figure differs with the current year opening balance of Ksh.12, 229,886.65 resulting to unexplained variance of Ksh.162, 408.30. In the circumstances the completeness and	The error which had occurred in the Microsoft Dynamics 365 Business Central System during the preparation of the financial statements leading to under provision of gratuity in the opening balance has now been corrected.			

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
	accuracy of gratuity amount of Ksh.7,040,517.65 cannot be confirmed.				
Retained Earnings	<p>The statement of financial position reflects retained earnings totaling Ksh.17,581,064,262 for the year under review, which includes excess/(surplus) for the year of Ksh.2,251,339,768, accumulated retained earnings of Ksh.15,972,115,340 and Ksh.642,390,846 explained as retained earnings adjustment as reflected under and Note 21 to the financial statements. However, note 15 to the financial statements on work in progress totaling to Ksh.20,589,312,160.64 indicates transfer of completed projects to retained earnings of Ksh.863,984,627 resulting to unexplained difference of Ksh.221,593,781. The policy of the Board is to offset all projects completed during the year to the retained earnings. However, the policy is not documented nor disclosed as a way of a note to the financial Statements in alignment to the requirements of IPSAS 3.</p>	<p>The policy on treatment of completed projects is stipulated in the summary of significant accounting policies item number 'v' attached to the financial statements. Please refer to note 15 to the financial statements and the statement of cash flow .</p>		Resolved	
Development Fund	<p>The statement of financial position reflects development fund for various schemes totaling Ksh.11,695,220 which has remained outstanding since 2002.Up to 30 June,1992 the price structure for rice sales by the National Irrigation Authority to the National Cereals & Produce board set aside an amount of Ksh.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.</p>	<p>As observed by the auditor, the figure of Ksh. 11,695,220 refers to a development fund which was created some time back where an amount of Ksh.2.50 per bag of paddy rice was recovered from rice sold to the National Cereals & Produce Board for the purpose of defraying losses. These funds were used where necessary to defray losses and the recoveries were stopped in the year 1992. No separate bank account had been opened to manage these funds. Hence, the expenses (losses) incurred as envisaged</p>			

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
		were charged to various expense codes instead of the fund to amortize it. These book entries have now been written off to accumulated surplus.			
Budget as a Control Tool					
Unsupported Adjustment to the Original Capital Budget	The statement of comparative budget and actual amounts reflects total receipts and expenditure of Ksh.7,383,583,099 and Ksh.5,132,243,330 respectively over a budget of Ksh.7,578,802,651 and Ksh.7,572,243,257 for Receipts and Expenditure respectively. Included in the budgeted expenditure figure of Ksh.7, 572,243,257 was Ksh.6, 320,665,379 budget for capital expenditure. Further the statement reflects unsupported adjustment to the original budget of Ksh.2, 119,651 on total Income and Ksh. 69,439,743 on total expenditure. In the circumstances budget and budgetary controls cannot be confirmed.	The Authority implements multi-year projects as per allocated funds on annual basis up to the completion date. At the close of the financial year, implementation of the various projects was ongoing, however the delay in release of exchequer caused the low absorption of the allocated funds, however payments for certified works was done upon receipt of the funds.		Resolved	

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
Failure to implement Internal Audit Management System (Pentana)	A review of the internal controls for NATIONAL IRRIGATION AUTHORITY reflects that although the management had procured an Internal Audit Management System for control in the month of September 2015, it was not being used by the internal auditors for their audits. The Audit Management System (Pentana Audit Management System (v2015) was procured from a company vide Contract Number: National Irrigation Authority/T/061/2014-2015 on 4th September 2015 at a Contract sum of Ksh.6, 499,736. Consequently, the Board appear not to have obtained value for money in respect of the expenditure of Ksh. 5,531,461.36 so far incurred for the Audit Management system	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. The integration issue was sorted out and therefore, the Internal Audit Management System is currently in use and fully operational		Resolved	
Community Irrigation Development Expenses					

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
Water for Household Project Phase 2, Mwatete Constituency, Taita Taveta County	<p>The management awarded a contract, tender no. NATIONAL IRRIGATION AUTHORITY/T/077/2018-2019 for water for household project phase 2 in Mwatete constituency to a company at a contract sum of Ksh.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. The status report provided reflects that the contractor had been paid Ksh.18, 782,333.47 which was 94% of the contract sum. The report also indicated that the overall progress of works stood at 100%. Site verification of the sampled water pans in Mwakitau Location, Mwachenyi village on 18 February 2020.</p>	<p>Out of the 72 No. of water pans constructed in Mwakitau Location 53 No. of them harvested and stored water which is being utilized by the beneficiaries for crop production. Due to the high demand of the water pans in the area the community was ready to line the water pans at their own cost with full knowledge that the National Irrigation Authority was not providing the lining materials as stated in the signed construction agreement forms. Taking note that the area has only received rainfall in one season. It is expected that the rate of retention will improve once the water pans stabilize.</p>		Resolved	

