REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

NATIONAL IRRIGATION AUTHORITY

FOR THE YEAR ENDED
30 JUNE, 2025

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON NATIONAL IRRIGATION AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;

B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Irrigation Authority set out on pages 1 to 79, which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, 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 National Irrigation Authority at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards Accrual Basis and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Misclassification of Expenditure

The statement of financial performance reflects irrigation infrastructure development expenditure of Kshs.4,502,683,210 as disclosed in Note 18 to the financial statements. However, review of the detailed expenditure schedule provided for audit revealed that the entity included various costs such as staff training, travelling, meals and accommodation, fuel, oil and greases, totaling Kshs.358,799,922, under irrigation infrastructure development expenditure. As a result, irrigation infrastructure development expenditure was overstated by Kshs.358,799,922 while use of goods and service expenditure was understated by a similar amount.

Further, the statement of financial performance reflects irrigation infrastructure development expenditure of Kshs.4,502,683,210 as disclosed in Note 18 to the financial statements which includes Kshs.181,615,613 in respect of three donor-funded projects which are separate reporting entities.

In the circumstances, accuracy and completeness of the reported irrigation infrastructure development expenditure of Kshs.4,502,683,210 could not be confirmed.

2. Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.42,923,773,207 as disclosed in Note 23 to the financial statements. However, review of the balances revealed the following anomalies; -

2.1. Failure to Value Fully Depreciated Assets

Included in the balance are fully depreciated assets with original cost/valuation of Kshs.792,028,449 that are still in use. The fully depreciated assets might indicate a possible material variance between the fair value and the carrying value of the assets. The continued use of fully depreciated assets without reassessment of their useful lives indicates that the entity's depreciation policy may not accurately reflect the economic life of assets. This practice understates the asset base, distorts depreciation charges and misrepresents asset replacement needs.

In the circumstances, the accuracy of the property, plant and equipment balance of Kshs.792,028,449 could not be confirmed.

2.2 Capitalization of Operating Costs as Work-in-Progress

The work in progress balance of Kshs.35,874,383,687 which further includes expenses amounting to Kshs.222,927,209 relating to travel, accommodation, meal allowances and capacity building for farmers. These are operating expenses and could not be linked to any interim payment certificate to justify their recognition as work in progress. The inclusion of operating expenses amounting to Kshs.222,927,209 in work in progress results in overstated assets and understated expenses.

In the circumstances, the accuracy of the reported work in progress balance of Kshs.35,874,383,687 could not be confirmed.

3. Receivables from Exchange Transactions

3.1. Receivables from Long Term Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.459,991,348 net of a provision for bad debts of an amount of Kshs.420,176,936 as disclosed in Note 21(b) to the financial statements. Included in the balance are long term receivables from exchange transaction amounting to Kshs.218,447,644. However, these amounts have remained outstanding for more than one year and the debt recovery policy was not provided for audit review raising concerns about the effectiveness of Management's strategies for recovering these long-outstanding debts.

In the circumstances, the accuracy and recoverability of the receivables balance of Kshs.459,991,348 could not be confirmed.

3.2. Uncollected Rental Revenue from Tana River County Government

The statement of financial position reflects receivables from exchange transactions balance of Kshs.459,991,348 and as disclosed in Note 21 to the financial statements include other receivables of Kshs.37,896,971 which further includes Kshs1,130,000 in respect of rent owed by the Tana River County Government arising from the formal occupation of the house by the Tana River County Governor. However, there was no evidence that the outstanding rent had been recovered.

In the circumstances, the accuracy and recoverability of the rent receivables amounting to Kshs.1,130,000 could not be confirmed.

4. Unreconciled Related Party Transactions

The statement of financial position reflects payables from exchange transactions balance of Kshs.2,045,210,105 as disclosed in Note 27 to the financial statements which further includes an amount of Kshs.38,453,559 in respect of other payables. Included in this balance is an amount of Kshs.16,813,131 reported as owed by Mwea Rice Mills. However, a review of the National Irrigation Authority's transactions in the books of Mwea Rice Mills reflects a receivable balance of Kshs.2,108,736, resulting in an unexplained variance of Kshs.14,704,395.

In the circumstances, the accuracy and completeness of other payables balance of Kshs.38,453,559 could not be confirmed.

5. Employee Costs

The statement of financial performance reflects employee costs amount of Kshs.426,059,659 as disclosed in Note 13 to the financial statements. Review of these expenditure revealed the following anomalies: -

5.1. Variance in Employee Costs

A comparison of employee costs reported in the financial statements amounting to Kshs.426,059,659 with the actual payroll costs processed during the year amounting to Kshs.444,891,108 resulting to an unreconciled variance of an amount of Kshs.18,831,449.

5.2. Variance between System Generated Basic Pay and Recalculated Basic Pay

Review of the system-generated basic pay records revealed that one thousand four hundred and sixty (1,460) casual workers received monthly basic pay even though both their daily rates and days worked were recorded as zero resulting in unsupported payments totalling Kshs.25,864,432. In addition, fifty-eight (58) cases were identified where casual workers were paid amounts exceeding what was supported by their approved rates and days worked, leading to excess payments of Kshs.326,503.

In the circumstances, the accuracy and completeness of the employees' costs amounting to Kshs.426,059,659 could not be confirmed.

6. Irregular Recognition of Transfers from other Government Entity as Grant

The statement of financial performance reflects transfers from other government entities amount of Kshs.5,225,227,082 as disclosed in Note 6 to the financial statements which includes Kshs.16,084,878 received for the Authority Project Implementation Unit in respect of activities under the Kenya Water Security and Climate Resilience Project for the first half of financial year 2024/2025. The basis for recognizing this amount as a Government of Kenya grant in the Authority financial statements is unclear, given that the funds relate to a donor-funded project and are accounted for separately in the project's financial statements.

