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ON

**THE FINANCIAL STATEMENTS OF
TANA AND ATHI RIVERS
DEVELOPMENT AUTHORITY**

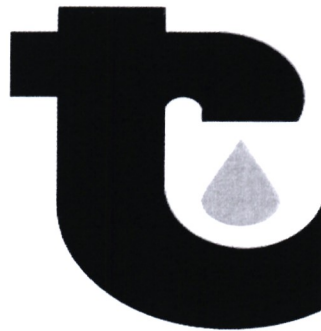
**FOR THE YEAR ENDED
30 JUNE 2017**



OFFICE OF THE AUDITOR GENERAL
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TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR

THE FINANCIAL YEAR ENDED

JUNE 30, 2017

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

Abbreviations

AIA	~	Appropriation in Aid
CEO	~	Chief Executive Officer
CSCEC	~	China State Construction Engineering Corporation
CSR	~	Corporate Social Responsibilities
EU	~	European Union
ESP	~	Economic Stimulus Programme
GoK	~	Government of Kenya
HGF	~	High Grand Falls
ICS	~	Internal control Systems
IPSAS	~	International Public Sector Accounting Standards
JICA	~	Japan International Co-operation Agency
LPO	~	Local Purchase Order
LSO	~	Local Service Order
OECD	~	Overseas Economic Co-operation Fund
TARDA	~	Tana and Athi Rivers Development Authority
TDIP	~	Tana Delta Irrigation Project

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

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i) KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

1.10 Formation

TARDA was established by an Act of Parliament, Cap. 443 of 1974. It is responsible to the Government of Kenya through the Ministry of Devolution and Planning State Department of Planning and Statistics.

The Authority's areas of jurisdiction approximate **coverage** is 138,000km² and includes nineteen (19) current **counties** within the former Nairobi, Central, Eastern and parts of Coast, N/Eastern and Rift Valley provinces. The area has an estimated **population** of 15 million inhabitants based on 2009 census.

1.20 Governance Structure

The Authority has a governance structure consisting of nineteen (19) Board Members, with the Chairman appointed by the President and the MD as the Secretary to the Board. It has five (5) non-civil servants appointed by the parent Cabinet Secretary; others are Alternate Directors to their respective Principal Secretaries.

(b) Principal Activities

1.10 Vision

"To be a world class Regional Development Authority."

1.20 Mission

To undertake integrated regional resources planning, promote and undertake development within the Tana and Athi River Basins, for sustainable socio-economic wellbeing of the people.

1.30 Mandate

The enabling Act specifically mandates the Authority to undertake **integrated planning and development** through maximization and utilization of **water and land based resources** within both the Tana and Athi river basins.

1.40 Key objectives

This includes:

- Sustainable integrated regional planning and development.
- Development of multipurpose water reservoirs along the Tana and Athi Rivers.
- Conservation of water towers, river banks and water reservoirs.

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- Community empowerment, support and employment.

1.50 Key Achievements By TARDA

(i) Construction of Integrated & Multi-Purpose Reservoirs

- **Masinga Reservoir (1982)**
- **Kiambere Reservoir (1988)**
- **High Grand Falls Multi-purpose Reservoir (Initial stages of development done).**

The two water reservoirs positively affected the socio-economic development of this country in production of hydroelectric power for national grid and 152 Kms tarmac roads network and water supplies across Counties of Machakos, Murang'a, Kitui and Embu in the region. Additionally, the reservoirs had fundamental positive impact especially in enhancing irrigated agriculture, food security, eco-tourism, fisheries, drought mitigation, river regulations and substantial flood controls along the Tana River system.

(ii) Specific Related projects to our development of Masinga and Kiambere Reservoirs

- **Masinga Tourist Lodge**
- **Kiambere - Mwingi Water Supply**
- **Masinga - Kitui Water Supply**
- **Infrastructure Development**
 - 80km of tarmac road from Kanyonyo to Embu.
 - 60km road from Kamburu to Kiambere market,
 - 12km road from Kaewa to Masinga Dam Resort.
 - Two (2) air strips at Masinga and Kiambere.
 - Two (2) Police station and Staff quarters at MDR.
 - Kiambere school complex (Primary and Secondary)

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(iii) Other Development Programmes

(a) Catchment Conservation Programmes

Over the years the Authority has constructed five (5) check dams, 102 water pans, established over 300 tree nurseries and planted over 10 million seedlings within the Upper and the Middle Catchment of the two river basins.

(b) Other Projects

- **Tana Delta Irrigation Project – Tana River County**
- **Kiangurwe Community Mini hydro power station – Kirinyaga County**
- **Owns (2) two Prime Plots in Nairobi (Upper Hill and Industrial Area)**
- **Masinga Irrigation Project - Machakos County.**
- **Kiambere Irrigation Project – Embu County**
- **Emali Livestock Multiplication & Breeding Farm – Kajiado County.**
- **Kibwezi Irrigation Project – Makueni County.**
- **Kitui Honey Refinery – Kitui County**

(c) Key Management:

The Authority's operational affairs and management is under the following key organs:

(i) Cabinet Secretary

Hon. Mwangi Kiunjuri

Ministry of Devolution and Planning

(ii) Principal Secretary

Mr. Torome Saitoti

Ministry of Devolution and Planning

(iii) Fiduciary Management

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

NAME	DESIGNATION
1. Mr. Steven G. Ruimuku	- Managing Director
2. Ms. Virginia Mwangi	- Chief Manager Finance and Accounts
3. Eng. Philip Langat	- Chief Manager Technical Services & Operations
4. Ms. Damaris Kiarie	- Ag. Chief Manager Human Resource & Administration.
5. Mr. Parmenas Mukeku	- Ag. Chief Manager Athi Basin
6. Ms. Irene Ndavi	- Ag. Chief Manager Planning, Research & Development.
7. Eng. J. Karanja	- Ag. Chief Manager Tana Basin
8. Mr. James Osano	- Internal Audit & Risk Manager
9. Mr. Wycliffe Sava	- Supplies & Procurement Manager
10. Ms. Sylvia Ndegwa	- Ag. Legal Services Manager
11. Mr. Samuel Wanyoike	- ICT Manager

(d) TARDA Headquarters

Tana and Athi Rivers Development Authority
P.O. Box 47309 - 00100
Queensway House 7th Floor-
Kaunda Street
Nairobi, KENYA

(e) Contacts

Telephone: (254) 020 341784/5/6
E-mail: info@tarda.co.ke
Website: www.tarda.co.ke

(f) Bankers

National Bank of Kenya Ltd
Harambee Avenue
P.O. Box 41862 - 00100
NAIROBI

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

Kenya Commercial Bank Ltd
Moi Avenue
P.O. Box 48400 - 00100
NAIROBI

Consolidated Bank of Kenya Ltd
Koinange Street
P.O. Box 51133-00200
NAIROBI

(g) Independent Auditors

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

(h) Principal Legal Advisor



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

(i) Lawyers




- M Mulekyo & Co. Advocate
- Waweru Gatonye and Co. Advocate
- Kibe & Kinoti Co Advocate
- Muchoki Kangata Njenga & Co. Advocate
- Nguli & Company Advocate
- Mulwa Isika & Mutia Advocates
- Kithure Kindiki & Associates

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)



ii) THE BOARD OF DIRECTORS

No	PASSPORT SIZE PHOTO	ACADEMIC & PROFESSIONAL QUALIFICATIONS	DATE OF BIRTH, KEY QUALIFICATIONS & WORK EXPERIENCE
1.	 <p data-bbox="188 1032 517 1137">Hon. Abdul Bahari Ali Authority Chairman Up to – February 2017</p>	<p data-bbox="635 450 959 555">EMPPA : (Candidate) Public Policy & Administration</p> <p data-bbox="635 600 991 667">BA (Hons) Economics & Government - 1989</p>	<p data-bbox="1034 450 1214 483">D.o.B: 1963</p> <p data-bbox="1034 490 1273 524">Kenya Airways</p> <ul style="list-style-type: none"> <li data-bbox="1034 530 1426 598">- Industrial Relation Officer (1991-1992) <li data-bbox="1034 604 1513 672">- Chief Industrial Relation Officer (1993-1995) <p data-bbox="1034 678 1182 712">Firestone</p> <ul style="list-style-type: none"> <li data-bbox="1034 719 1513 786">-Manager Industrial Relation and Transport (1996) <li data-bbox="1034 792 1465 860">- Human Resources Manager (1996-2003) <p data-bbox="1034 866 1469 934">Member Budget Committee, PIC (KNA)</p> <p data-bbox="1034 940 1513 1046">Vice Chair Finance and Monetary affairs Committee of Pan African Parliament.</p> <p data-bbox="1034 1052 1465 1086">MP Isiolo South (2003-2013)</p> <p data-bbox="1034 1093 1385 1160">Member Pan African Parliament (2008-2013)</p>
2.	 <p data-bbox="183 1798 528 1865">Mr. Steven G. Ruimuku Managing Director</p>	<p data-bbox="635 1153 1002 1220">Ph.D: (Candidate) Sustainable Development</p> <p data-bbox="635 1265 975 1332">M.A. Economics (Public Finance) - 1984</p>	<p data-bbox="1034 1153 1214 1187">D.o.B: 1958</p> <p data-bbox="1034 1216 1517 1283">Lecturer – International Trade & Economics - USiU (2000 to date)</p> <p data-bbox="1034 1290 1433 1323">Public Finance since 1984</p> <ul style="list-style-type: none"> <li data-bbox="1082 1330 1289 1364">• Economics <li data-bbox="1082 1370 1485 1404">• Public Expenditure Mngt <li data-bbox="1082 1411 1337 1444">• Administration <li data-bbox="1082 1451 1501 1585">• Integrated Dev (Multipurpose Reservoirs, Food Security programmes) <li data-bbox="1082 1592 1497 1659">• Conservation and climate change programmes <p data-bbox="1034 1666 1449 1733">Patron- Education taskforce: Nyeri South District</p> <p data-bbox="1034 1740 1474 1774">Patron-Mahiga Primary school</p> <p data-bbox="1034 1780 1458 1848">Board Member- Mahiga Girls Sec School.</p>

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

<p>3.</p>	 <p>Mr. Stanley Gikandi Board member</p>	<p>Bachelor in Economics (UON)</p>	<p>D.o.B: 1969</p> <ul style="list-style-type: none"> - Chartered Insurance Institute (ACII London)
<p>4.</p>	 <p>Mr. John Nthuku Board Member</p>	<p>Msc in Management, BA Hons, Post Graduate Diploma in Management, CPS(K)</p>	<p>D.o.B: 1946</p> <p>1969: Burieruri Secondary and Mikinduri Secondary School.</p> <p>1972: Deputy Commissioner of Prisons.</p> <p>1997 – 2005: Director Cooperative Bank.</p> <ul style="list-style-type: none"> - Experience of over 40 years.
<p>5.</p>	 <p>Ms. Halima Shaiyah Board Member</p>	<p>Diploma in Marketing BA ED (Candidate)</p>	<p>D.o.B: 1960</p> <ul style="list-style-type: none"> - D.T Dobie -10 years (1988 - 1998) - Business lady from 1988 to Date - Chairperson - of ASK Show 2011 to 2013