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
	<p>Site verification of the sampled water pans in Mwakitau Location, Mwaghenyi village on 18 February 2020 reflects that:-</p> <p>i. Farmers were required to install a plastic lining after construction was done. However, it was observed that no water pan visited had a plastic lining installed by farmers. It was indicated that the cost of purchasing the lining was beyond the farmers' ability and that were not locally available. As a result, none of the water pan visited retained water due to ground seepage, ii. The average depth of the water pans exceeds 1.5meters making it difficult for users to access water especially when the water level is low, iii. Contrary to the requirement for implementation, most of the water pans are not fenced rendering them hazardous to the public and animals in the event of drowning. In the circumstances water pan without a plastic lining contradicts the contract agreement, Further, Lack of fencing the pans can be hazardous to the public and animals in the event of drowning</p>	<p>Shallow water storage facilities lose water very fast due to exposure to high temperatures and hence high rate of evaporation. Its therefore, encouraged to have deeper water storage facilities to encourage longer period of water storage..</p> <p>Sensitization of the farmers is normally done before and during project implementation period. Hence, it is made clear to the project beneficiaries that it is their responsibility to secure the water pans by fencing as stipulated in the construction agreements. This process was done in conjunction with the relevant County Government officials and the respective Chiefs. Further, communication was done to the County Commissioner to assist in enforcing the same.</p>			

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
Rehabilitation Works of Kerwa Dam Project-Mbeere South Constituency Embu County	Rehabilitation works of Kerwa Dam Project-Mbeere South Constituency Embu County, Contract no. NATIONAL IRRIGATION AUTHORITY/T/011/2018-2019 was awarded to a contractor to rehabilitate earth dam to a capacity of 100,000 cubic meters at a contract sum of Ksh.17, 970,000. The contract period was of three months. Commencement date was 28 March, 2019 and completion date stated as 28 June 2019.	During feasibility study period, the community requested the rehabilitation of the three existing water pans/small dams as one request. This is to enable them separate the water for their different uses. Hence, approval was issued at the procurement stage. The objective of the contract was to rehabilitate and improve on the water storage capacity of the dams. Further, the community uses pumps to draw water when necessary for their activities. Livestock rearing is part of agricultural practices which immensely contribute to the food security.		Resolved	
	This could not be achieved with Kerwa earth dam and to achieve the targeted capacity, the contractor was instructed by the resident engineer to de-silt two more identified earth dams within the area to achieve the quantities. According to the Inspection and Acceptance Report dated 14 November, 2019 the following dams were rehabilitated to achieve the required capacity:- i. Kerwa Earth Dam-59,300 cubic meters				
	ii. Mikuuri Earth Dam-15,900 cubic meters	The country has been experiencing adverse rainfall and hence, the community was still depending on the rain water. It is also worth noting that rehabilitation of these water pans/small dams, water harvesting and storage is for supplementary use. NIA is in the process of fencing off all rehabilitated water pans/small dams.			

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
	iii. Kariko Earth Dam-24,800 cubic meters.				
	Costing of each dam was not provided and further change of site for a new project should be approved by the Managing director.				
	Audit inspection carried out on the Kerwa earth dam on 17 February, 2020 found that the dam waters were not utilized for purposes of irrigation as intended for the reason that no provision of how the dam water was to be drawn and utilized for agricultural purposes was not factored in the contract.				
	The dams were not fenced as precaution to users thus posing an environmental threat to the communities around.				
	Consequently, without approval of change of site, I cannot confirm the authority to do new sites.				
Rehabilitation Works for Kathanje Earth Dam Project-Maara Constituency -Tharaka Nithi County	Contract No. National Irrigation Authority/T/106/2018-2019 for the rehabilitation of Kathanje water pan in Tharaka Nithi County was signed between the contractor and National Irrigation Authority on 28 May, 2019 at a contract sum of Ksh.19, 430,000 for a contract period of three (3) months. The commencement date of the contract was 13 May 2019 and completion date. The project components involved rehabilitation works by desilting and expanding Kathanje earth dam to a volume 100,000 cubic meters. The contractor however did not finish the scope as per the contract as he failed to attain the volume	To enable completion of works before heavy rainfall, the contractor was instructed to mobilize since notification of award and performance bond had already been issued and verified. The contracted volume was 70,000 cubic meters and not 100,000 cubic meters and the BoQ incorporates Preliminary & General Items where the supervision allowance is covered and also the earthworks items where the excavation works is covered. All the contracted volumes were achieved.		Resolved	