In the circumstances, the accuracy and completeness of Kshs.5,225,227,082 in respect of transfers could not be confirmed.

7. Variance in Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalent balance of Kshs.449,661,855. Review of the cash balance amounting to Kshs.1,335,916 as disclosed in Note 20 to the financial statements revealed that the cash balance included nine (9) M-Pesa/PesaFlow accounts for various MIAD, MIAD Seed, Mwea, Tana, Bura, Perkerra and Lower Kuja Irrigation Schemes reported with Nil balances. However, review of the cashbooks and bank reconciliation statements indicated that these accounts had a total balance of Kshs.9,153,100 as at 30 June, 2025 resulting in an unreconciled variance of an amount of Kshs.9,153,100.

In the circumstances, the accuracy and completeness of cash and cash equivalent balance of Kshs.449,661,855 could not be confirmed.

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actuals reflects final budget of Kshs.5,447,599,188 and actual receipt on comparable basis of Kshs.5,664,890,282 resulting to excess receipts of Kshs.197,291,094. Similarly, the statement of comparison of actual amounts reflects actual receipts of Kshs.5,664,890,282 against an actual expenditure of Kshs.5,621,073,726 resulting to under expenditure of Kshs.23,731,055.

The under expenditure may have affected implementation of planned activities impacting negatively on the service delivery to the public.

2. Long Outstanding Payables from Exchange Transactions

The statement of financial position reflects trade payables from exchange transactions balance of Kshs.2,045,210,105 as disclosed in Note 27 to the financial statements. Included in this balance is an amount of Kshs.1,066,756,171 which has been outstanding for more two (2) years and should have been settled as a first charge. This is contrary to Regulation 42(1)(a) of the Public Finance Management (National Governments) Regulations, 2015 which provides debt service payments shall be a first charge and the Accounting Officer shall ensure this is done to the extent possible that the government does not default on debt obligations.

Failure to settle payables during the year which they relate adversely affects subsequent budget implementation as unpaid bills form a first charge to that year's budget provisions.

My opinion is not modified in respect of these matters.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the previous year's audit report, several issues were raised under the Basis for Qualified Opinion, Report on Lawfulness and Effectiveness in the Use of Public Resources and the Report on Effectiveness of Internal Controls, Risk Management, and Governance. A review of Appendix 1: Implementation Status of Auditor General's Recommendations indicated that management had not resolved four (4) issues while it had resolved nine (9) of the issues raised. However, there was no documentary evidence supporting how these issues were addressed as listed below.

No.	Financial Year	Outstanding Issues
1	2023/2024	Long Outstanding Receivables
2	2023/2024	Un-Explained Provision for Bad Debts
3	2023/2024	Outstanding Balances from E-Citizen Platform
4	2023/2024	Lack of Ownership Documents for Land
5	2023/2024	Payables from Exchange Transactions
6	2023/2024	Non-Payment of VAT and WHT to KRA
7	2023/2024	Employee Costs
8	2023/2024	Delay in Completion of Projects
9	2023/2024	Lack of a Human Resource Plan
10	2023/2024	Over-Staffing and Under-Staffing
11	2023/2024	Information and Communication Technology (ICT)
12	2023/2024	Non-disposal of Unserviceable Assets
13	2023/2024	Management of Staff Houses and Guest Rooms/Assets

Other Information

The Directors are responsible for the Other Information set out on page iv to lxxv which comprise of Key Entity Information and Management, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Irregular Engagement of Casual Employees

The statement of financial performance and as disclosed in Note 12 to the financial statements reflects an amount of Kshs.395,483,422 in respect to use of goods and services which further includes casual wages of Kshs.85,985,294. Review of the casual payroll data showed that four hundred and twenty-four (424) employees listed as casuals have worked for more than three (3) months. This was contrary to Section 37(1)(b) of the Employment Act, 2007 which stipulates that where a casual employee performs work that cannot reasonably be expected to be completed within a period, or a number of working days amounting in the aggregate to the equivalent of three (3) months or more the contract of service of the casual employee shall be deemed to be one where wages are paid monthly.

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

2. Employee Cost

The statement of financial performance and as disclosed in Note 13 to the financial statements reflects an amount of Kshs.426,059,659 in respect to employee cost. However, the following were noted;

2.1. Non-Compliance with Disability Inclusion in Recruitment

Review of the payroll revealed that as at 30 June, 2025 the Authority had three hundred and fourteen (314) staff in the payroll out of which nine (9) or 3% are persons with disabilities. Further, an examination of the staff data recruited during the year revealed that the Authority engaged fifty-nine (59) staff. Analysis of the staff details in comparison to the PWD list revealed that none of the thirty-eight (38) staff hired includes people with disability. This was contrary to Paragraph 2.15.7 of the National Irrigation Authority HR Policy and Procedures Manual October, 2023 which requires the principles of affirmative action, gender and persons living with disability and national values will apply in the recruitment procedure.

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

2.2. Non-Compliance with One Third Basic Salary Rule

Review of the payroll for the year under review revealed that two hundred and ten (210) officers were receiving net salaries of less than one-third of their respective basic salary. This was contrary to Section 19(3) of the Employment Act, 2007 which requires that all deductions made by an employer from the wages or salaries of his employees at any one time shall not exceed two-thirds of such wages or salaries.

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

2.3. Irregular Annual Salary Increments

Review of the payroll data revealed that forty-one (41) staff received multiple salary increments during the year under review, while thirty-three (33) staff received annual increments prior to their designated payroll increment month. Management did not provide evidence to justify these adjustments. This was contrary to Paragraph C.3 of the Human Resource Policies and Procedures Manual for the Public Service, May 2016, which provides that an officer's annual incremental date shall be the first date of the month in which they were appointed.

