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REPORT

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TUESDAY

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THE AUDITOR-GENERAL

ON

**MWEA IRRIGATION DEVELOPMENT PROJECT
(LOAN NO. KE-P27)**

**FOR THE YEAR ENDED
30 JUNE, 2022**

NATIONAL IRRIGATION AUTHORITY



PROJECT NAME: MWEA IRRIGATION DEVELOPMENT PROJECT

IMPLEMENTING ENTITY: NATIONAL IRRIGATION AUTHORITY

PROJECT CREDIT NUMBER KE-P27

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE, 2022

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

Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June30,2022

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Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June30,2022

1. Project Information and Overall Performance

1.1 Name and registered office

Name: The project's official name is Mwea Irrigation Development Project

Objective: The key objective of the project is to increase the productivity of rice and other crops by improvement of irrigation infrastructures and strengthening the operations and maintenance framework in Mwea Irrigation Settlement (MIS) scheme, thereby contributing to raising the farmers' livelihood in MIS scheme area and food security in Kenya.

Address: The project headquarters offices is in Nairobi city, Nairobi County, Kenya.

The address of its registered office is:

National Irrigation Authority
Unyunyizi House, Second Floor,
Lenana Road, Hurlingham
P.O. Box 30372-00100
Nairobi, Kenya

The project also has an office as follows:

- Mwea Site office

Contacts: The following are the project contacts

P.O Box 30372, 00100

Telephone: (254) -20-2711380/2711468

E-mail: ceo@irrigation.go.ke

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

***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2022***

1.2 Project Information

Project Start Date:	13 th December 2010
Project End Date:	13 th December 2023
Project Manager:	Eng. Stephen Mutinda
Project Sponsor:	The project sponsor is JICA/GoK

1.3 Project Overview

Line Ministry/State Department of the project		The project is under the supervision of the Ministry of Water & Sanitation and Irrigation.
Project number		KE-P27
Strategic goals of the project		The strategic goals of the project are as follows: (i) Increase rice production in MIS Scheme thus increasing food security in Kenya (ii) Increase the acreage under rice production in MIS Scheme.
Achievement strategic goals	of	(i) The project management aims to achieve the goals through the following means: (ii) Construction of Thiba dam and its appurtenant structures (iii) Expansion of irrigation area.
Other important background information of the project.		The project has 3 major components i) Construction of Thiba dam being implemented by Strabag International GmbH ii) Construction of irrigation and drainage facilities being implemented by Mutahi Engineering Limited and Joycott Limited. iii) Consultancy services for engineering services for Mwea Irrigation Development Project by Nippon Koei Limited. iv) Resettlement of the PAPS by HAIDCO limited
Current situation that the project was formed to intervene		The project was formed to intervene in the following areas: (i) Frequent water shortages occasioned by unreliable rainfall thus leading to low rice yields per acre. (ii) Land lying furrow during short rain season – the farmers will move from one cropping season to two cropping seasons per year. (iii) Expansion of acreage under production.
Project duration		The project started on 13 st December 2010 and is expected to run until 13th December 2023

Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2022

1.4 Bankers

The following are the bankers for the current year:

NCBA Bank – Kenya

1.5 Auditors

The project is audited by Office of the Auditor General

1.6 Roles and Responsibilities of key persons working on the project

Names	Title designation	Key qualification	Responsibilities
Mr. Gitonga Mugambi, EBS	Chief Executive Officer (CEO)	Over 20 years of experience in the development and management of irrigation schemes	Overall coordination of the project.
Eng. Charles Muasya	Ag. Deputy General Manager and (Irrigation and Infrastructure development services)	Over 20 years of experience in the development of irrigation infrastructure	Coordination of Engineering matters on the project.
Eng. Stephen Mutinda	Project Manager	Over 10 years' experience in dam and irrigation infrastructure construction.	Coordinating all technical matters of the project
Mr. Tirus Kabuthia	Project Accountant	Over 20 years in financial management.	Advising on project financial aspects.
M/s Grace Ndungu	Environmentalist	Over 7 years in the handling of project environmental matters.	Ensuring protection of the environment
M/s Patricia Siele	Procurement officer	Over 7 years of experience in procurement matters	Advising on procurement matters for the project.
Mr. Yuji Yunoki	Team leader- Consultant	Over 35 years' experience in irrigation and dam construction	Responsible for day-to-day implementation of the project

Mwea Irrigation Development Project

Annual Report and Financial Statements for the financial year ended June 30, 2022

Mr. Keiji Tamura	Construction Engineer (Irrigation & Drainage.)	Over 20 years of experience in the construction of irrigation and drainage facilities.	Supervision of construction works for the irrigation and drainage systems.
M/s Dorothy Kawira	M & E Officer	Over 15 years in project monitoring	Responsible for project monitoring and evaluation

***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2022***

1.7 Funding summary

The Project is for duration of Thirteen years from 2010 to 2023 with an approved budget of JPY 18,631,000,000 equivalent to KSh. 15,397,520,660 as highlighted in the table below:

Below is the funding summary:

A. Sources of Funds

Source of funds	Donor Commitment-		Amount received to date (30-06-2022)		Undrawn balance to date (30-06-2022)	
	Donor currency JPY (Million) (A)	KSh. (Million) (A')	Donor currency (B)	KSh. (Million) (B')	Donor currency (A)-(B) (Million Yen)	KSh. Million (A')-(B')
i) Grants						
There was no grants						
(ii) Loan						
JICA Fund	13,178	10,890.90	10,407.00	8,601.00	2,771.00	2,290.00
(iii) Counterpart funds						
Government of Kenya	5,453	4,506.60	4,847.00	4,006.00	606.00	500.60
Total	18,631	15,397.50	15,254.00	12,607.00	3,377.00	2,790.60

*Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2022*

B. Application of Funds

Source of funds	Amount received to date (30 th June 2022)		Cumulative Amount paid to date (30 th June 2022)		Unutilised balance to date (30-06-2022)	
	Donor currency JPY (Million) (A)	KSh. (Million) (A')	Donor currency (B)	KSh. (Million) (B')	Donor currency (Million Yen) (A)-(B)	KSh. Million (A')-(B')
i) Grants						
No grant received						
(ii) Loan						
JICA Fund	10,407.00	8,601.00	10,401.00	8,596.00	6.00	5.0
(iii) Counterpart funds						
Government of Kenya	4,847.00	4,006.00	4,838.00	3,999.00	9.00	7.0
Total	15,254.00	12,607.00	15,239.00	12,595.00	15.00	12.0

Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June30,2022

1.8 Summary of Overall Project Performance:-

- i) Budget performance against actual amounts for the current year is 55% and for the cumulative to-date is 55 %.
- ii) The physical progress is at 97%
- iii) The absorption rate for each year since the commencement of the project has been at 100%.
- iv) The only challenge experienced is budget cuts by the treasury, which we recommended that the money requested be disbursed on time in order to maintain the project on course.

1.9 Summary of Project Compliance:

The project complied with all statutory requirements.

2. Statement of Performance against Project's Predetermined Objectives

Introduction

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

The key development objectives of the project's 2010-2023 plan are to increase the productivity of rice and other feasible horticultural crops by improvement of irrigation facilities, including stable supply of water and strengthening of the operations and maintenance framework in Mwea Irrigation Scheme (MIS) , thereby contributing to raising the farmers' livelihoods in the MIS area and food security in Kenya.

Progress on attainment of Strategic development objective

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

Project	Objective	Outcome	Indicator	Performance
Mwea Irrigation Development Project.	To increase the productivity of rice and other crops.	Improvement of irrigation facilities.	Percentage increase in rice and other crops produced.	The Project is on-going and estimated level of progress is at 97%

3. Environmental and Sustainability Reporting

The project is implemented by National Irrigation Authority hence, does not carry out its own separate Corporate Social Responsibility.

Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June30,2022

4. Statement of Project Management Responsibilities

The *Chief Executive Officer*, National Irrigation Authority and the Project Manager for ***Mwea Irrigation Development Project*** are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on 30 June 2022. These responsibilities includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

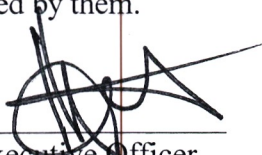
The *Chief Executive Officer*, National Irrigation Authority and the Project Manager for ***Mwea Irrigation Development Project*** accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies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

The *Chief Executive Officer*, National Irrigation Authority and the *Project Manager* for ***Mwea Irrigation Development Project*** are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended 30 June 2022, and of the Project's financial position as at that date. The Chief Executive Officer, National Irrigation Authority and the Project Manager for ***Mwea Irrigation Development Project*** further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

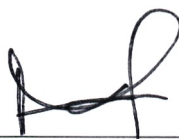
The *Chief Executive Officer*, National Irrigation Authority and the *Project Manager* for ***Mwea Irrigation Development Project*** confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during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

Approval of the Project financial statements

The Project financial statements were approved by the *Chief Executive Officer*, National Irrigation Authority and the *Project Manager* for ***Mwea Irrigation Development Project*** on 30/06/2022 and signed by them.



Chief Executive Officer
Mr. Gitonga Mugambi, EBS



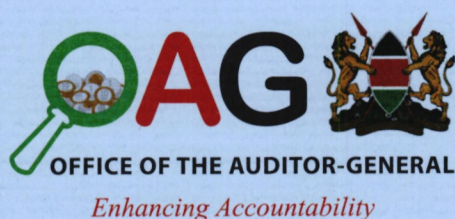
Project Manager
Eng. Stephen Mutinda



Project Accountant:
CPA. Tirus N. Kabuthia
ICPAK MemberNo.15039

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MWEA IRRIGATION DEVELOPMENT PROJECT (LOAN NO. KE-P27) FOR THE YEAR ENDED 30 JUNE, 2022 - NATIONAL IRRIGATION AUTHORITY

PREAMBLE

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Mwea Irrigation Development Project set out on pages 1 to 23, which comprise of the statement of financial assets as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Mwea Irrigation Development Project as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the Loan Agreement No. KE-P27 dated 16 August, 2010 between the Japan International Cooperation Agency (JICA) and the Republic of Kenya.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.3,301,000,000 and Kshs.1,839,938,959 respectively resulting to an under-funding of Kshs.1,461,061,041 or 44% of the budget. Further, the Project had an expenditure budget of Kshs.3,301,000,000 whereas the actual total expenditure was Kshs.1,829,578,342 resulting in an under-expenditure of Kshs.1,471,421,658 or 45% of the budgeted amount.

The underfunding and under-expenditure, therefore, indicate that some activities of the project in the annual work plan were not implemented, thus adversely affecting the achievement of the intended objectives and service delivery to the public.

2. Unresolved Prior Year Audit Matters

In the report of the previous year, issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources and Other Matter sections of the report. Although the Management has indicated that all the issues have been resolved under progress on follow up of auditor's recommendation section of the financial statements, the matters remained unresolved as at 30 June, 2022.