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6.	 <p>Mr. Michael Wawire Board Member</p>	Bsc, Msc, PhD	D.o.B: 1976
7.	 <p>Mrs. Sarah Mugwanja Board Member</p>	<ul style="list-style-type: none"> - BA- International Relations - Association of Business - Executives Advanced Diploma Tour Travel and Hospitality. 	<p>D.o.B: 1981</p> <p>11 years in the airline and hospitality industries</p>



Alternate Board Members

- 8. Mr. David Oyosi - State Department of RDA's
Ministry of Devolution and Planning
- 9. Mr. Anthony Mugane - Alternative Director to Principal Secretary
Ministry of Forestry and Wildlife
- 10. Mr. Joseph Mukui - **Ministry of Devolution and Planning**
- 11. Eng. R. K. Gaita - Alternative Director to Principal Secretary
Ministry of Water and Irrigation
- 12. Mr. Kenneth Marende - **Board Chairman - Kenya Power**




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- | | | |
|-----------------------------|---|--|
| 13. Mr. Jeremiah O. Onchiri | - | National Treasury |
| 14. Eng. Benson Mwakina | - | Alternative Director to Principal Secretary
Ministry of Energy and Petroleum |
| 15. Eng. John K. Kibe | - | Alternative Director to Principal Secretary
Ministry of Agr. Livestock & Fisheries
(State Department of Agriculture) |
| 16. Mr. Alexander Kuria | - | Alternative Director to the General Manager
National Irrigation Board |
| 17. Ms. Felister Nyacuru | - | Alternative Director
Attorney General Chambers |




iii) MANAGEMENT TEAM

NO.	Name	Qualification	Designation / D.O.B
1.	 <p>Mr. Steven G. Ruimuku</p>	<p>Ph.D: (Candidate) Sustainable Development</p> <p>M.A. Economics (Public Finance) - 1984</p>	<p>D.o.B: 1958</p> <p>Managing Director</p>
2.	 <p>Virginia Mwangi</p>	<p>MBA (Finance Option) – 2011</p> <p>B.Com (Finance Option) – 2004</p> <p>CPA (K) – 2009</p> <p>Member – Institute of Certified Public Accountant of Kenya (ICPAK)</p>	<p>D.o.B: 1979</p> <p>Chief Manager Finance and Accounts</p>

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<p>3.</p>	 <p>Samuel Gitonga</p>	<p>Msc. (Water Resources Survey & Management) – 1999 MBA (Strategic Management) 2014</p> <p>BSc. (Geology) - 1989</p> <p>Member-Institute of Environmental Assessment Kenya (EIK).</p> <p>Hydrological Society of Kenya (HSK)</p>	<p>D.o.B: 1962</p> <p>Chief Manager Technical Services</p>
<p>4.</p>	 <p>Parmenas Mukeku</p>	<p>BSc (Animal Production) - 1992</p>	<p>D.o.B: 1965</p> <p>Ag. Chief Manager Athi Basin</p>
<p>5.</p>	 <p>Irene Ndavi</p>	<p>MSC International Development Studies.</p> <p>BA (Agricultural Education)</p>	<p>D.o.B: 1977</p> <p>Ag. Chief Manager Planning and Research Development</p>

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<p>6.</p>	 <p>Damarys Kiarie</p>	<p>BA (Social Sciences) - 1980</p>	<p>D.o.B: 1957</p> <p>Ag. Chief Manager Human Resource & Administration.</p>
<p>7.</p>	 <p>Eng. Joseph Karanja</p>	<p>BSc (Civil Engineering) - 1984</p> <p>Member - Institute of Engineers Kenya (MIEK).</p>	<p>D.o.B: 1959</p> <p>Ag. Chief Manager Tana Basin</p>
<p>8.</p>	 <p>James A. Osano</p>	<p>MBA (Finance Option) - 2010</p> <p>B Com (Accounting Option) - 2006</p> <p>CPA (K) -1997</p> <p>CPS (K) - 2007</p>	<p>D.o.B: 1962</p> <p>Internal Audit and Risk Manager</p>

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<p>9.</p>	 <p>Wycliffe Sava</p>	<p>MBA (Pro. & Supplies) - 2013</p> <p>B Com (Marketing) - 2005</p> <p>Member –Kenya Institute of Supplies Management (KISM)</p>	<p>D.o.B: 1979</p> <p>Procurement and Supplies Manager</p>
<p>10.</p>	 <p>Sylvia Ndegwa</p>	<p>LLB - 2007</p> <p>(Candidate) - MBA (Project Management)</p>	<p>D.o.B: 1981</p> <p>Acting Legal Services Manager</p>

Senior Managers

- 11. David Kimaiyo - Finance Manager
- 12. Lisa Njururi - Public Relation Manager
- 13. Jackson Muiruri - Monitoring and Evaluation Manager
- 14. Bartholomew Kamau - Administration Manager
- 15. Samuel Wanyoike - ICT Manager

iv) CHAIRMAN'S STATEMENT

TARDA's overall goal as a Regional Development Authority is to achieve equitable and sustainable development through implementation of integrated and multi-purpose programs and projects and promotion of resource based investments in the Basins.

TARDA's area of jurisdiction is wide, covering an area of approximately 138,000km². The Region is inhabited by a diversity of communities and is endowed with natural resources and enabling infrastructure; all providing good opportunities for development.