In the circumstances, Management was in breach of the Human Resources policies and procedures.

3. Gender Composition of the Board

Review of the records including the Board composition paper and draft financial statements revealed that only two (2) out of ten (10) board members are female. This was contrary to Article 27(8) of the Constitution of Kenya, which requires that, in addition to measures contemplated under clause (6), the State shall adopt legislative and other measures to ensure that no more than two-thirds of the members of elective or appointive bodies are of the same gender.

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

4. Bank Accounts Opened Without National Treasury Approval

The statement of financial position reflects cash and cash equivalent balance of Kshs.449,661,855 and as disclosed in Note 20 to the financial statements. Included in this balance is Kshs.448,325,939 held in thirty-five (35) bank accounts out of which only four (4) donor project accounts had the requisite authority to operate, resulting in unauthorized operation of thirty-one (31) bank accounts. The Authority requested the Parent Ministry for assistance in regularizing continued operation of twenty-eight (28) bank accounts by acquiring National Treasury approval as revealed in a letter dated 26 October, 2020. However, as at the time of audit in October, 2025 the authority for continued operation of the bank accounts was not granted. This was contrary to Regulation 82 (4) of the Public Finance Management (National Government) Regulations, 2015 which provides that accounting officers should not open bank accounts for public funds without prior approval of the National Treasury.

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

5. Incomplete and Delayed Projects

The statement of financial performance includes irrigation infrastructure development amount of Kshs.4,502,683,210 as disclosed in Note 18 to the financial statements. Review of the project's completion status revealed that various contractors had not completed the work as per their timelines. The reasons for their delay are documented as shown below:

5.1. Delays in Construction Works for Galana Model Farm Project

The Authority awarded contract for construction works for Galana Model Farm Project (GMFD) Lot 1, electro-mechanical works in Tana River County at a contract sum of Kshs.519,424,559. The contract agreement was signed on 26 January, 2021 and works commenced on 28 February, 2021 to be completed on 31 December, 2023. However, physical inspection carried out in July, 2025 revealed the following observations:

i. Excavation works at the intake were incomplete and the site had been abandoned
ii. Out of the fifteen (15) 15KVA gensets that were to be supplied and installed only six (6) were operational, one (1) had broken down while eight (8) were not in use and stored in the open exposing them to harsh weather conditions which accelerates their wear and tear shortening their useful economic life.
iii. Out of the three (3) 1MVA gensets that were to be supplied and installed, two (2) were not in use.
iv. The last mile power connection to the 25 pivots had not been done and as a result none of the pivots were functional. Further, the area where the pivots were installed had not undergone bush clearing or land preparation raising questions on the project planning and readiness of the site for irrigation operations.
v. Several pivots had been vandalized with some units observed to have deflated tires indicating neglect and lack of security at the site.
vi. Internal road network within the farms was poorly done limiting access to the farm's infrastructure.

In the circumstances, the value for money may not be obtained.

5.2. Delays in Construction Works of Kisiiki Irrigation Development Project

Note 18 to the financial statements reflects Kshs.4,502,683,210 for infrastructure development which includes an amount of Kshs.59,687,725 paid to a contractor for construction of the Kisiiki Irrigation Development Project in Yatta Constituency, Machakos County on 16 January, 2023 at a contract sum of Kshs.124,684,799 with a commencement date of 30 August, 2023 and an expected completion date of 30 November, 2025. However, as at 30 June, 2025, the project was only 51% complete indicating a delay and prompting the contractor to request an extension which is currently under review.

Further, the project is community-based supporting six hundred (600) registered farmers who are organized as a Water Users Association (WUA) having completed the registration procedures and paid the requisite fees to the Office of the Attorney General however, they have not yet received their registration certificates and remain unregistered.

In addition, the contractor was not on site, the project signboard had not been erected as per the bill of quantities and excavation for the distribution lines had not commenced.

In the circumstances, the value for money may not be obtained.

5.3. Construction of the Household Irrigation Water Harvesting Projects in Makueni County

The Authority awarded a contract for construction of the household irrigation water harvesting drought mitigation project in Makueni County on 18 April, 2024 at a contract sum of Kshs.29,300,000 with a commencement date of 25 April, 2024 and an original completion date of 25 July, 2024. Although the project was completed and the full contract sum paid to the contractor, field inspection revealed the following anomalies:

i. Most of the household water pans were dry due to water seepage as the water pans do not have dam liners.
ii. The water pans present a significant health and safety risk, as they are unfenced and pose a danger to farmers.
iii. There was a slow uptake of farming activities, with some water pans containing water but no corresponding agricultural activity, raising questions about the actual need for the project by the farmers.
iv. There is no formal collaboration framework with the County Government, limiting coordination, extension services, and effective integration of resources, which reduces the impact of irrigation projects on local livelihoods despite agriculture being a devolved function.

In the circumstances, the value for money may not be obtained.

5.4. Construction Works at Yikitaa Irrigation Scheme Kibwezi in Makueni County

Construction works for Yikitaa Irrigation scheme Development Makueni County project was awarded on 30 July, 2019 at a contract sum of Kshs.234,490,778 with a commencement date of 1 August, 2019 with original completion date of 1 February, 2021 and has since been revised seven (7) times to 28 August, 2025 as per the Addenda No. 7 signed on 27 February, 2025. The project uses the turbine system which will pump water to storage masonry tanks located 10Kms away from which water will be distributed to farms by gravity flow using various pipes. The scheme is set to benefit two hundred and fifty (250) farmers putting one hundred and twenty-five (125) acres into productive use. Further, accessories including pipes were left abandoned at the site, exposing them to extreme weather conditions, which may compromise their useful economic life once installed.