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

Basis for Conclusion

1. Delayed Project Completion

Review of the project's documents and physical verification revealed that as of the time of the audit on 12 October, 2022 the progress for the construction of the Mwea Irrigation Thiba dam and appurtenant structures were complete and handed over to the Authority. However, the construction of Phase II of the project comprising construction of the irrigation canals has had little progress as follows:

- i. The construction work in Phase II is divided into two contracts. Lot 1 contract No. NIA/T/087/2020/2021 for construction and civil works of the irrigation facilities, was awarded to a firm at a contract sum of Kshs.851,961,000. The construction commenced on 22 March, 2021 with a completion date of 22 July, 2022 as per the contract agreement which was revised to 1 February, 2023. Further, according to the progress report of July, 2022, the project was behind schedule at 25.9% completion level against 16 (sixteen) months or 73% of the time elapsed, indicating that the project may not be completed before the end of the contract period.
- ii. Lot 2, under contract No. NIA/T/088/2020/2021 which involves civil works of drainage facilities and other works, was awarded to a firm for a contract sum of Kshs.648,789,983. The works commenced on 22 March, 2021 and were, expected to be completed by 22 July, 2022. However, a review of the project status report and physical verification in October, 2022, revealed that the project was at 30 % completion level. No evidence was provided of the contract extension, yet the contract period had lapsed. Although, the Management attributed the delay to slow payment processing by the Authority and the Ministry of Water, Sanitation and

Irrigation, the Project is at risk of incurring penalties of the Central Bank's prevailing market rate of interest plus 3% for any delayed payments.

In the circumstance, delayed completion of the canal works may lead to cost overruns, delay of expected benefits to the public and the value for money on avoidable penalties.

2. Avoidable Interest on Delayed Payments

The statements of receipts and payments and as disclosed in Note 8 to the financial statements reflect acquisition of non-financial assets payments controlled by the entity of Kshs.111,941,293. Included in the balance is Kshs.34,947,773 relating to interest charged, which arose from delayed payments to a firm engaged for the construction of Thiba dam. The interest charged were occasioned by failure to pay the contractors within 28 days after raising the Interim Payment Certificates (IPC) and concurrence to pay as indicated in the contract agreement. Although the Management attributed the delay in paying the contractor to under-budgeting, the interest charged could have been avoided and is therefore a wasteful use of public funds.

In the circumstances, the Public did not obtain value for money on the nugatory interest.

3. Failure to Maintain a Separate Bank Account for the Project

The statement of financial assets reflects cash and cash equivalent of Kshs.12,719,783. However, as at the time of audit in October, 2022, the Project had not opened the account, but continued to receive the counterpart funds through the Authority's development bank account. This is contrary to Regulation 76(1) of the Public Finance Management (National Government) Regulations, 2015 which requires the Project to open a separate bank account for the purpose of receiving and accounting counterpart funds..

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Loan Agreement No. KE-P27 between the Japan International Corporation Agency (JICA) and the Republic of Kenya, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.
- ii. In my opinion, adequate accounting records have been kept by the, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the ability to continue to sustain 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 Project 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.

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Because of its inherent limitations, internal controls 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 policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project'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 Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project 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 controls that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 November, 2022

*Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2022*

6. Statement of Receipts and Payments for the Year Ended 30th June 2022

	Note	2021/2022			2020/2021			Cumulative to-date (From inception)
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity	Payments made by third parties	Total	
		KSh.	KSh.	KSh.	KSh.	KSh.	KSh.	
RECEIPTS								
Transfer from Government entities	1	200,000,000.00	-	200,000,000.00	333,198,287.00	-	333,198,287.00	4,006,645,526.00
Loan from external development partners	3	-	1,639,898,213.00	1,639,898,213.00	-	1,223,851,530.00	1,223,851,530.00	8,600,955,442.00
Miscellaneous receipts	4	40,746.00	-	40,746.00	75,588.00	-	75,588.00	116,334.00
TOTAL RECEIPTS		200,040,746.00	1,639,898,213.00	1,839,938,959.00	333,273,875	1,223,851,530.00	1,557,125,405.00	12,607,717,302
PAYMENTS								
Compensation of employees	5	906,915.00	-	906,915.00	860,533.00	-	860,533.00	2,596,441.00
Purchase of goods and services	6	76,693,062.00	81,592,837.00	158,285,899.00	172,110,469.00	99,648,493.00	271,758,962.00	1,306,478,851.00
Acquisition of non-financial assets	8	111,941,293.00	1,558,305,376.00	1,670,246,669.00	167,681,335.00	1,124,203,037.00	1,291,884,372.00	11,282,660,421.00
Other grants and transfers and payments	10	138,859.00	-	138,859.00	1,878,563.00	-	1,878,563.00	3,261,806.00
TOTAL PAYMENTS		189,680,129.00	1,639,898,213.00	1,829,578,342.00	342,530,900.00	1,223,851,530.00	1,566,382,430.00	12,594,997,519.00
SURPLUS/(DEFICIT)		10,360,617.00	-	10,360,617.00	-9,257,025.00	-	-9,257,025.00	12,719,783.00

Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2022

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



Chief Executive Officer
Mr. Gitonga Mugambi, EBS



Project Manager
Eng. Stephen Mutinda




Project Accountant
CPA Tirus Kabuthia
ICPAK Member No: 15039

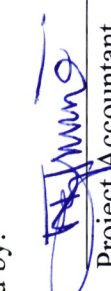
Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2022

7. Statement of Financial Assets as at 30th June 2022

	Note 11	2021-2022 KSh.	2020-2021 KSh.
Financial Assets			
Cash and Cash Equivalents			
Bank Balances	11	12,719,783.00	2,359,166.00
Total Cash and Cash Equivalents		12,719,783.00	2,359,166.00
TOTAL FINANCIAL ASSETS		12,719,783.00	2,359,166.00
Financial Liabilities			
Deposits and Retention		-	-
Net Assets		12,719,783.00	2,359,166.00
REPRESENTED BY			
Fund balance b/f	14	2,359,166.00	11,616,191.00
Surplus/(Deficit) for the year		10,360,617.00	(9,257,025.00)
NET FINANCIAL POSITION		12,719,783.00	2,359,166.00