The Constitution of Kenya, 2010 created a decentralized system of government stipulating the dispersal of political power and economic resources from the centre to the grassroots. As a result, forty seven (47) County governments were established. TARDA's mandate covers nineteen (19) of these counties namely; Nyeri, Kirinyaga, Nyandarua, Murang'a, Embu, Tharaka Nithi, Meru, Isiolo, Kiambu, Nairobi, Machakos, Kajiado, Makueni, Kitui, Garissa, Taita Taveta, Tana River, Lamu and Kilifi.

The Tana and Athi Rivers Basin is endowed with an enormous resource base. However its regional economy and social services remain undeveloped, characterized by high levels of unemployment, poverty, food shortage, and environmental degradation. Wealth creation, environmental sustainability, food security, agro-processing, technology and innovation and institutional linkages are some of the key initiatives identified for implementation by the Authority.

Performance Highlights;

During the year under review, TARDA engaged our partners and stakeholders in the Counties in activities with positive bearing on social and economic gains in catchment conservation activities, water conservation, and irrigation development among others.

Customer Service

TARDA is focused towards providing excellent customer service through all delivery channels and has been making continuous efforts for enhancing the level of customer satisfaction. The varied interests and expectations of customers are taken care of by improving upon various processes and procedures. .

Acknowledgement

In conclusion, I would like to thank the Members of the Board for their valuable guidance, support and prudent counsel.

I also place on record our appreciation for the support from our customers, stakeholders, investors and most importantly, the dedicated employees for their consistent support and commitment to the Authority during the financial year.



Ms. Halima Shaiyah
Ag. BOARD CHAIRPERSON

v) MANAGING DIRECTOR'S STATEMENT

I am delighted to report the 2016/17 Financial Statements of Tana and Athi Rivers Development Authority. During the year under review, the Authority total revenue reflect a positive change of 51% from Kshs 372 million in 2016 to Kshs 762 million in 2017 mainly due to disbursement of funds in respect of drought mitigation

The increased funding from our parent ministry in revenue from Kshs. 372 million to Kshs. 762 million, led to a significant increase in the statement of financial performance expenses from Kshs.944m in 2016 to Kshs.1.3 billion in 2017 an increase of 40%.

In the statement of changes in equity the capital fund in the year 2017 witnessed a 21% growth in capital to Kshs.3.5 billion in 2017 from Kshs.2.9billion in 2016.

CHALLENGE

Going Concern

Before the power sector reorganization which was completed in the year 2000, the going concern of the Authority was very healthy and encouraging. The Authority did not rely on the Exchequer system for its operational sustainability because we had sufficient revenue generated from commercialized projects mainly Masinga & Kiambere multi-purpose reservoirs Kibwezi and Masinga farms and livestock and Honey enterprises among others.

The taking over of our facilities without recommended compensations has been causing the Authority unnecessary financial constraint to date due to legal claims emerging from land compensation, land rates, outstanding pensions among others which are directly related to reservoir assets and revenues.

Unless these claims are honoured, the going concern and balance sheet accounting of the Authority will continue to be negative and recurring year after year despite the fact that it is not the inefficiency of TARDA but the effect of the power sector restructuring of the late 1990s.

Another area of concern related to the power sector reorganization is the negative impact on our balance sheets which records depreciation factor to the tune of Kshs.440m annually on Masinga and Kiambere facilities without the support of revenue streams related to the transferred assets in the year 2000 to both KPLC & KENGEN under the same concern the failure of KPLC/KENGEN to pay rent on 193 houses which they have been occupying for the last 24years without paying requisite rent.

ON GOING PROGRAMMES AND PROJECTS

1. TANA DELTA IRRIGATION PROJECT

The Authority continues to manage the Initial 2,000ha (TDIP Phase I) under estate management and that the project is currently experiencing irrigation water supply problem due to reduced river flow levels at the Kitere intake channel. The management has submitted a proposal to National Government through the Parent Ministry to secure Kshs 400M for the

Intake works and River Training to ensure that the water flows through the short cut channel for both community use and TDIP irrigation.

2. WORK PROGRESS ON KITERE TEMPORARY WEIR

Faced with a huge challenge to raise the required Kshs 400 million in the short term and need to keep the farm on production; the management requested the technical department to seek a temporary solution to save the TDIP project from total failure. An option of building a temporary diversion half weir using 10, 12-meter containers filled with concrete was proposed after evaluation of various options. The scope of works envisaged is:

1. Dredge the initial 100 meters length of the Kitere shortcut channel to eliminate a 0.7m raise on bed owing to siltation and attain a gradient commensurate with the overall gradient of short cut channel which is a bout 1 meter in 2700m length
2. The Left bank of Tana river at Kitere must be protected using gabions for a length of 100 meters to avoid further erosion and widdening of the channel (see figure 6 below)
3. Building of temporary weir by placing 10 No. 40 foot containers (76.4 cubic meters) filled with concrete.

Owing to complexities and risks of working in deep water and loose soils, it is advisable that TARDA hires a contractor experinced in such works to undertake the works.

Work Progress

- A temporary road has been constructed across Kitere short cut channel to facilitate delivery of materials to site
- The following inputs have been delivered
 - ✓ 4 No. 76.4 - cubic meters containers
 - ✓ Total requisitioned sand and ballast
 - ✓ 1200 bags of cement

Challenge

The biggest challenge encountered is availability of a crane to lift and place the concrete filled containers on the rivers. A container filled with concrete will weigh about 150 tons.

So far no institution with a crane is capable of lifting and placing the filled containers about 20 meters into the river while position on the river embankment has been identified.