Physical inspection in July, 2025 revealed that the project was at 75% complete and had stalled as the pump (turbine) had not yet been installed.

In the circumstances, the value for money may not be obtained.

5.5. Construction of Namelok Irrigation Scheme Canals in Kajiado County

Note 18 to the financial statements reflects an amount of Kshs.4,502,683,210 for infrastructure development which includes an amount of Kshs.41,711,043 paid to a contractor for
for the construction of the Namelok Irrigation Scheme canals in Kajiado County for a period of eighteen (18) months at a sum of Kshs.86,631,864 with a commencement date of 22 March, 2024 and an expected completion date of 22 September, 2025. Physical inspection in July, 2025 revealed that the project was 53% complete and the contractor had abandoned the site since December, 2024.

In the circumstances, the value for money may not be obtained.

5.6. Construction of Clusters Irrigation Project Lot 1 in Tharaka Nithi County

Note 18 to the financial statements reflects Kshs.4,502,683,210 for infrastructure development which includes an amount of Kshs.81,650,525 paid to a contractor for works at Nithi Kari and Rianthiga Irrigation Project at contract sums of Kshs.81,628,946.90 and Kshs.214,149,307.20 respectively, with the contract signed on 11 March, 2021, a commencement date of 11 May, 2021 and an original completion date of 11 May, 2023. The contract was subsequently extended by twenty four (24) months, revising the completion date to 11 May, 2025 and the project was only 29% complete.

Physical inspection conducted in July, 2025 further revealed that the Rianthiga Irrigation Project is designed to serve one thousand (1,000) members, benefiting an estimated five thousand (5,000) individuals and targets 0.5 acres of irrigatble land per member, thereby putting five hundred (500) acres into productive use. However, field inspection revealed that no signboard had been erected as provided in the bill of quantities and although intake works (weir body and wing walls) were nearly complete, the contractor was not on site. The sedimentation basin was constructed but unfinished, main line works, laterals and feeder lines had not started, the conveyance line had just commenced and gulley and river crossings were approximately 5% complete.

Further, Mukui Uri Mbugi Irrigation Project which is also part of the Tharaka Nithi cluster revealed that the contractor was not on site and the required signboard was absent. Ndiruini sub-marine lines, laterals from the main line, infield systems and farm feeders had not been constructed nor had laterals from the Ndiruini sub-marine line. Excavation, filling, sedimentation basin, weir and chambers at the intake point were about 90% complete, while the main pipe had been laid for 9.9 kilometers from the intake.

In the circumstances, the value for money may not be obtained.

5.7. Construction Works for Meru Clusters Irrigation Project

The construction of the Meru Clusters Irrigation Projects was awarded at a contract sum of Kshs.258,351,919 with a commencement date of 12 May, 2021 and an original completion date of 11 November, 2022. The contract was subsequently extended by twenty six (26) months, revising the completion date to 12 February, 2025 and the project was 47% complete with payments of Kshs.121,410,885 representing 47% of the contract value having been made. Physical inspection conducted in July, 2025 further revealed that Iraru Irrigation Project in South Imenti Constituency was designed to serve two hundred (200) members with each member expected to cultivate one acre, totalling two hundred (200) acres of productive land. During field inspection it was observed that there was no signboard and the contractor was not on site.

Further, inspection of the Gamanti Irrigation Project revealed that the contractor was not on site and the required signboard was absent. Intake chamber construction, main line and lateral pipe works, as well as river and gully crossings had not been carried out.

In the circumstances, the value for money may not be obtained.

5.8. Rehabilitation for Rombo Clusters Irrigation Scheme in Kajiado County

The Rombo Clusters Rehabilitation and Expansion Project, awarded on 12 August, 2022 at a contract sum of Kshs.221,269,836, commenced on 17 October, 2022 for twenty-four (24) months, which lapsed on 16 June, 2025. The project is expected to benefit 1,697 households, putting 0.40 hectares per farmer and a total of seven hundred (700) hectares into productive use. As at 30 June, 2025 progress was 57% despite 98% of the contract period having elapsed. Physical inspection carried out in July, 2025 revealed that Matepes intake, main canal and branch canals have not been completed, with branch canals abandoned at the starting point and Oltepes main canal is complete but most division boxes, culverts, road crossings (25% complete) and spring protection works remain unfinished.
Further, no project signboard has been erected and the contractor had abandoned the site.

In the circumstances, the value for money may not be obtained.

5.9. Rehabilitation Works for Ziwa Earth Dam in Uasin Gishu County

Contract for the rehabilitation and expansion of Ziwa 2 Earth Dam was awarded at a contract sum of Kshs.147,306,298 on 2 February, 2024, with a commencement date of 1 August, 2024 and an expected completion date of 31 July, 2025 including a 12-month defects liability period.

Physical inspection carried out in July, 2025 revealed incomplete works and key activities remained unfinished including the embankment, masonry tanks, spillway, dam desilting and installation of solar pumping. The dam was not fenced, with concrete poles for fencing incomplete and sub-main and distribution pipelines at Kerotet and Saramek had not been installed.
Further, the tanks were constructed on community land and the project's performance guarantee also expired on 28 December, 2024.

In the circumstances, the value for money may not be obtained.

5.10. Construction Works for Narok Clusters Irrigation Scheme in Narok County

Contract for the construction of the Narok Clusters Irrigation Scheme was awarded at a contract sum of Kshs.212,653,156. The contract was signed on 9 September, 2022 with a commencement date of 24 November, 2022 and an expected completion date of 24 May, 2024 including an 18-month defects liability period.