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30/06/2022 and signed by:


 Chief Executive officer
 Date 30/06/2022


 Project Accountant
 Date 30/06/2022
 ICPAK Member No: 15039

Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2022

8. Statement of Cash flow for the year ended 30 June 2022

		2021-2022	2020-2021
	Note	KSh.	KSh.
	11		
Receipts for operating activities			
Transfer from Government entities	1	200,000,000.00	333,198,287.00
Miscellaneous receipts	4	40,746.00	75,588.00
Payments for operating activities			
Compensation of Employee	5	-906,915.00	-860,533.00
Purchase of goods and services	6	-158,285,899.00	-271,758,962.00
Other grants and transfers	10	-138,859.00	-1,878,563.00
Adjustments during the year			
Net cash flow from operating activities		40,709,073.00	58,775,817.00
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	8	-1,670,246,669.00	-1,291,884,372.00
Net cash flows from Investing Activities		-1,670,246,669.00	-1,291,884,372.00
CASHFLOW FROM BORROWING ACTIVITIES			
Loan from External Development partners	3	1,639,898,213.00	1,223,851,530.00
Net cash flow from financing activities		1,639,898,213.00	1,223,851,530.00
NET INCREASE IN CASH AND CASH EQUIVALENT			
		10,360,617.00	-9,257,025.00
Cash and cash equivalent at beginning of the year	14	2,359,166.00	11,616,191.00
Cash and cash equivalent at end of the year	11	12,719,783.00	2,359,166.00

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/09/2022 and signed by:



Chief Executive Officer
Date 30/09/2022.



Project Manager
Date 30/09/2022




Project Accountant
Date 30/09/2022
ICPAK Member No: 15039


Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2022

9. Statement of Comparative Budget And Actual Amounts for the year Ended 30th June 2022

Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual Comparable Basis d	Budget Utilization Difference e=c-d	% Utilization f=d/c %
Receipts						
Transfer from Government entities	200,000,000.00	-	200,000,000.00	200,000,000.00	0	100
Proceeds from borrowings	3,101,000,000.00		3,101,000,000.00	1,639,898,213.00	1,461,101,787.00	52
Miscellaneous Receipts	-	-	-	40,746.00	-40,746.00	
Total Receipts	3,301,000,000.0	-	3,301,000,000.0	1,839,938,959.00	1,461,061,041.00	55
Payments						
Compensation of employees	1,000,000.00		1,000,000.00	906,915.00	93,085.00	91
Purchase of goods and services	200,000,000.00		200,000,000.00	158,285,899.00	41,714,101.00	79
Acquisition of non-financial assets	3,099,850,000.00		3,099,850,000.00	1,670,246,669.00	1,429,603,331.00	54
Other grants and transfers	150,000.00		150,000.00	138,859.00	11,141.00	93
Total Payments	3,301,000,000.00		3,301,000,000.00	1,829,578,342.00	1,471,421,658.00	55
Surplus or Deficit			0	10,360,617.00	-10,360,617.00	

Note: The significant budget utilisation/performance differences in the last column are explained in **Annex 1** to these financial statements.


Chief Executive Officer
Date


Project Manager
Date


Project Accountant
Date

ICPAK MEMBER NO 15039

10. Significant Accounting Policies

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

10.1. Statement of compliance and basis of preparation

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

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

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

10.2. Reporting Entity

The financial statements are for Mwea Irrigation Development Project under National Irrigation Authority. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

10.3.1 Reporting currency

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

10.4 Recognition of receipts

- i)** The Project recognises all receipts from the various sources when the event occurs and the related cash has actually been received by National Irrigation Authority.
- ii) Transfers from the Exchequer**
Transfer from Exchequer is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

- iii) External Assistance**

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

Mwea Irrigation Development Project

Annual Report and Financial Statements for the financial year ended June 30, 2022

iv) Other receipts

There are no Appropriation- in –Aid in relation to disposal of assets and sale of tender documents

iv) Donations and grants

There were no grants in relation to Mwea Irrigation Development project.

v) Proceeds from borrowing

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

vi) Undrawn external assistance

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

10.5 Recognition of payments

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

i) Compensation of employees

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

ii) Use of goods and services

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

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

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

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

10.6 In-kind donations

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

10.7 Cash and cash equivalents

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

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

10.8 Restriction on cash

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

10.9 Imprests and Advances

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

10.10 Contingent Liabilities

A contingent liability is:

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

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

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

N.B There were no contingent liabilities in regards to Mwea Irrigation Development Project.

10.11 Contingent Assets

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

Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2022

10.12 Pending bills

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

10.13 Budget

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

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex 14 to these financial statements.

10.14 Third party payments

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

During the year **Kshs. 1,639,898,213.00** being loan disbursements were received in form of direct payments from third parties.

Significant Accounting Policies (Continued)

10.15 Exchange rate differences

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

10.16 Comparative figures

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

10.17 Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2022.

10.18 Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year (s). There were no prior year adjustments made to the financial statements.

Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2022

11. Notes to The Financial Statements

1. Transfers from Government Entities

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

Description	2021/2022	2020/2021	Cumulative to-date(from inception)
	KSh.	KSh.	
Cumulative Balance B/F			3,806,645,526.00
<i>Counterpart funding through Ministry</i>			
Ministry of Water, Irrigation & Sanitation			
Quarter 1- 20/08/21	50,000,000.00	50,000,000.00	
Quarter 2- 27/10/21	50,000,000.00		
Quarter 3 – 28/02/22	100,000,000.00		
Quarter 4		150,000,000.00	
Transfer from National Irrigation Authority		133,198,287.00	
Total	200,000,000.00	333,198,287.00	4006,645,526.00

2. Proceeds from Domestic And Foreign Grants

During the financial period to 30 June 2022, there were no proceeds from domestic and foreign grants

***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2022***

Notes to the Financial Statements (Continued)

3. Loan from External Development Partners

During the financial period to 30 June 2022, we received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

	Date received	Amount in loan currency	Loans received	Loans received	Total amount in Ksh	
			in cash	as direct payment*	FY21/22	FY20/21
			Ksh	Ksh		
JICA	30-09-20					94,312,610.20
	30-09-20					228,119,378.40
	16-10-20					97,808,969.25
	16-10-20					153,091,540.75
	16-10-20					117,412,308.80
	25-10-20					12,868,185.95
	25-10-20					7,138,289.25
	25-10-20					12,891,424.80
	25-10-20					8,251,282.60
	25-01-21					10,869,266.10
	25-01-21					14,353,530.55
	25-01-21					15,012,580.15
	25-01-21					18,263,933.85
	10-03-21					82,910,343.05
	18-03-21					79,608,242.80
	18-05-21					88,819,930.80
	28-05-21					96,647,404.35
	30-06-21					85,472,307.80
	30-07-21	120,612,351.45		99,679,629.30	99,679,629.30	-
	22-10-21	70,351,157.21		58,141,452.24	58,141,452.24	-
	26-10-21	21,126,500.01		17,459,917.36	17,459,917.36	-
	29-10-21	112,000.00		92,561.98	92,561.98	-
	29-10-21	12,484,113.00		10,317,448.76	10,317,448.76	-
	05-11-21	186,353,040.30		154,010,777.11	154,010,777.11	-
	26-11-21	183,458,016.66		151,618,195.59	151,618,195.59	-
	20-12-21	226,926,946.24		187,542,930.78	187,542,930.78	-
	25-01-22	99,939,971.10		82,595,017.44	82,595,017.44	-
	18-02-22	205,707,408.84		170,006,123.01	170,006,123.01	-
	18-02-22	190,244,642.32		157,226,977.12	157,226,977.12	-
	19-04-22	49,213,590.11		40,672,388.52	40,672,388.52	-
	17-06-22	27,123,549.99		22,416,157.02	22,416,157.02	-
	17-06-22	12,386,050.00		10,236,404.96	10,236,404.96	-
	17-06-22	25,495,120.00		21,070,347.11	21,070,347.11	-
	17-06-22	13,559,342.84		11,206,068.46	11,206,068.46	-
	17-06-22	191,478,956.04		158,247,071.11	158,247,071.11	-
	24-06-22	185,908,161.07		153,643,108.32	153,643,108.32	-
	24-06-22	161,795,921.10		133,715,637.27	133,715,637.27	-
Total		1,984,276,838.29		1,639,898,213	1,639,898,213	1,223,851,530

*Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2022*

Notes To The Financial Statements (Continued)

4. Miscellaneous Receipts

	2021/2022		2020/21	Cumulative to- date (from inception) KShs
	Receipts controlled by the entity in Cash KShs	Receipts controlled by third parties KShs	Total Receipts KShs	
Other receipts not classified elsewhere	40,746.00		75,588.00	116,334.00
Total	40,746.00		75,588.00	116,334.00

[This refers to interest earned.]

5. Compensation of Employees

	2021/2022		2020/2021	Cumulative to- date KShs
	Payments made by the Entity in Cash KShs	Payments made by third parties KShs	Total Payments KShs	
-				
Basic wages of temporary employees	646,900.00	-	610,012.00	1,836,296.00
Personal allowances paid as part of salary	257,615.00	-	248,121.00	752,945.00
Compulsory national social security schemes	2,400.00	-	2,400.00	7,200.00
Total	906,915.00	-	860,533.00	2,596,441.00

*Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2022*

6. Purchase of Goods and Services

	2021/2022		2020/2021	
	Payments made by the Entity in Cash KShs	Payments made by third parties KShs	Total Payments KShs	Total Payments KShs
Utilities, supplies and services	1,519.00		1,519.00	2,387,509.00
Communication, supplies and services	28,500.00		28,500.00	80,000.00
Domestic travel and subsistence	4,856,232.00		4,856,232.00	3,082,300.00
Printing, advertising and information supplies	1,641,456.00		1,641,456.00	73,140.00
Other operating payments consultancy	69,949,429.00	81,592,837.00	151,542,266.00	266,069,978.00
Hospitality supplies and services	198,700.00		198,700.00	51,600.00
Specialized materials and services	6,400.00		6,400.00	6,400
Routine maintenance – vehicles and other transport equipment	10,826.00		10,826.00	14,435.00
Total	76,693,062.0	81,592,837.00	158,285,899.00	271,758,962.00
				1,910,359.00
				1,306,478,851.00

*Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2022*

Notes To The Financial Statements (Continued)

7. Social Security Benefits

There were no social security benefits.

8. Acquisition of Non-Financial Assets

	2021/2022		2020/2021	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties		
	Ksh	Ksh	Ksh	Ksh
Construction of civil works	94,281,239.00	1,558,305,376.00	1,269,210,527.00	7,989,643,872.00
Acquisition of land	17,660,054.00	-	22,673,845.00	3,293,016,549.00
Total	111,941,293.00	1,558,305,376.00	1,291,884,373.00	11,282,660,421.00

Construction of civil works refers to payments made to the contractors who are constructing Thiba dam and the development of irrigation area

Structures.

Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2022

Notes To The Financial Statements (Continued)

10. Transfers to Other Government Entities

There Were No Transfers To Other Government Entities.