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
	required of 100,000 cubic meters due to land availability and soil profile.				
	The following unsatisfactory matters were noted from site inspection and perusal of the contract and payment documents.	Additionally, the contract period provided assumes minimum mobilization, but in this case the contractor mobilized 2No. 20 tons excavators, 2No. 24 tons excavators, 2No. D6 dozers, 1No. Roller/compactor and 4No. 15tonne tippers. This enabled the works to be completed within three and half weeks. The contract sum is Ksh. 19,430,000.00 and therefore the amount paid is within the contract.			
	i. Although the contract agreement was signed on 28 May, 2019, the contractor commenced works on 13 May, 2019 before the signing of the contract,	Compaction of the embankment was done as required and to the satisfaction of the Project Engineer. Due to the type of soil in the area which has poor soil cohesion, cracking was witnessed and to address this problem, the contractor was instructed to import soil but due to the limitation of the quantities allowed for importation in the contract, the soil was not enough. Further, the contractor has since been instructed to mobilize back to site and undertake the necessary repairs			
	ii. The contractor was desilt and expand Kathanje dam to a capacity of a volume 100,000 cubic meters but achieved only volume 70,000 cubic meters,				
	iii. It is not clear how the amount of Ksh.18,458,500 paid to the contractor was arrived at considering that an amount of Ksh.480,000 was included in the contract sum for supervision of works,				

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
	iv. The contract period is three (3) months yet the commencement date is 13 May, 2019 and completion date being 6 June, 2019 creating inconsistencies,				
	v. The contractor has since been paid Ksh.1, 427,500 retention money resulting in total amount paid to the contractor of Ksh.19, 406,000.				
	Audit inspection carried out on the Kathanje dam on 17 February, 2020 established the following issues:-				
	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 had severely eroded due to erosion and poor compacting,				
	iii. The embankment showed signs of horizontal cracks which if no remedial action is taken soon 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 3622.9meters square was not fully excavated because of rock and did achieve the claimed volume of 16,303m ³ ,				
	v. Similarly, dam 3, with a total area of 2990.16 meters square was not fully excavated to achieve the claimed volume of 13,455m ³ ,				

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
	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 totaling to Ksh.19,430,000 cannot be confirmed as a proper charge to government funds.				
Rehabilitation Works of Iganjo/Silanga Water Pan, Murang'a County	Contract no. NATIONAL IRRIGATION AUTHORITY/T/010/2018-2019 was awarded to a contractor for rehabilitating Iganjo/Silanga Water Pan at a contract sum of Ksh.17, 970,000. According to the Interim Payment Certificate No.1, the contractor's gross work done was Ksh.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 as a catchment for fish and fishing by the community. The water pan is located in Kamahuha Constituency, Murang'a County. The water pan was desilted and all the mud and hyacinth in the water removed.	Since fencing was not part of the contract, it is worth noting that NIA has no budget for this activity and will not be able to undertake the fencing of all the rehabilitated water pans/small dams. The water has not been used for crop production due to the fact that since completion, no water has been harvested due to lack of rains. The water harvesting and storage is for supplementary irrigation. The project committee plans to carry out fish farming and the fingerlings have already been ordered from Sagana.		Resolved	
	Audit inspection of the water pan indicated that the water pan has not been put to the intended use. The water pan site has not been fenced off to enhance security to the area to restrict trespassers and in the event of accidental drowning. It was also noted that water hyacinth and lilies have started to grow. It's of concern that the water pan may get				

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
	silted and overgrown by hyacinth and other vegetation.				
	Consequently the rehabilitating of Iganjo/Silanga Water Pan at a contract sum of Ksh.17, 970,000 will not have value for money to the citizens.				
Households Projects in Muranga	National Irrigation Authority constructed household projects in various counties in the country including Nyeri, Laikipia, Nyandarua, Meru, Isiolo, Baringo, Kiambu, Murang'a, Kajado, Uasin Gishu, Machakos, Trans Nzoia, Embu, Kwale, Taita Taveta, Samburu, Nakuru and Tharaka Nithi. The construction of these household projects included construction of water pans in identified farmer's land. The water pan of each farmer was to have a capacity of between 1,000- 3,000m ³ .	The design of water pans is determined by the topography of the locality as per the survey data and all the designs of the water pans were done guided by this. In most cases, the inlet of the water pan acts as the spillway. The farmers are expected to carry out the soil conservation measures as per the signed construction agreements. Further, the recent rainfall was above normal which affected many of the projects across the country. About 90% of the water pans in Murang'a have very good water retention capacity. NIA is looking into ways of lining the water pans that are porous. This issue has been raised with various County Commissioners to assist in emphasizing and ensuring that the farmers play their role. The contracted volumes were achieved in all the contracts. Payments are done on measured works and did not exceed the contracted volume.		Resolved	