Physical inspection in July, 2025 revealed that the sedimentation basin, manhole covers were loose or vandalized, metal works had been damaged and the concrete protection barrier was poorly constructed. The protection barrier at the intake had eroded and gabions at the intake were cracked and washed away by floods. Further, works at Oloshaiki, Olodokulupuoni, Olokirisiai in-field systems and Koseka Irrigation Schemes had not commenced despite the contract period expiring on 24 May, 2024 with no proof of extension provided and the project's performance guarantee expired on 30 January, 2025.

In the circumstances, the value for money may not be obtained.

5.11. Construction Works at Pala Pan in Kisumu County

The contract for the construction of two (2) water pans in Pala, Nyando Constituency, Kisumu County was awarded at a sum of Kshs.19,898,000 with an agreement signed on 24 April, 2024. The contract was scheduled for three (3) calendar months from the commencement date followed by a three-month defect's liability period. Physical inspection in July, 2025 revealed that one project signboard had been installed and excavation works were incomplete, with boulders in the water pans, while spillways, collector drains and the silt trap had not been excavated and embankment works and compaction were not carried out according to approved specifications. Further, installation of the 5,000-litre water tank and 5HP motorized pump was pending and no feasibility study was provided to confirm the project's viability.

In the circumstances, the value for money may not be obtained.

5.12. Construction Works for Nyalbiengo Twin Pans in Kisumu County

The contract for the construction of Nyalbiengo Twin Pan in Nyando Constituency, Kisumu County was awarded at a sum of Kshs.19,882,000 with an agreement signed on 24 April, 2024. The contract was scheduled for three (3) calendar months from the commencement date, followed by a three-month defects liability period. At the time of audit the contract period had elapsed while the scope of works remained incomplete. No documentation for a request or approval of a contract extension was provided for audit confirmation and the performance guarantee had expired on 6 October, 2024. Physical inspection carried out in July, 2025 revealed that the first pan compaction was not done according to approved specifications and the excavation of spillways was incomplete. Further, the perimeter fence and steel gate had been vandalized, while concrete poles were poorly aligned with the water tank platform and cattle troughs exhibiting visible cracks.

In addition, the second pan revealed that the silt trap had not been excavated and perimeter fencing was partially completed with the gate missing and the contractor was not on site with no progress report provided to confirm completion status.

In the circumstances, the value for money may not be obtained.

5.13. Construction Works for Nyakongo-Waradho Pan, Nyando Constituency

The Authority entered into a contract agreement on 24 April, 2024 for the construction of two (2) water pans at Nyakongo and Waradho, Nyando Constituency, Kisumu County at a contract sum of Kshs.19,864,000 for a period of three (3) months. Physical inspection carried out in July, 2025 revealed the following unsatisfactory matters: -

i. The contract period had expired while the scope of works remained incomplete and no documentation for a contract extension or its approval was provided for audit confirmation.
ii. Project signboards for both Nyakongo and Waradho water pan projects had not been installed and poor workmanship was observed, including substandard concrete works in the cattle troughs and a community water point that was stabilized with soil instead of stones and sand, with visible cracks and a partially demolished top.
iii. Two (2) 5,000-litre water tanks and connecting 100mm HDPE pipes had not been installed for both Nyakongo and Waradho water pan projects, with only one (1) 5,000-litre tank observed uninstalled at the site.
iv. The entry gates to the pans were made of wire mesh instead of the steel gates specified in the Bill of Quantities.

In the circumstances, the value for money may not be obtained.

5.14. Development Works for Ugambe Irrigation Scheme in Siaya County

The Authority entered into contract on 10 June, 2024 for the construction of the Bondo Community Drought Mitigation – Ugambe Irrigation Scheme at a contract sum of Kshs.118,142,610. At the time of the audit, the project was 40% complete and the contractor had claimed 32% of the contract sum. The field inspection revealed land ownership documents for the site of construction of the reservoir were not provided for review and the half-excavated reservoir had boulders around it that would cause injuries and the contractor was also not on site.

In the circumstances, the value for money may not be obtained.

5.15. Rehabilitation Works of Kibaratani Irrigation Project in Kirinyaga County

The construction of the Kibaratani Irrigation Water Project Works in Kirinyaga County, was awarded at a contract sum of Kshs.197,019,875. The project encompassed the construction of the intake and sedimentation tank, conveyance system, mainline, submain and distribution chambers. The project commenced on 31 May, 2021 with an expected completion date of 31 November, 2022. A physical inspection conducted in July, 2025 revealed vandalized intake steel pipe fittings, galvanised sluice gate and a destroyed drainage piping chamber.

In the circumstances, the value for money may not be obtained.

5.16. Construction Works for Household Irrigation Water Harvesting in Uasin Gishu County

The Authority entered into contract agreement dated 1 July, 2024 for construction works for Household Irrigation Water Harvesting Drought Mitigation Project, Tembelio

Ward, Moiben Constituency, Uasin Gishu County at a contract sum of Kshs.19,930,000 with contract period of six (6) months. Scope of works included construction of a total of fifty-eight (58) waterpans of varying capacities accumulating to 118,000 cubic metres. However, physical inspection of eleven (11) sampled water pans had an average capacity of one thousand (1000) cubic meters. Further, the inspection and acceptance report dated February, 2025 reveals actual construction of ninety-three (93) trapezoidal water pans of varying capacities with cumulative volume of 100,202 cubic metres which was 100% complete. This implies unapproved variation of original works from fifty eighty (58) to ninety-three (93) water pans and 118,000 cumulation capacity volume.

Physical inspection in July, 2025 revealed that the water pan is in a private land of a farmer who had adequate water from alternative sources hence it was not clear on how the land was selected for the water pan to be constructed in his private land. Further, the terms of engagement between Authority and private land owners (project beneficiaries) could not be established since agreements were not availed for audit review. In addition, the inspection and Acceptance dated February, 2025 shows that capacity building of project beneficiaries was not done.