3. TARDA UPPERHILL DEVELOPMENT

The project cost is estimated at Kshs 4.3 billion

The proposed agreement will be a Joint Venture (JV) to ensure better risk management and collective economic use of aligned state agencies.

The cost will be supported by both land, equity contributions and debt to be borne by the aligned state agencies, namely; TARDA, Kenya National Bureau of Statistics (KNBS), National Council for Population and Development (NCPD), New Partnership for Africa's Development (NEPAD) all under the State Department of Planning and Devolution.

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TARDA's contribution to the JV will be its Upper hill plot. So far the aligned SAGAs contributions will be as;

- KNBS – Kshs 1.1Bn
- NCBD – Kshs 0.2Bn

TARDA is progressing as follows:

- a) Commencing engagement of aligned state agencies to participate in the proposed JV
- b) Hiring process of a Transaction Advisor through a competitive process under the Public Procurement and Disposal Act (PPDA) 2015
- c) Seeking approval of the National Treasury to borrow from commercial banks the balance of funds required to complete the project.

4. KIENI INTEGRATED IRRIGATION PROJECT

The project was a product of an earlier feasibility study done in 2013 by the Ministry of Water and Irrigation jointly with the National Irrigation Board to identify Irrigation potential in Kieni East and West in Nyeri County. The project covers seven (7) dams identified and out of these, two dams (Karemenu and Narumoru) and their irrigation infrastructures had been recommended to implement in Phase I under Engineering Procurement Contract-Finance (EPC-F) model through the Expression of Interest (EOI).

The Karemenu Dam has been re-advertised and awarded. Contract negotiations have been done. The Contract documents and funding proposals are being discussed by Treasury and the Attorney General. Once approvals had been given, TARDA would sign the Contracts to commence the work. The Company awarded the contract was SWRHEG/ZSHGEC Consortium. The Contract sum is *Kshs. 7.745 Billion*

The Narumoru Dam commercial contract has been signed with the contractor Sinotec Consortium. Funding proposal is still being discussed with Treasury. The contract sum is USD. 174.74 Million.

5. LOWER MURANG'A INTEGRATED IRRIGATION PROJECT

The Consultants had finalized the feasibility study and had embarked on a detailed data collection and site investigations to prepare the Final Detailed Design Report in three months; however management was still facing challenges of paying the Consultant.

TARDA has requested the National Government to approve implementation of the project through EPC-F.

6. INTEGRATED SOLAR POWER DEVELOPMENT IN TARDA

It should be noted that according to the MOE Feed in Tariff Policy, the first step that had to be taken after identifying land was an EOI Application based on the initial preliminary studies as without this approval, this project would not be undertaken.

The Management is still waiting for EOI response/approval from the Ministry of Energy and Petroleum.

7. THE HIGH GRANDFALLS MULTI-PURPOSE DAM ROJECT

The project objectives are:

- To develop Inter basin water transfer system
- To develop River navigation system
- To improve on downstream ecosystem sustenance
- To regulate River Flows of River Tana
- To increase water supply for domestic/Industrial use
- To develop irrigation system for improved agricultural production
- To generate Hydropower
- To promote Sports Tourism
- To promote Fisheries
- To reduce Silt load

The Expected Outputs are:

- 5.5 billion M³ Water storage
- Hydro Power generation of 500 MW
- Up to 200,000 ha irrigation potential
- Increased Food Security
- 20,000 ha land conserved
- Improved Transport

Proposed Project Implementation Model

The HGF multipurpose Dam is planned to be an integrated project involving energy, agriculture, environment, water, fisheries, transport and tourism. Government contribution is to support resettlement action in order to make provision for the dam area. To actualize the project, the Authority has already secured Partner and/or Consortium to jointly develop the project under the Build-Operate-Transfer (BOT) model of Public Private Partnerships (PPP). This will involve signing a BOT Contract/Agreement between the Authority and a Private party/Consortium, in which the private party/Consortium will assume substantial financial, technical and operational risk while TARDA input will be provision of land for the project. It is envisaged that the PPP will involve Equity and Debt financing by the parties. The cost of repaying the loans will be borne exclusively from levies to be charged on under the Power Purchase Agreement (PPA) to supply power to Kenya Power (KP&LC).

The project cost is estimated at USD 1.54 Billion

8. EMALI

The Authority diversified Basin based programs at Emali Livestock Multiplication Project to improve capacity and income generation for sustainability of the project/program by;

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i) Increasing Dairy Herd

The Authority procured 20 No. in-calf Ayrshire heifers, assorted infrastructure and dairy inputs

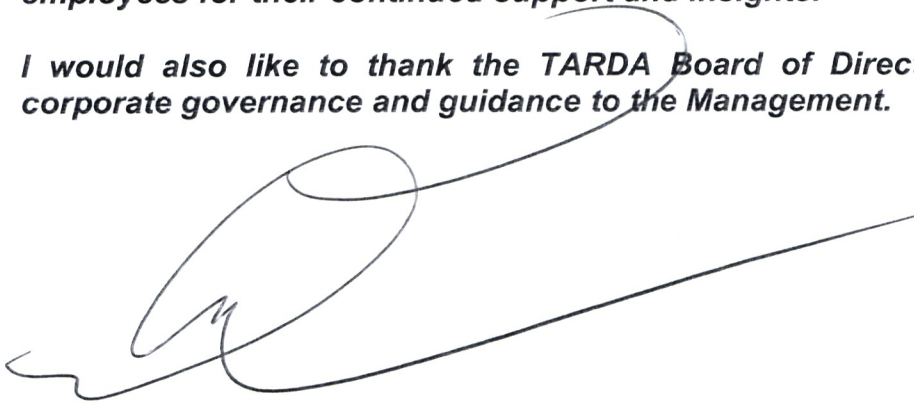
ii) Poultry

During the year under review, the Authority developed a 4000 bird's capacity poultry house, procured 2000 birds and corresponding poultry inputs.