10. Other Grants, Transfers and Payments

	2021/2022			2020/2021	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KSh.	KSh.	KSh.	KSh.	KSh.
Bank Charges	138,859.00	-	138,859.00	1,878,563.00	3,261,806.00
Total	138,859.00	-	138,859.00	1,878,563.00	3,261,806.00

11. Cash and Cash Equivalentents

Description	2021/22	2020/21
	KSh.	KSh.
Bank account, NCBA A/C NO.1000584588	5,308,412.00	2,359,166.00
Bank Account – NIA Bank account	7,411,371.00	
Total	12,719,783.00	<u>2,359,166.00</u>

***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2022***

Notes To The Financial Statements (Continued)

11.A. Bank Accounts

Project Bank Accounts

	2021/22	2020/21
	KSh.	KSh.
Local Currency Accounts		
NCBA BANK A/C NO.1000584588	5,308,412.00	2,359,166.00
NIA Bank account A/C NO.01136128012900	7,411,371.00	-
Total local currency balances	12,719,783.00	2,359,166.00
Total bank account balances	12,719,783.00	2,359,166.00

The GoK share of the project is received and managed together with other budgeted organizational funds within NIA'S Bank accounts. From the sum received of Kshs200,000,000.00 received for the project within the year ,there was a balance of Kshs.7,411,371.00 by 30/06/22 in Nia bank accounts and Kshs. 5,308,412.00 in MIDP project bank account.

Special Deposit Accounts

The project does not have a Special Deposit Account.

11.B. Cash In Hand

The project does not operate Cash account, hence no cash certificate.

11 C Cash Equivalents (Short-Term Deposits)

There were no short term deposits

12. Accounts Receivables

There were no accounts receivable in the financial year 2021/22

13. Deposits And Retention Monies

***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2022***

Description	2021-2022	2020-2021
	Kshs.	Kshs.
Retention	-	-
Deposits	-	-
Total	-	-

14. Fund Balance Brought Forward

Description	2021-2022	2020-2021
	KSh.	KSh.
Bank accounts	2,359,166.00	11,616,191.00
Total	2,359,166.00	11,616,191.00

15. Prior Year Adjustment

There were no prior year adjustments

16. Changes In Receivable

Description of the error	2021-2022	2020-2021
	KShs	KShs
Opening Receivables as at 1 st July 2020	-	-
Closing account receivables as at 30 th June 2021	-	-
Change in Receivables	-	-

17. Changes In Accounts Payable

Description of the error	2021-2022	2020-2021
Deposit and Retentions as at 1 st July 2020	-	-
Closing accounts payables as at 30 th June 2021	-	-
Change in payables	-	-

*Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2022*

12. Other Important Disclosures

1. Pending Accounts Payables (See Annex 3a)

	Balance b/f FY 2021/2022	Additions for the period	Paid during the year	Balance c/f FY 2021/2022
Description	KSh.	KSh.	KSh.	KSh.
Construction of civil works.	99,679,629.00	587,344,677.00	99,679,629.00	587,344,677.00
Land compensation	10,816,240.00	-	3,684,880.00	7,131,360.00
Supply of goods & services	60,522,490.00	207,687,097.00	60,522,490.00	207,687,097.00
Total	171,018,359.00	795,031,774.00	163,886,999.00	802,163,134.00

2. Pending Staff Payable

There was no pending staff payables.

3. Other Pending Payables (See Annex 3c)

	Balance b/f FY 2020/2021	Additions for the period	Paid during the year	Balance c/f FY 2021/2022
Description	KSh.	KSh.	KSh.	KSh.
Amounts due to third parties	198,297,484	156,027,905.00	-	354,325,389.00
Total	198,297,484	156,027,905.00	-	354,325,389.00

4. External Assistance

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
External assistance received as loans from JICA	1,639,898,213.00	1,223,851,530.00
Total	1,639,898,213.00	1,223,851,530.00

***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2022***

a. External assistance relating loans and grants

		FY 2021/2022	FY 2020/2021
Description			
External assistance received as loan from JICA		1,639,898,213.00	1,223,851,530.00
Total		1,639,898,213.00	1,223,851,530.00

b. Undrawn external assistance

		Purpose for which the undrawn external assistance may be used for	FY 2021/2022	FY 2020/2021
Description				
Undrawn external assistance -Loans		Payment of irrigation civil works associated consultancy.	2,290,000,000.00	3,929,900,000,00
Total			2,290,000,000.00	3,929,900,000,00

c. Classes of providers of external assistance

		FY 2021/2022	FY 2020/2021
Description			
Bilateral donor – Jica Fund		1,639,898,213.00	1,223,851,530.00

d. Non-monetary external assistance

During this financial year, there was no non-monetary external assistance.

***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2022***

e. Purpose and use of external assistance

Payment made by third parties	FY 2021/2022	FY 2020/2021
Use of goods and services- Consultancy services	81,592,837.00	99,648,494.00
Acquisition of assets – Irrigation civil works.	1,558,305,376.00	1,124,203,036.00
Total	1,639,898,213.00	1,223,851,530.00

f. External Assistance paid by third parties on behalf of the entity by source

Payment made by third parties	FY 2021/2022	FY 2020/2021
Bilateral donors- Government of Japan	1,639,898,213.00	1,223,851,530.00
Total	1,639,898,213.00	1,223,851,530.00

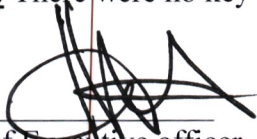
***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2022***

13. Progress on follow up of Prior Year Auditor's 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 period within which we expect the issues to be resolved.