In the circumstances, the value for money may not be obtained.

6. Status of Irrigation Development Projects

6.1. Lower Kuja Irrigation Development Project in Migori County

The Authority awarded three (3) separate contracts totalling Kshs.89,721,550 for the Lower Kuja Irrigation Development Project which includes comprehensive water distribution system comprising the main canal, distribution canals, tertiary canals and related structures. It was designed for phased implementation with each contractor responsible for distinct components of the works. However, procurement records including tender opening, evaluation, professional opinions and contract agreements were not provided for audit review.

Field inspection conducted in July, 2025 revealed that one (1) contractor had not completed the construction of one (1) of the six (6) box culverts specified in their contract. No progress had been made on the Owiro infields and associated infrastructure, and sections of the Bala Canal had experienced erosion with some canal walls collapsing, suggesting potential weaknesses in both design and construction quality.

In the circumstances, the value for money may not be obtained.

6.2. Lower Kuja Irrigation Scheme in Migori County

A field visit to the gravity intake of the Lower Kuja Irrigation scheme showed that the water turbulence caused by water dropping from the constructed Weir had caused erosion that had spread to adjacent riverbank and is potentially causing a hazard to nearby intake walls and sedimentation basin.

The original reinforcement to the basin walls with riprap (large stones) or gabions had already been eroded leaving the sedimentation basin exposed to erosion. This may cause interference with the integrity of basin walls and the canal intake, leading to cracks, collapse or failure of the structure resulting in costly repairs or even total irrigation system failure as this may disrupt the continuous and clean supply of irrigation water, negatively impacting farming activities in the Lower Kuja Irrigation Scheme.

6.3. Compensation for Lower Kuja Irrigation Project in Migori County

Review of the records provided including payment vouchers and valuation reports indicated that the Authority paid an amount of Kshs.16,228,758 to Project Affected Persons (PAPs) at the Lower Kuja Irrigation Scheme for way-leave compensation, based on valuations conducted by GIBBS and GEDO Companies. However, the following anomalies were noted:

i. There was no evidence that the companies that did the valuation were registered valuers and thus it was not possible to establish that the amounts were commensurate to the land acquired.
ii. Management did not provide evidence of how the valuers were sourced and the contract agreements.
iii. Although records indicate that fifty-three (53) PAPs disputed the valuation amounts and eight hundred and fifty-eight (858) others claimed they were not included in the valuation reports, Management did not provide clear guidelines on how these disputes would be resolved to prevent future conflicts once the project is operational.
iv. As at the time of audit in June, 2025 the Management did not provide acknowledgement of receipts of the funds by the PAPs. The audit could therefore not establish if the money was actually received by the rightful beneficiaries or not.

In the circumstances, the value for money may not be obtained.

6.4. Bunyala Irrigation Scheme in Busia County

Review of accounting records and a physical inspection conducted in July, 2025 at the Bunyala Irrigation Scheme revealed several issues, as detailed below:

i. Only two intake pumps were operational, and high electricity costs have led to staggered block operations, highlighting the need to supplement the pumping system to reduce reliance on electricity.
ii. Although the scheme's total cropping area is estimated at 3,126 acres, the presence of homesteads and other structures reduces usable land, and cropping cannot be fully controlled due to individual land ownership.
iii. Access roads to the newly expanded areas were not planned, creating logistical and transport challenges during harvesting.
iv. The Scheme is not gazetted and is understaffed, limiting effective management given the vast area and number of farmers.

In the circumstances, the value for money may not be obtained.

6.5. Mwea Irrigation Scheme in Kirinyaga County

Review of records and physical inspection done in the month of July, 2025 in the Mwea Irrigation Scheme revealed various issues as highlighted below: -

i. The Scheme gazette acreage was 30,350 acres however, 19,700 acres had been allocated for irrigation activities with further expansion works increasing the acreage to 28,500 acres.
ii. The Scheme collected operation maintenance fee amounting to Kshs.70,788,531 being 75% of the targeted collection of an amount of Kshs.93,425,000. No clear reasons and explanations were provided on the shortfall. The uncollected fee affected service delivery and payment of casuals at the scheme.
iii. Review of expenditure returns revealed an amount of.Kshs.16,328,290 being production support to farmers for which no supporting documentation was provided.

In the circumstances, the value for money may not be obtained.

6.6. Ahero Irrigation Scheme in Kisumu County

Review of accounting records and physical inspection done in the month of July, 2025 in the Ahero Irrigation Scheme revealed various issues as highlighted below:

i. Intake water pumps 3 and 4 were not working/stalled/damaged hence inadequate supply of the irrigation water to the scheme's farmlands. The damaged pumps have caused rationing of water due to the number of hours the pump is supposed to be operated.
ii. The pumps need proper rehabilitation due to reduced water pumping levels and increased electricity bills.
iii. Impellers were worn out in pump 3 reducing the degree in which the pumping and abstraction was done. The reduced efficiency was also observed in the pumping rate of pumps 1 and 2.
iv. The main and feeder canals have widened hence need for major rehabilitation.
v. Water hyacinths, water lilies and other water weeds are a major problem to the canals.
vi. Frequency of siltation is high.
vii. Inadequate machinery hence the scheme has to procure/hire machines including tractors, excavators and graders which is cost inefficient over a period of time.
viii. Water guards to control off take gates for water distribution are under staffed.
ix. Pumps need to be increased to enable cropping by farmers in the scheme.
x. The equipment with a repair cost of an amount of Kshs.5,616,013 had not been repaired and delivered back to the Irrigation Scheme.