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
	<p>The household projects in Murang'a were constructed for farmers in Kambiti, Kamahuha, Gatanga-Ithanga and Kigumo wards. During the verification of the pans carried out on 12 February 2020 on the pans, there is a similarity in all the pans that were visited. There were no well-defined spill way and in let for the passage of water and that is the reason as to why the embankment is not stable.</p> <p>NATIONAL IRRIGATION AUTHORITY did not do a proper survey and study on the soil around the area of the pans since most of the pans are not able to hold water for a long time.</p> <p>The farmers on the other hand have not met part of their bargain by not fencing the water pans and even buying pumps to draw the water from the pans.</p> <p>In the circumstances water pan without a plastic lining contradicts the contract agreement, Further, Lack of fencing the pans can be hazardous to the public and animals in the event of drowning and Farmers sensitization on the importance of the projects not done.</p>				
Projects Management and Related Issues					
Bura Irrigation and Settlement Scheme Rehabilitation Project					

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
Project Implementation Appraisal Report	<p>The project implementation appraisal report done on May 2018. Reflects that the contractor has presented ten (10) interim certificates amounting to Ksh. 2,739,494,669.93 and paid amounts of Ksh.2,444,453,392.43 resulting to outstanding payment to the contractor of Ksh.295,041,277.50.</p> <p>Claim for interest on the overdue payments and liquidated damages (clause 47) was Ksh.71, 919,006.19 and Ksh.524, 908,037.28 respectively hence the computed net amount due to contractor was Ksh. (301,785,765.97). Meaning the contractor was to pay the client. The amount payable was to be recovered from the performance bond guarantee. However, the amount due as per the report is Ksh.147, 947,753.59. No measure seems to be taken to ensure the payment of the performance bond.</p>	<p>NIA recalled the advance payment from the Kenya Commercial Bank which is the corresponding Bank for the guarantee and when the Bank declined, NIA took the matter to the High Court of Kenya. The determination of the case is being awaited.</p>		Resolved	

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
Bura Irrigation and Settlement Scheme Rehabilitation Project. Procurement process	<p>After termination of the project by the employer a new contractor was awarded phase one of the remaining works (item 1-2.2). The above contract was awarded to a company for a contract sum of Ksh.1,786,927,858.83 contract agreement dated 4 June,2019. Contract number NATIONAL IRRIGATION AUTHORITY/DRP/023/2018-2019. The contract was awarded on 15 January,2019 and contract signed on 4 June,2019. Contract commencement is 3 October,2019 for a contract period of 12months ending 2 October,2020. The commencement date is 10months after the contract award. No explanation was provided for the delay. A progress report dated 4 December,2019 reflects percentage progress report of 1%. Further there was a reservation from resident engineer that there was need for contractor to double the efforts to be at par with the program of work. The engineer has written to the contractor ref:NATIONAL IRRIGATION AUTHORITY/CAS/023/0019vol.1/2019 on the delay in commencement of work and slow rate of progress.</p>	<p>The contractor delayed commencement of works on the site due to the prolonged both long and short rains. However, the situation has normalized and the contractor has already mobilized and the progress of the works is satisfactory. The contract is expected to be completed within the contract period.</p>		Resolved	

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
Non Payment of Advance Payment Guarantee and Performance Guarantee by Kenya Commercial Bank	<p>The contract to rehabilitate the Bura Irrigation and Settlement Scheme was awarded to IVRCL. The financing proportion was as follows: -</p> <p>i. GOK Ksh.5,394,199,104. No explanation was provided as to why the Kenya Commercial bank dishonoured to pay the performance bond and the Advance Payment Guarantee yet as the time of termination they were valid.</p> <p>Tender No.NATIONAL IRRIGATION AUTHORITY/T/O74/2018-19 was awarded to M/ LG Kimani & Co. Advocates and Commissioner for Oaths at a tender sum of Ksh.37,737,487.72 for legal services for representation of National Irrigation Authority (NATIONAL IRRIGATION AUTHORITY) in filing a suit against Kenya Commercial Bank (KCB) for the recovery of advance payment guarantee and performance guarantee. The contract for the above services were entered into in March, 2019. The management has not provided details on how far the case has progressed.</p> <p>ii. Kuwait Fund Ksh.1,856,400,00</p> <p>iii. BADEA Ksh.680,000,000</p> <p>iv. OPEC Fund Ksh.510,000,000</p> <p>A letter from NATIONAL IRRIGATION AUTHORITY dated 7 February,2017 addressed to the Principal Secretary on the project gave an extension of up 31st December,2017 for the completion of the entire works. However, the financier, the Arab Bank for Economic Development in Africa dated 17 February,2017 which</p>	NIA recalled the Performance bond from the Kenya Commercial Bank which is the corresponding Bank which issued the guarantee and when the Bank declined to pay the demanded amount, NIA took the matter to the High Court and determination is being awaited.		Resolved	