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1. Other matter	Budgetary control and performance	The under expenditure had arisen due to termination of initial contractor working on irrigation area but another contractor has been engaged to complete the assignment	Eng. Stephen Mutinda Project manager	Resolved	
2. Other matter	Delayed implementation of works for existing community irrigation schemes	During the inception stage, there was a consultation with the community and requested for the rehabilitation of the 3No. Schemes. The works are currently ongoing in Rukenya Scheme and the contractor was given access to Kimbithe Irrigation Scheme.	Eng. Stephen Mutinda Project manager	Resolved	

N.B: There were no key audit matters raised by external auditors



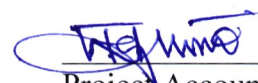
Chief Executive officer

Date



Project Manager

Date



Project Accountant

Date

ICPAK Member No: 15039

***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2022***

14. Annexes

Annex 1 – Variance Explanations - Comparative Budget and Actual Amounts

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	200,000,000.00	200,000,000.00	0	100	
Proceeds from borrowings	3,101,000,000.00	1,639,898,213	1,461,101,787.00	52	There was delay in disbursement of revenue accounts funds to cater for local currency components of the contract
Miscellaneous Receipts	-	40,746.00	-40,746.00		Payment is based on work done and certified for payment.
Total Receipts	3,301,000,000.0	1,839,938,959.00	1,461,061,041.00	55	
Payments					
Compensation of employees	1,000,000.00	906,915.00	93,085.00	91	
Purchase of goods and services	200,000,000.00	158,285,899.00	41,714,101.00	79	There was delay in disbursement of revenue accounts funds to cater for local currency components of the contract
Acquisition of non-financial assets	3,099,850,000.00	1,670,246,669.00	1,429,603,331.00	54	Payment is based on work done and certified for payment.
Other grants and transfers	150,000.00	138,859.00	11,141.00	93	
Total payments	3,301,000,000.00	1,829,578,342.00	1,471,421,658.00	55	

Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2022

Annex 2: Reconciliation of Inter –Entity Transfers

PROJECT NAME: MWEA IRRIGATION DEVELOPMENT PROJECT			
Break down of Transfers from the Ministry of Water, Irrigation & Sanitation			
A. Government Counterpart Funding		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>
			<u>Indicate the FY to which the amounts relate</u>
Treasury disbursement: Quarter 1		20/08/2021	50,000,000.00 FY 2021/2022
Treasury disbursement: Quarter 2		27/10/2021	50,000,000.00 FY 2021/2022
Treasury disbursement: Quarter 3		28/02/2022	100,000,000.00 FY 2021/2022
Total			200,000,000.00
B. Direct Payments		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>
		-	-
C. Others		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>
			-
			-
			-
		TOTAL(A+B+C)	200,000,000.00

The above amounts have been communicated to and reconciled with the parent Ministry/ state department

***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2022***

Annex 3a - Analysis of Pending Bills

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2022	Outstanding Balance 2021	Comments
	a	b	c	d=a-c		
Construction of civil works						Processed certificates but not yet paid by 30/6//22
1. Strabag International FC IPC 32-33	298,798,618.00	13-07-2017	99,679,629.00	199,118,989.00	99,679,629.00	
LC IPC 28-33	356,679,532.00	13-07-2017	-	356,679,532.00	-	Processed certificates but not yet paid by 30/6//22
2. Mutahi Engineering IPC 2	31,546,156.00	25-2-2021	-	31,546,156.00	-	
Land Acquisition						PaPs not yet compensated as at 30/6/22
Land compensation (PAPs)- Canals& drains	12,855,932.00	26-08-2016	3,684,880.00	7,131,360.00	10,816,240.00	
Supply of services						Processed certificates but not yet paid by 30/6//22
Nippon Koei		18-02-2011				
1. Invoice FC: 61-65	130,029,126.00		60,522,490.00	69,506,636.00	60,522,490.00	
2. Invoice LC :61-65	138,180,461.00		-	138,180,461.00	-	
Grand Total	968,089,825.00		163,886,999.00	802,163,134.00	171,018,359.00	

***Mwea Irrigation Development Project
Annual Report and Financial Statements for the financial year ended June 30, 2022***

Annex 3b – There were no pending staff bills

Annex 3c – Analysis of Other Pending Payables

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2021	Outstanding Balance 2022	Comments
		a	b	c	d=a-c		
Amounts due to Third Parties							
1. Retention (Strabag International)	Cumulative Retention up to IPC 33	198,297,484.00	13/07/2017	-	198,297,484.00	350,077,239.00	Cum. Retention to date
2. Retention (Mutahi Engineering Limited)	Cumulative Retention Up to IPC 2	4,248,150.00	25/2/2021		-	4,248,150.00	Cum. Retention to date
Grand Total		202,545,634.00			198,297,484.00	354,325,389.00	

Mwea Irrigation Development Project
Statement of Budget Performance
For the year ended 30 June 2021

Annex 4 – Summary of Fixed Asset Register

Asset class	Opening Cost (KSh.) 2020/2021	*Purchases/Additions in the Year (KSh.) 2021/2022	**Disposals in the Year (KSh.) 2021/2022	Transfers in/(out) KSh. 2021/2022	Closing Cost (KSh.) 2022
	(a)	(b)	(c)	(d)	(e) = (a) + (b) - (c) + (-) d
Work in Progress	11,335,300,357.00	1,829,578,342.00	-	-	13,164,878,699.00
Total	11,335,300,357.00	1,829,578,342.00	-	-	13,164,878,699.00

Annex: 5 – Contingent Liabilities Register

There were no contingent liabilities in the period.

Annex: 6 Reporting of Climate Relevant Expenditures

There were no climate relevant expenditures incurred within the year

Annex 7: Disaster Expenditure Reporting Template

There were no disaster expenditure incurred within the year

*Mwea Irrigation Development Project
Statement of Budget Performance
For the year ended 30 June 2021*

APPENDICES

- i. Statements of Expenditure – Donor Requirement
- ii. Bank Reconciliations
- iii. Certificate of bank balance

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CO-F



July 19, 2022

NATIONAL IRRIGATION AUTHORITY-
P.O. BOX 30372-00100
NAIROBI.