Appreciation

I extend my appreciation to the Government including National Treasury and our Parent Ministry, the Ministry of Devolution and Planning, TARDA Management and employees for their continued support and insights.

I would also like to thank the TARDA Board of Directors on matters of policy & corporate governance and guidance to the Management.



Steven G. Ruimuku
MANAGING DIRECTOR

vi) CORPORATE GOVERNANCE STATEMENT

BOARDS AND MANAGEMENT OF STATE CORPORATIONS

The Tana and Athi Rivers Development Authority (TARDA) Act Chapter 443 of the Laws of Kenya is the main guideline on membership and procedure of the Authority. Section 4 (1) of the TARDA Act provides for a Board of 17 members inclusive of a Board Chairman and the Managing Director who acts as the Secretary to the Board.

OVERVIEW

Corporate governance refers to the principles, processes and practices by which a company is operated, regulated and controlled so that it can set and fulfill its goals and objectives in a manner that adds value for the benefit of all stakeholders and its sustainability. It is concerned with systems and practices and procedures that govern the Authority. Good corporate governance entails provision of structures that establish relationships among company's board, shareholders, management and other stakeholders to ensure the Authority business remains viable and sustainable.

Good Corporate Governance is necessary in order to:

- Attract investors – both local and foreign – and assure them that their investments will be secure and efficiently managed, and in a transparent and accountable process.
- Create competitive and efficient companies and business enterprises.
- Enhance the accountability and performance of those entrusted to manage corporations.
- Promote efficient and effective use of limited resources.

Without efficient operations of business enterprises, the country will not create wealth or employment. Without investment, companies will stagnate and collapse, if business enterprises do not prosper, there will be no economic growth, no employment, no taxes paid and invariably the country will not develop. The country needs well-governed and managed business enterprises that can attract investments, create jobs and wealth and remain viable, sustainable and competitive in the global market place.

Good corporate governance, therefore, becomes a prerequisite for national economic development.

In Corporate Governance, the above can be summarized into five basic tenets:

- Accountability
- Efficiency and Effectiveness
- Integrity and Fairness
- Responsibility, and
- Transparency

The Authority regards good corporate governance as crucial to the success of the business and is steadfastly committed to practice it so that the Authority remains a sustainable and

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

viable business of global stature. This statement sets out the main corporate governance practices and structures in Tana and Athi Rivers Development Authority.

COMPOSITION OF THE BOARD OF DIRECTORS

1) Membership of the Board

The Board comprises of 17 Directors. Seven (7) of the members are Principal Secretaries or the alternate appointees, the others who are not members of the Government service (non-official members) including the Chairman are provided in the schedule of the enabling Act.

Functions of the Board are *inter alia*;

- 1) Be the policy making organ of TARDA.
- 2) Prepare a Board Charter, which will outline Board vision and cover issues of ethics and governance. This charter will ensure that Board members acting on behalf of the corporation are aware of their duties and responsibilities as well as the various legislation and regulations affecting their conduct as Board members.
- 3) Approve the TARDA budget, including any readjustments and external borrowing.
- 4) Approve the TARDA strategic plan and any other long range plans.
- 5) Regularly assess its performance and effectiveness as a whole, including that of individual directors and the CEO.
- 6) Advise and determine the Board Procedure and requirements including their alia evaluation of the Board performance at least once in a year as well as an overall evaluation to be undertaken prior to the end of the Board term.

2) Role of the Chairman of the Board of Directors

The Chairman is primarily responsible for providing leadership to the Board, Chairing Board meetings and governance of the Organization. The chairman also ensures that the Board is supplied with timely and sufficient information to enable them discharges their duties effectively.

The Managing Director who is the Chief Executive officer of TARDA is responsible for the day to day management of the Authority and the secretary to the board.

Each Committee of the Board develops a work plan to guide the activities of the Board at the beginning of every financial year and this should determine the number of meetings; ensure the budget for Board business are adhered to and no over expenditures should be incurred without prior approval: each Board committee should prepare a Board Charter, which will outline Board vision and cover issues of ethics and governance.

The Board must limit their meetings to the very minimum and use the most economical means of transport to travel.

3) Conduct of Board's Business

The TARDA Act provides for the appointment of sub-committees whose main responsibilities are to engage management in providing detailed information and disclosure in readiness for

subsequent full Board meetings. However, all decisions made by the sub-committees require confirmation and/or modifications during full Board meetings.

The current sub-committees activities and their responsibilities are as follows;

1. Finance, procurement and Strategy Sub-Committee of the Board:

Roles ad Responsibility

The Board as per section 15 of the TARDA Act shall be responsible for the management of the affairs of a state corporation and shall be accountable for the moneys, the financial business and the management of a state corporation e.g. no corporation may incur expenditure for which provision was not made in an annual estimate prepared and submitted on Treasury before the end of February every year. Thus it is important for the Board to formulate work plan and meet regularly to ensure that the estimates are prepared and submitted in time.