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
	<p>NATIONAL IRRIGATION AUTHORITY responded on 21 February, 2017 giving reason for the reason for the project delay. A revised date of completion was 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 was due to inability of the contractor to finance the works which was contrary to the evaluation criteria whereby he demonstrated having financial capability to do the works. On 3rd 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 contractor confirmed.</p> <p>The general Manager has written to Kenya Commercial bank (KCB) demanding payment of the advance payment guarantee of USD 5,750,000 and performance bond guarantee of USD 5,751,744 a demand which the bank has dishonored</p>				

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
Construction of Appurtenant Structures	<p>The contract for the construction of the above dam was awarded a company for a contract sum of Ksh.8,221,083,893.09. The project location is Kirinyaga County, Gichugu Constituency the dam capacity is 15.6Million M³. The commencement date was 1 March,2018 and completion date of 1 December,2021.</p> <p>The expected achievement to date is 46% against actual achievements to date of 25.01%. Delay in progress was 20.99% as at January 2020; against cumulated planned projected progress of 51% (Difference is 26%). The expected achievement to date is 46% against actual achievements to date of 25.01%. Delay in progress was 20.99% as at January 2020; against cumulated planned projected progress of 51% (Difference is 26%).</p> <p>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's a donor funded project.</p>	<p>Delayed payment was occasioned by underfunding from the National Treasury. In the financial year 2018/2019 there was a budget cut by the National treasury and this left the project with pending bills which were cleared in the financial year 2019/2020. In the FY 2019/2020 NIA requested for an allocation of Ksh. 3 Billion towards the financing of the project, in the approved budget only KES. 1.8 Billion had been allocated.</p>		Resolved	
Construction of Mwea Irrigation Development Project - Dam Canals and Roads	<p>The contract for construction of Thiba dam canals and roads was awarded to a company for a contract sum of Ksh.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. Performance guarantee dated 07/07/2016 of Ksh.36,258,416 valid upto 30/11/2020. However, it was noted that the expected achievements to date was 62% against actual</p>	<p>Delayed payment was occasioned by underfunding from the National Treasury. In the financial year 2018/2019 there was a budget cut by the National treasury and this left the project with pending bills which were cleared in the financial year 2019/2020. In the FY 2019/2020 NIA requested for an allocation of Ksh. 3 Billion towards the financing of the project, in the</p>		Resolved	

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
	achievement of 40% resulting to a delay of 22%. During site visit on 14 February, 2020 the contract was not on site and had laid down their tools due to non-payment.	approved budget only KES. 1.8 Billion had been allocated.			
Unsupported Provisional sum and Unfavorable Clause in the Contract Agreement	Examination of contract agreement under clause A15 measurement and payment reflects that the payments on the provisional sums shall be measured progressively on a monthly basis as a percentage of the total months construction. Examination of the certificates paid reflects a provisional sum of Ksh. 17,805,899.10 in the BOQ were approved and paid for payment without support documentation. The amount of Ksh. 17,805,899.10 paid without support documents cannot be verified. Further if the employer uses a percentage of time since commencement of works, then there will be additional cost in case of delays in project completion.	Payment for maintenance of vehicles is done in relation to the number of vehicles maintained by the Contractor in a particular month and on condition that proper maintenance of the vehicles is provided. Otherwise, the Employer/Project Engineer is at liberty to withhold payment if proper maintenance is not done. This is as stipulated in sub-section A19 (6) of the Technical Specifications. The list of project vehicles maintained during the period under review is provided. The Employer has already made some savings. The Employer is also optimistic that the project will be completed in time.			

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
		Computation of the financing charges due to delayed payments is done in accordance with the requirements of Sub-Clause 14.8 of the General Conditions of the contract which states that 'Unless otherwise stated in the Particular Conditions, these financing charges shall be calculated at the annual rate of three percentage points above the discount rate of the central bank in the country of the currency of payment, or if not available, the interbank offered rate, and shall be paid in such currency'. The payment of the financing charges was attributed to the delay in payment to the contractor which was attributed to inadequate funding from the National Treasury prompting the contract to claim for interest on delayed payment in line with the contract. This can be avoided by Treasury providing adequate budgetary allocations to the Project			
Galana/Kulalu Food Security Project					