6.7. West Kano Irrigation Scheme in Kisumu County

A review of accounting records and physical inspection done in the month of July, 2025 in the West Kano Irrigation Scheme revealed various issues as highlighted below: -

i. The scheme has 3,309.62 acres of land however the land ownership document has not been acquired from relevant statutory bodies.
ii. Review of West Kano irrigation schemes ICT equipment including computers and infrastructure revealed that the schemes were connected to the Authority network for ease of work, synchronization of information and access to data to

the relevant staff. However, the computer laptops being connected to the system were privately owned. Privately owned computers can be used by multiple users off the work station posing a threat to the confidentiality and Integrity of the Authority's information/data to third parties.

iii. Farmers had constructed multiple houses in the schemes. The Authority did not provide land user permits issued for existing houses in the scheme land contrary to section 35 (1) of the Irrigation Regulations 2021

iv. Farmers grazed their livestock including cattle, sheep and chicken within the schemes. However, the Authority did not provide measures taken by the Board to mitigate the free grazing of animals

6.8. Perkerra Irrigation Scheme in Baringo County

Records available as at the time of audit including the minutes of the Board of Directors revealed the following cases of land encroachment;

i. Land measuring 100 by 100 feet directly opposite the scheme's offices had been encroached and fenced using iron sheets, the owner had also drilled a borehole.

ii. Land measuring approximately three (3) acres near the senior staff houses had been encroached, fenced and houses erected by a private developer.

iii. Land measuring about Fifty-four (54) acres had been encroached by African Inland Church.

Further, review of records revealed that the Irrigation Scheme store contained chemicals that had been expired for over thirty (30) years, some of which had spilled on the shelves. These chemicals were originally provided to farmers before the scheme collapsed in 1997 and remained in storage when the National Irrigation Authority resumed operations in 2002. Although Management recognized the need for proper disposal, no explanation was provided for the prolonged delay, highlighting a lapse in the entity's internal control systems and posing a significant hazard.

In the circumstances, the Management of Irrigation Schemes may not serve the intended purpose and value for money could not be confirmed

7. Irregular Co-Mingling of Funds

The Authority receives all Government of Kenya (GoK) development grants through the headquarters bank account from which the funds are subsequently transferred to the respective project and programme bank accounts to which the grants relate. At the end of the third quarter, the National Irrigation Authority received Quarter one and Quarter two grants amounting to Kshs.1,351,647,500 and Kshs.1,351,647,486, respectively. However, a review of the bank account revealed the following anomalies:

i. Bura Irrigation Development Project received grants totalling Kshs.225,000,000 in the National Irrigation Authority Headquarters Co-operative Bank development account for Quarter I and Quarter II. However, amounts transferred from the Co-operative Bank development account to the project amounted to Kshs.463,990,820, resulting in an unreconciled variance of Kshs.238,990,820.

ii. Mwea Irrigation Development Project received grants totalling Kshs.300,000,000 in the National Irrigation Authority Headquarters Co-operative Bank development account for Quarter I and Quarter II. However, amounts transferred from the Co-operative Bank development account to the project totalled Kshs.545,396,879, resulting in a transfer variance of Kshs.245,396,879.
iii. Galana Kulalu Irrigation Development Project received grants totalling Kshs.500,000,000 in the National Irrigation Authority Headquarters Co-operative Bank development account for Quarter I and Quarter II. However, amounts transferred to the project's respective bank account totalled Kshs.552,000,000, resulting in an excess transfer of Kshs.52,000,000.
iv. Rwabura Irrigation Development Project received grants totalling Kshs.4,000,000 in the National Irrigation Authority headquarters Co-operative Bank development account for Quarter I and Quarter II. However, amounts transferred from the Co-operative Bank development account to the project amounted to Kshs.39,570,602, resulting in an excess transfer of Kshs.35,570,602.
v. Review of the records revealed that development budget allocations amounting to Kshs.131,500,000 were disbursed to operational bank accounts instead of accounts dedicated to development purposes.
vi. Review of the records revealed that retention amounts deducted from payments of certificates for work done were not remitted directly to the designated retention account as required. Instead, Management transferred two (2) tranches of Kshs.20,000,000 each on 4 October, 2024 and 22 November, 2024 to the retentions accounts without any supporting documents. Further, it was noted that funds amounting to Kshs.10,000,000 were transferred on 11 October, 2024 from the retention account to the National Irrigation Authority Co-operative Bank development account.

In the circumstances, the effectiveness of the controls on prudent management of funds could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Failure to Conduct Governance Audit

The Authority's Board did not initiate governance audit during the year under review. This was contrary to the requirement of Mwongozo Code of Conduct for State Corporations issued under presidential Executive Order No.7 dated 25 March, 2015 under item1.13 which provides that the Board of Directors in consultations with the State Corporation Advisory Committee is required to initiate governance audit of the company through an Institute Of Certified Public Secretaries of Kenya (ICPSK) member and that the governance audit should among other areas cover the governance practices of the organization.

In circumstances, the Management was in contravention of the Mwongozo code of conduct.

2. IT Internal Control Weaknesses

2.1. Weaknesses in ERP Payroll System Configuration and Processing Controls

Review of the payroll processing records and controls identified several weaknesses in the ERP configuration that led to irregularities in the payment of allowances, contrary to the National Irrigation Authority HR Policy and Procedures Manual 2023 and government guidelines, summarized as follows:

i. Three (3) staff were paid leave allowance twice, totalling to Kshs.164,139, despite not being stationed in designated hardship areas.
ii. Six (6) staff received house allowance in excess of the stipulated regional rates, resulting in overpayments totalling Kshs.1,084,646.
iii. One (1) staff member was paid commuter allowance above the prescribed rate. Further analysis revealed that this staff member had not received commuter allowance for the previous two (2) months, highlighting a critical system weakness that allows manual override of controls.
iv. Two (2) staff members stationed at the head office and Bunyala locations not classified as hardship areas were paid hardship allowance.