This committee constitutes the following;

- | | | | |
|------|-------------------------|---|----------|
| i. | Mr. Stanley Gikandi | – | Chairman |
| ii. | Ms. Sarah Mugwanja | - | Member |
| iii. | Mr. Jeremiah O. Onchiri | - | Member |
| iv. | Mr. David Oyosi | - | Member |
| v. | Hon. Kenneth Marende | - | Member |
| vi. | Eng. John Kibe | - | Member |

The F & P committee held Five (5) regular meetings in 2016/2017

2. Human Resource and Governance Sub-Committee;

Roles and Responsibility:

Its role is to consider all matters associated with the policies and practices of the Authority in relation to its Human Resources and Administration.

- | | | | |
|------|------------------------|---|-------------|
| i. | Ms Sara Mugwanja | - | Chairperson |
| ii. | Mr. David Oyosi | - | Member |
| iii. | Mr. Antony Mugane | - | Member |
| iv. | Mr. John Nthuku | - | Member |
| v. | Mr. Alexander Wainaina | - | Member |
| vi. | Mr. R. K Gaita | - | Member |

The HR Sub-Committee held Eight (8) regular meetings in 2016/2017.

3. Audit, Risk Management and Compliance Sub-Committees

Roles and Responsibility;

An Audit committee is responsible for a thorough and detailed review of Audit matters. It enables the non-executive directors to contribute an independent judgment and play a

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

positive role in an area for which they are particularly fitted, and offers the auditors a direct link with the non-executive directors.

- | | | | |
|------|------------------------|---|----------|
| i. | Mr. John Nthuku | - | Chairman |
| ii. | Mr. Anthony Mugane | - | Member |
| iii. | Mr. Alexander Wainaina | - | Member |
| iv. | Ms. Felistus Nyacuru | - | Member |
| v. | Dr. Wawire M. Michael | - | Member |

The Audit committee will;

- i. Review quarterly and annual financial statements before submission to the Board:-
- ii. Consider appointment, remuneration and the resignation or dismissal of external auditors.
- iii. Discuss with external auditors any reservations and problems arising in the course of audit and any audit management letters and management responses prior to the issuance of the audit certificate.

The Audit, Risk Management and Compliance Sub-Committee held Four (4) regular meetings in 2016/2017.

4. Planning Research and Development Sub-Committees

- | | | | |
|------|-----------------------|---|----------|
| i) | Dr. Wawire M. Michael | - | Chairman |
| ii) | Mr. Anthony Mugane | - | Member |
| iii) | Mr. Stanley Gikandi | - | Member |
| iv) | Eng. Benson Mwakina | - | Member |
| v) | Mr. Jeremuiah Onchiri | - | Member |
| vi) | Eng. John Kibe | - | Member |

Roles and Responsibility;

The Planning Research and Development committee will;

- i) Formulate and oversee implementation of projects plans, research and development policies.
- ii) Advice the Board on the overall strategy, directions and effectiveness of the Authority's planning, research and development programmes.
- iii) Evaluate the Authority progress and success in achieving its planning development.

The Planning Research and Development Sub-Committee held Seven (7) regular meetings in 2016/2017.

DIRECTOR'S TRAINING AND DEVELOPMENT

The Authority recognizes the importance of having a well informed and fully empowered Board of Directors. In this regard, relevant training and capacity development opportunities

are organized to equip directors with skills and knowledge necessary to effectively perform their responsibilities.

During the year, the chairman of the Board attended training programmes, seminars and conferences. The training programmes attended included: Strategic management workshop in Tanzania. The training not only provided the director with skills needed but also insight of the emerging business trends internationally.

BOARD WORKPLAN AND MEETINGS

A work plan and schedule of meetings is prepared annually at the beginning of each financial year. The Board meets at least once every three months or more depending on the requirements of the business. Directors receive adequate notice for meetings and detailed papers on issues to be discussed before the meetings. The full Board held a total of six (6) meetings during the year, which were well attended.

Conduct of the Board Members

- (a) **Disclosure-** In the conduct of the Board matters, any member who may have any interests in the matter being discussed is under mandatory obligation to declare such interest. In this case, the Board would decide whether the member may attend the meeting. If he does, then he cannot vote on the matter.
- (b) **Attendance of Board meetings-** Board members shall not absent themselves from three (3) consecutive Board meetings with which they have reasonable notice.
- (c) **Compliance with the constitution** – Each member of the Board to conduct himself in a manner that will not contravene Chapter Six of the Constitution of Kenya, 2010. Each member should ensure policies set by the Board are compliant with the letter and spirit of the Constitution. Members are also charged with monitoring of management to ensure effective institutional frameworks and administrative procedures are in place for the implementation of the Constitution.

NB: TARDA is governed by various circulars that give guidelines on the terms and conditions of service for members

Members are entitled to a transport allowance where official transport is not provided for them to attend a meeting or an official function, which they are required to attend. A member will be reimbursed on the cost of travel by the most cost effective public transport means on production of receipted bills, or be reimbursed for actual mileage performed by the member or members spouse vehicle at the prevailing Automobile Association rates (in respect to transport from and to cities without an air transport facility).

vii) CORPORATE SOCIAL RESPONSIBILITY STATEMENT

TARDA's Corporate Social Responsibility (CSR) program is an integration of business operations and values, whereby the interests of the stakeholders and the environment are reflected in the company's policies and actions.

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

TARDA recognizes that it has the potential to make significant impact on its staff, customers, society and the environment. Our CSR programs are hinged on the belief that we can transform lives by supporting individual programs and creating positive change in the society. This is achieved by building relationships with customers, giving back to the communities within our jurisdiction and partnering with other likeminded organizations that strive to impact positively on the environment. During the year under review the Authority de-silted and rehabilitated Kanoga Small earth Dam which is situated 4km along the Nyeri-Othaya road. The earth Dam will serve 250 households and benefit a population of over 1200.