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
Delay in Completion of Galana/Kulalu Food Security Project	The contract for the construction works of the 10,000-acre model farm for Galana /Kulalu food security project, Tana River and Kilifi counties was awarded to Green Arava Ltd Contract No. NATIONAL IRRIGATION AUTHORITY/T/2014-2015. The contract for the construction works of the 10,000-acre model farm for Galana /Kulalu food security project, Tana River and Kilifi counties was awarded to Green Arava Ltd Contract No. NATIONAL IRRIGATION AUTHORITY/T/2014-2015				
Current Project Status and Termination of the Project	<p>The employer issued a notice of termination of the contract vide letter dated 15 May,2019 pursuant to clause 63.1 of the contract. It is not clear why the contractor has not prepared the 10,000acres for planting as per the BOQ. Further comparison of production and the expenditure incurred reflects that the board cannot produce yield which can cover the initial cost of the project.</p> <p>i. Failure by the contractor to provide a performance guarantee in accordance with clause 10.1 and 10.2 of the contract,</p> <p>ii. Failure by the contractor to complete the works, and</p> <p>iii. The works not executable without a valid performance guarantee.</p> <p>The employer called for the performance bond of Ksh.97,967,863 which has expired on</p>	The project is expected to recover the cost of investment within a period of 7 years and therefore, analyzing the yield for one season in year may not accurately represent this.		Resolved	

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
	<p>08 May, 2019. The management did not recognize the performance bond as income in the financial statements.</p> <p>However the Office of the Attorney general vide letter dated 18/07/2019 ref,AG/CONF/21/75/0Vol.II advice the employer to exhaust alternative dispute resolution mechanism to resolve their dispute.</p> <p>The contract handed over 3,300 acres which is been used for cropping out of the probable 10,000 acres.</p> <p>Apart from providing all the required irrigation infrastructure, machinery equipment and other facilities, the contractor was expected to manage and undertake production on the entire 10,000acres for two seasons in one year. So far the contractor has cumulatively planted and harvested 5,145 acres since April 2015</p>				

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
Rehabilitation of Galana Kulalu Water Intake Project	<p>The construction was initially awarded to a company under contract No. NATIONAL IRRIGATION AUTHORITY/T/2014/2015. The intake was damaged together with three pumps by floods of 2018. Through tender No. NATIONAL IRRIGATION AUTHORITY/T/004/2018/2019, the board awarded another company to rehabilitate Galana Kulalu water intake at a cost of Ksh.19,842,625.00(Inclusive of VAT). The project work started on 30 October 2018 and was to take six (6) months to completion. Rehabilitation works involved excavation of boulders not less than 1m in diameter and construction of spur dyke running a length of 180m. The contractor has been paid a total of Ksh.16,712,984 or 84% of the contract sum. The overall progress of the rehabilitation works was 100% complete.</p> <p>A visit to the rehabilitation site revealed the following;</p> <ol style="list-style-type: none"> The work done by the new contractor was destroyed by the floods. The river had shifted away from the intake and deposited large volume of silt on the side of the intake thereby involving huge expenditure on desilting and other related works of reclaiming the river. Another contractor was found on site doing the same work of rehabilitation. The contract for the new engagement of the new contractor had not been availed. Eight pumps were installed however during the visit five pumps were operational with three pumps not repaired. 	<p>The handed over section of 3,300 acres currently under production has yielded an average of 28 bags per acre which is high compared to the National average production of 17 bags per acre. NIA targets to achieve a production of 30 bags per acre ultimately. Even at 28 bags per acre, NIA is breaking even in production.</p> <p>To guarantee constant water supply in the farm and reduce the cost of maintenance of the intake works, NIA has identified an alternative site which is more suitable where the intake works will be relocated.</p>		Resolved	

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
Under-Utilization of 20,000 Acres Leased Land	<p>The lease agreement entered into between Agriculture Development Corporation and National Irrigation Authority on leasing Galana Kulalu Model Farm spells out the lease land acreage being twenty thousand (20,000) and cost of lease per acre was put at Ksh. 3,000 resulting to Ksh. 60,000,000 per year. No explanation was provided as to why the 10,000 acres were not factored in the model farm or how the NATIONAL IRRIGATION AUTHORITY would want to utilize it.</p> <p>The lease agreement signed between Agriculture Development Corporation and NATIONAL IRRIGATION AUTHORITY dated 7 April, 2014 reflects portion of land measuring 20,000 acres. However, the signed agreement between Green Arava Limited and NATIONAL IRRIGATION AUTHORITY reflects only a portion of 10,000 acres will be utilized. The remaining 10,000 acres are idle and will remain idle since they were not included in the model farm programme. Management did not explain as to why they leased 20,000 acres of land when they required only 10,000 acres. Further The Board from the inception of the Project has paid Ksh.150, 000,000.00.</p>	<p>NIA approved the leasing of 20,000 acres based on the pre-feasibility and pre-investment study, that the water available in Galana River on direct abstraction could irrigate 20,000 acres. Based on this, NATIONAL IRRIGATION AUTHORITY planned to implement the Model Farm measuring 10,000 acres first and then then develop the remaining 10,000 acres but this has been delayed due to lack of funds. Board minutes are hereby attached.</p>		Resolved	