Dear Sir/Madam,

RE: AUDIT CONFIRMATION FOR NATIONAL IRRIGATION AUTHORITY-

We refer to your correspondence requesting us to furnish you with information regarding our mutual client's state of affairs.

In response we wish to confirm the account and its respective balance with us, as at close of business on **30th June 2022** to have been as follows:

Account Number	Account Name	Curr	Account Balance
1000584588	NATIONAL IRRIGATION AUTHORITY	KES	5,308,412.51 CR
1004150167	NIA - KENYA WATER SECURITY AND	KES	37,921,669.20 CR


Deposits Held:

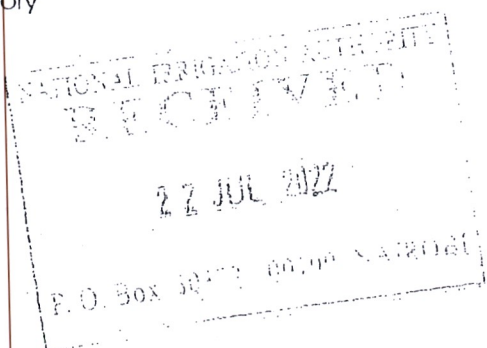
REF	PRINCIPAL (KES)	START/ROLLOVER DATE	RATE %	GROSS INTEREST AS AT 30.06 2022
AA22124P9DR8	2,034,924.34	1-May-22	2.75	9,198.97

We also wish to give a nil report on all other aspects of your questionnaire. We trust that this meets your requirements.

Yours faithfully,


Authorized signatory
Joy Ringera


Authorized signatory
Elizabeth Muraguri



NCBA Centre
Mara and Ragati Road, Upper Hill
P. O. Box 44599-00100, Nairobi, Kenya
Tel: +254 20 2884444
Mobile: +254 711 056444/+254 732 156444
Email: contact@ncbagroup.com

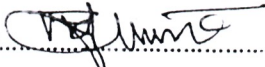
NATIONAL IRRIGATION AUTHORITY
BANK RECONCILIATION STATEMENT FOR THE MONTH OF JUNE 2022
NIC BANK - NIC HOUSE
A/C 1000584588

CASHBOOK SUMMARY

Balance as per cashbook b/f	5,366,056.06
Add receipts for the month	<u>11,359.60</u>
	5,377,415.66
Less payments for the month	(69,003.15)
Cashbook balance c/f	<u><u>5,308,412.51</u></u>

BANK RECONCILIATION STATEMENT

Balance as per bank statement	5,308,412.51
Less	
Unpresented cheques	
Balance as per cashbook	<u><u>5,308,412.51</u></u>

Prepared by  Date 30/6/2022

Approved by  Date 30/6/2022

	Credit Interest AAACT22 031V57HCQY2				
31012022	Credit from Arrangement	01022022		2,973.90	2,321,225.11
	Credit interest AAACT22 031V57HCQY2				
31012022	INTEREST REPAYME NT	31012022	2,527.85		2,318,697.26
	Credit Interest AAACT22 031V57HCR16				
28022022	Withholding Tax	28022022	402.90		2,318,294.36
	Credit Interest AAACT22 05940G7Z2NV				
28022022	Credit from Arrangement	01032022		2,686.10	2,320,980.46
	Credit Interest AAACT22 05940G7Z2NV				
28022022	INTEREST REPAYME NT	28022022	2,283.20		2,318,697.26
	Credit Interest AAACT22 05940G7Z2S1				
31032022	Withholding Tax	31032022	446.05		2,318,251.21
	Credit Interest AAACT22 090SXPX9DSK				
31032022	Credit from Arrangement	01042022		2,973.90	2,321,225.11
	Credit Interest AAACT22 090SXPX9DSK				
31032022	INTEREST REPAYME NT	31032022	2,527.85		2,318,697.26
	Credit Interest AAACT22 090SXPX9DWT				
28042022	Credit from Arrangement	29042022		2,877.95	2,321,575.21
	Credit Interest AAACT22 118S01KWC9S				
28042022	Withholding Tax	30042022	431.65		2,321,143.56
	Credit Interest AAACT22 118S01KWC9S				
28042022	INTEREST REPAYME NT	30042022	2,446.30		2,318,697.26
	Credit Interest AAACT22 118S01KWC9X				
18052022	Inward Telex Payment	18052022		3,047,358.80	5,366,056.06
	NATIONAL IRRIGATION AUTHORITY NIA /RF B/TRANSFER TO OWN ACCOUNT FT22137J7 NWS				
15062022	Withholding Tax	31052022	709.05		5,365,347.01
	Credit Interest AAACT22 16634FWC4D0				
15062022	Credit from Arrangement	01062022		4,727.15	5,370,074.16
	Credit Interest AAACT22 16634FWC4D0				



1 July 2022
12:58:16

30062022	Internal Transfer FT221 817VZ6N	30062022	61,661.65		5,308,412.51
	962.CO.095145 LC CHA RGES CLAIMED				
30062022	Withholding Tax	30062022	994.85		5,307,417.66
	Credit Interest AACT22 181CX0QZWLN				
30062022	Credit from Arrangement	01072022		6,632.45	5,314,050.11
	Credit Interest AACT22 181CX0QZWLN				
30062022	INTEREST REPAYME NT	30062022	1,619.50		5,312,430.61
	Credit Interest AACT22 181CX0QZWPR				
30062022	INTEREST REPAYME NT	30062022	4,018.10		5,308,412.51
	Credit Interest AACT22 181CX0QZWPR				
Payments In			3,088,105.25		
Payments Out			138,858.95		
Available Balance			5,308,412.51		
Closing Balance			5,308,412.51		

~~6,632.45~~
~~6,632.45~~
63,365.55
~~6,632.45~~