2.2. Integrity of Casual Workers Records Maintained in the Payroll Systems

Review of the casual payroll records identified sixty-three (63) employees whose unique identifiers were recorded with irregular identification numbers. The ID numbers were either incomplete or excessively long, failing to comply with the standard format for national identification numbers.

1.1. Lack of Change Logs, Change Management Register, Test Scripts and User Acceptance Test (UAT) Sign-Off

Management did not provide documentations such as authorized change approvals, formal change management registers, test scripts or signed user acceptance testing (UAT) documents for review. In the absence of these documents, the audit could not confirm whether changes made to the system were properly tracked, tested or accepted by the intended users prior to deployment.

1.2. Use of Personal Email Addresses in the ERP System

Review of user configurations of the NAVISION ERP system revealed that personal email addresses were still used to capture employees' unique identities. This practice is contrary to the head of public service directive and undermines secure information handling practices. Further, it increases the risk of unauthorized access, data leakage and loss of audit trail in cases where the user leaves public service. In addition, there was no enforcement mechanism in the system to restrict account creation or communication through non-official email domains.

1.3. Inadequate Enforcement of Physical Security Controls at The Data Centre

Review of physical security at the data center revealed the following weaknesses:

i. Although the site had both biometric and lock-and-key controls, the upper part of the door was covered with glass, which could easily be broken and access data center was not difficult.
ii. The register maintained did not track the activities of the people accessing the data center.
iii. Failure to have a raised floor in the data center which may have a major impact during a time of flooding.
iv. Failure to have a fire extinguisher inside the data center.
v. The data center lacked appropriate signage to clearly identify it as a restricted data center facility.

1.4. Inadequate Surveillance and Weak Security Controls in Critical Infrastructure Areas

The CCTV monitoring coverage of critical areas was inadequate. Specifically, the data centre was under active surveillance by only one camera which was positioned to capture the entry point but did not record activities taking place inside the facility. In addition, other sensitive areas, including the generator yard, parking lot and the rear section of the building, lacked CCTV coverage altogether. This gap exposes the institution to heightened security risks, as unauthorized activities within and around these areas may go undetected.

1.5. Inadequate Input Validation Allowing Special Characters in User Fields

Review of the payroll system revealed that the ERP system permits users to input special characters in the identification number (ID) field. This demonstrates a lack of input validation controls within the system, creating vulnerabilities that could be exploited hacker attacks. Consequently, fifteen (15) employee records were found to contain ID numbers with special characters.

In the above circumstances, the effectiveness of the controls and safeguards on IT internal controls could not be confirmed.

2. Under Staffing of the Entity

Examination of the approved staff establishment against the June, 2025 payroll revealed that only three hundred and fifteen (315) staff were in post against an approved establishment of four hundred and ninety-seven (497), resulting in understaffing by one hundred and eighty-three (183) positions, an equivalent of thirty-seven percent (37%). Further, analysis of the establishment revealed that twenty-seven (27) designations, requiring fifty-four (54) staff, had no personnel recruited at all with zero staff in post. This indicates significant deviations between the approved staffing structure and the actual staffing levels in place.

In the circumstances, the lack of alignment between staffing levels and the approved human resource management plans undermines effective recruitment and retention practices.

3. Internal Audit

3.1. Failure to Automate the Internal Audit Function

As at the time of the audit in June, 2025, the internal audit function had not been automated. The absence of automated templates and workpapers results in manual processes that require more effort and time, reducing efficiency and consistency. Automation would support alignment with the International Professional Practices Framework, enhance documentation of methodologies and applicable laws, improve accuracy, minimize errors and allow auditors to focus on higher-value activities such as strategic analysis and risk management.

3.2. Lack of a Three (3) Year Internal Audit Strategic Plan

Examination of the internal audit documents and discussions with the internal audit function revealed that the authority does not have a three-year strategic plan. This is in contravention of Regulation 170 of the Public Finance Management (National Government) Regulations, 2015 which requires that internal audit planning be based on a risk assessment and developed within a three-year strategic framework.

3.3. Lack of an Action Plan for Implementation of Audit Recommendations

Review of internal audit documents and discussions with the internal audit function revealed that while Management provides responses to audit reports during audit committee meetings, it does not have a formal action plan to implement the recommendations contained in those reports. An action plan is essential as it outlines a proposed strategy and course of action, ensuring that audit findings are addressed and acted upon.

3.4. Failure to have the Audit Function Assessed by a Recognized Body

Review of internal audit documents and discussions with the internal audit function revealed that the function has not been assessed on its effectiveness by a professionally recognized institution contrary to Regulation 166(3) of the Public Finance Management (National Government) Regulations, 2015 which requires the function to be assessed on its effectiveness at least once every three (3) years but not more than five (5) years by a professionally recognized body or institution.

In the circumstances, the oversight on effectiveness of internal controls, risk management and overall governance could not be confirmed.

4. Failure to Maintain Staff Houses and Guest Rooms

Examination of documents provided for audit revealed that the Authority owns rental houses and guest rooms across various schemes in the country. Physical inspection conducted in July, 2025 at Bura, Mwea, Ahero, Tana and Bunyala Irrigation Schemes revealed that several condemned houses occupy substantial portions of the organization's land resulting in uneconomical use. Some houses are fitted with asbestos roofs, posing health hazards to occupants, while others are in poor condition that they would not attract any rental income. In addition, repairs, maintenance and roof replacements had not been carried out as of the time of the audit.

In the circumstances, the adequacy of the controls and safeguards on management of assets could not be confirmed.

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

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

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

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

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

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

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

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

22 December, 2025