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**


Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
Un Favourable Lease Agreement with Agriculture Development Corporation	<p>Lease agreement between NATIONAL IRRIGATION AUTHORITY and ADC spelt that the board was to pay lease on the 20,000 acres of land under the Galana Kulalu project. At inception the Board paid Ksh. 150,000,000. However, the lease agreement states that after the project is completed it is supposed to be handed over to ADC for production with farmers. It was not clear how NATIONAL IRRIGATION AUTHORITY were developing the land for ADC at the same time paying for lease to ADC. Further ADC and NATIONAL IRRIGATION AUTHORITY are government institution working for the same goal of achieving food sustainability.</p> <p>Consequently, the lease agreement between the two institutions is unfavorable to NATIONAL IRRIGATION AUTHORITY who are implementing the project to be handed over to ADC. Further, DC will own the project after completion so it is not possible to understand how NATIONAL IRRIGATION AUTHORITY is paying lease to them</p>	<p>The National Irrigation Authority (NIA) stopped paying for lease since the year 2016 due to unavailability of funds. NIA wrote to the Parent Ministry requesting for the reconsideration of the lease agreement since in the implementation plan of the project, NIA was to develop the irrigation infrastructure and hand over the farm to Agricultural Development Corporation (ADC) production. To date, NIA is still awaiting direction on this matter.</p>			

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
Kenya Water Security and Climate Resilience Project (KWSCR-1) PROJECT ID: P117635.CREDIT NO.: IDA 5268 KE- Construction Works of the Lower Nzoia Irrigation Project – LOT 1	<p>The above contract was awarded to a company vide tender number MOWI/KWSCR-1/020/2016-2017 the employer being the Ministry of Water & Sanitation and Irrigation and National Irrigation Authority the implementer. The financier is International Development Association (IDA), The Kreditanstalt fur Wiederaufbau (KfW)-70% and Government of Kenya-30%. It was noted that the percentage contract period elapsed was 46.20% period of 605 days. Achieved percentage progress of works (financial) was as 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.</p> <p>The delays in the land acquisition have continued to impede on the progress of works and the Contractor has been raising monthly claims due to idle staff and equipment. A total of 3,664 PAPs were identified and only 406 PAPs (11%) were compensated resulting to 3,258 PAPs (89%) not compensated. A visit to the project on 21 February, 2020 the project had a provision of 17 vehicles as per the BOQ however there was a variation on the number of vehicles and as a result 24 vehicles were purchased and four were returned for not meeting the specifications. Logbooks to confirm the ownership of the vehicles were not provided for verification. Further, considering the</p>	<p>The National Irrigation Authority is the executing Agency of the Lower Nzoia Irrigation Project and not the Implementing Agency. The Accounting Officer is directly the Principal Secretary State Department of Water and Sanitation at the time of the contract and Procurement. The purchase of vehicles and all other payments are made directly from the Ministry. The NIA role is supervision of the consultant who in turn supervises the contractor. The number and the type of vehicles purchased under the project was determined by the implementing Agency which is the Ministry of Water.</p> <p>Additionally, land compensation is also not an activity of NIA but the Ministry. NIA role in land compensation is facilitation in the identification of the PAPs after which the lists are added over to the Ministry for Gazettement and compensation.</p>			

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

Qualification Issues	Issue	Management Comments	Focal Point person to resolve	Status	Timeframe
	<p>project cost, scope and comparison with bigger projects done by NATIONAL IRRIGATION AUTHORITY no justification was given for the provision of 28 vehicles in one project.</p> <p>Further the project consultant raised an issue of unfair treatment of employees by the contractor who was forcing them to bear the cost of repairs in case of project vehicle breakdown, Further the employee compensation was far below the labour laws. Most interviewed employees raised concern on unfair treatment by the contractor.</p> <p>Consequently, the period elapsed of 46.20% and physical work progress of 10% has a huge implication on timely completion of the project. Further, none compensation of approximately 89% of PAPs raises concern on the raising monthly claims due to idle staff and equipment.</p>				

SIGN.....


CPA. JOSEPH K. KIGOTHU
NO.17191

DATE.....08/04/2021.

SIGN.....


GITONGA MUGAMBI
CHIEF EXECUTIVE OFFICER

DATE.....08/04/2021.

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects implemented by the State Corporation/ SAGA Funded by development partners									
Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)			
1. Mwea Irrigation development project	1167100900	Jica	2017/18		No	Yes			
				2,358,000,000					
2. Galana Kulalu Food Security project	1167100700	Bank Leumi of Israel	2017/18		No	Yes			
3. Bura irrigation rehabilitation project	1167100400	Kuwait Fund, Badea, Ofid	2017/18		No	Yes			

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

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 Akaiga irrigation Project	77,766,744.00	69,634,460.00	90 % complete	5,000,000.00	3,868,603.44	GoK
	1104100400 Bura Irrigation Scheme						
2	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

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

No.	Project Title	Total Project Cost (KES.)	Total Expended to date	Project status (Completion %)	Budget (FY 2018/19)	Actual Expenditures	Source of Funds
4	Construction of Lower Kithogi 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
							49
6	Construction of Mwithaga	46,912,932.00	26,828,749.80	85 % complete, contractor applied for extension	20,000,000.00		GoK
7	Construction of Nyakumu 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	Riu Nderi Water Pan	84,476,370.00	61,027,025.68				

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

No.	Project Title	Total Project Cost (KES.)	Total Expended to date	Project status (Completion %)	Budget (FY 2018/19)	Actual Expenditures	Source of Funds
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 Soin 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 Thua 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 Yikita 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

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

No.	Project Title	Total Project Cost (KES.)	Total Expended to date	Project status (Completion %)	Budget (FY 2018/19)	Actual Expenditures	Source of Funds
14	Chesgartat Marich 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	152,344,984.00	75 % complete	30,000,000.00	-	GoK
							50
	1104100700 Galana Kulalu Irrigation Development Project						

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

No.	Project Title	Total Project Cost (KES.)	Total Expended to date	Project status (Completion %)	Budget (FY 2018/19)	Actual Expenditures	Source of Funds
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 and completed 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	19,054,449.00	GoK
20	Nachu Small (Kirioire)	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

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

No.	Project Title	Total Project Cost (KES.)	Total Expended to date	Project status (Completion %)	Budget (FY 2018/19)	Actual Expenditures	Source of Funds
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 Mwea Irrigation Development Project						
22	Mwea Thiba Dam (land compensation)	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				

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

No.	Project Title	Total Project Cost (KES.)	Total Expended to date	Project status (Completion %)	Budget (FY 2018/19)	Actual Expenditures	Source of Funds
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 ' 2 Phase 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	

NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020

APPENDIX III: INTER ENTITY TRANSFERS

Breakdown of transfers from Ministry of Water & Irrigation			
	FY 2019/2020		
a.	Recurrent Grants	Date	
	Min of Water & Irrigation		Amount (KSH)
	Min of Water & Irrigation	31-10-2019	65,000,000
	Min of Water & Irrigation	31-03-2020	65,000,000
	Min of Water & Irrigation	23-01-2020	65,300,000
	Min of Water & Irrigation	12-05-2020	65,000,000
		TOTAL	260,300,000
b.	Development Grants		
	Min of Water & Irrigation	31-10-201-	2,300,024,999
	Min of Water & Irrigation	23-12-2019	25,557,663
	Min of Water & Irrigation	4-04-2020	2,259,975,002
	Min of Water & Irrigation	5-06-2020	450,000,000
	Min of Water & Irrigation	5-06-2020	325,000,000
	Min of Water & Irrigation	30-06-2020	30,000,000
	Min of Water & Irrigation	30-06-2020	24,604,600
	Min of Water & Irrigation	30-06-2020	69,500,000
	Min of Water & Irrigation	30-06-2020	435,000,000.00
	Min of Water & Irrigation	30-06-2020	226,518,400
		TOTAL	6,146,180,663

**NATIONAL IRRIGATION AUTHORITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2020**

c.	Other Grants	For Lower Nzoia project	35,757,590	Nil
d.	Direct Payments			
	JICA For Thiba dam	8-10-2019	107,689,409	2019-2020
	JICA For Thiba dam	8-10-2019	138,779,333	2019-2020
	JICA For Thiba dam	8-10-2019	82,766,840	2019-2020
	JICA For Thiba dam	19-12-2019	498,743,573	2019-2020
	JICA For Thiba dam	19-12-2019	45,738,149	2019-2020
	JICA For Thiba dam	6-03-2020	131,722,143	2019-2020
	JICA For Thiba dam	6-03-2020	172,453,853	2019-2020
	JICA For Thiba dam	13-03-2020	95,097,779	2019-2020
	JICA For Thiba dam	26-06-2020	166,860,055	2018-2019
	JICA For Thiba dam	26-06-2020	105,900,593	2019-2020
	JICA For Thiba dam	26-06-2020	115,030,197	2019-2020
	TOTAL		1,660,781,923	
e.	Donor Receipts		Nil	