Board members visit to water harvesting dam in Othaya

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

ix) STATEMENT OF DIRECTORS RESPONSIBILITIES

Section 81 of the Public Finance Management Act 2012 and the State Corporation Act, require the Directors to prepare financial statements in respect to Tana and Athi Rivers Development Authority, which give a true and fair view of the state of affairs of TARDA at the end of the financial year and the operating results of TARDA for the year. The Directors are also required to ensure that TARDA keeps proper accounting records which disclose with reasonable accuracy the financial position of TARDA. The Directors are also responsible for safeguarding the assets of TARDA.

The Directors are responsible for the preparation and presentation of Authority's financial statements, which give a true and fair view of the state of affairs TARDA for and as at the end of the financial year ended June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of Tana and Athi Rivers Development Authority; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensure that they are free from material misstatement, whether due to error or fraud; (iv) safeguarding the assets of Tana and Athi Rivers Development Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

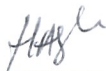
The Directors accept responsibility for TARDA's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the State Corporations Act. The Directors are of the opinion that TARDA's financial statements give a true and fair view of the state of TARDA's transactions during the financial year ended June 30, 2017, and TARDA's financial position as at June 30, 2017. The Directors further confirm the completeness of the accounting records maintained for TARDA, which have been relied upon in the preparation of TARDA's financial statements as well as the adequacy of the systems of financial internal controls.

Nothing has come to the attention of the Directors to indicate that Tana and Athi Rivers Development Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the Financial Statements

The Authority's financial statements were approved by the Board on 28/09 2017 and signed on its behalf by."

Sign: _____



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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of the Tana and Athi Rivers Development Authority set out on pages 1 to 23, which comprise the statement of financial position as at 30 June 2017, 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, as required by Article 229(6) of the Constitution, I have not been able to obtain sufficient appropriate audit evidence to confirm that public money has been applied lawfully and in an effective way.

Basis for Disclaimer of Opinion

1. Material Uncertainty Related to Sustainability of Services

The Authority recorded a deficit of Kshs.552,712,373 during the year under review which, after taking into account a prior year adjustment of Kshs.756,883 as reflected in the statement of changes in net assets, raised its accumulated deficit to Kshs.13,353,414,171 as at 30 June 2017 (2016: Kshs.12,799,944,915). In view of the foregoing, the ability of the Authority to sustain its services is dependent on the continued financial support from the Government, and the Authority's bankers and its creditors. This material uncertainty has however not been disclosed in the financial statements.

2. Work-in-Progress

As similarly reported in the previous year, the capital work in progress balance of Kshs.252,001,275 as at 30 June 2017 (2015/2016: Kshs.235,449,689) reflected in the

Report of the Auditor-General on the Financial Statements of Tana and Athi Rivers Development Authority for the year ended 30 June 2017

statement of financial position and disclosed at Note 15 of the financial statements comprises of capital work-in-progress valued at Kshs.234,152,289 in respect of staff houses, a school, a dispensary and supermarket. Construction of these facilities commenced in 1990 at Tana Delta Irrigation Project (TDIP) in Garsen but relevant supporting documents for procurement and construction of the facilities have never been made available for audit verification. These are stalled and dilapidated projects whose current value is far below the disclosed amounts.

Further, the capital work in progress figure of Kshs.252,001,275 includes an amount of Kshs.17,848,986 in respect of Masinga Dam Resort construction. However, the payment certificates produced in support of the project amounted to Kshs. 10,992,767 resulting in unexplained variance of Kshs.6,856,219. Additionally, the payment vouchers and procurement documentation for the Masinga Dam Resort work in progress totaling Kshs.17,848,986 were not provided for audit verification. As a result, the accuracy and validity of the carrying amount of work in progress of Kshs.252,001,275 cannot be ascertained.

3. Assets Held by Former Managing Directors

As previously reported, the Authority incurred expenditure totalling Kshs.422,500 on purchase of various mobile phones and iPads which were issued to a former Managing Director between July 2012 and February 2013. In addition, available records indicate that another former Managing Director was issued with a Laptop, camera and mobile phones which had not been surrendered to the Authority as at 30 June, 2017. The management has not provided satisfactory explanation why these assets were not recovered from the Managing Directors at the end of their respective tenures.

In view of the foregoing, it has not been possible to confirm that the property, plant and equipment balance of Kshs.10,379,031,923 as at 30 June 2017 is fairly stated.

4. Trade and Other Receivables

The trade and other receivables balance of Kshs.140,401,502 as at 30 June 2017 (2016: Kshs.92,916,780) is net of the Kenya Power and Lighting Company debtor account. According to Note 19 to the financial statements, the account relates to bulk power sales amounting to Kshs.1,179,215,376 for the period prior to 1988 and which has been under dispute between the Authority and Kenya Power Lighting Company.

Further, the balance of Kshs.140,401,502 includes debtors account – car loan balance of Kshs.259,396 which the Authority stated as historical and impossible to analyze and debtor account-Freshco Kenya Limited of Kshs.7,576,126 which is not properly supported with contract documents.

Further, included in the trade and other receivables balance of Kshs.140,401,502 are debts amounting to Kshs.43,910,700.40 owed by various stations and departments within the Authority. These debts have however not been supported by any corresponding liabilities in the books of accounts or documentation.

In addition, the Authority has failed to provide age analysis for the trade receivables balance of Kshs.140,401,502 as at 30 June 2017. It is therefore not possible to assess

the recoverability of these debts and confirm whether adequate provision has been made against the long outstanding debts.

In the circumstances, it has not been possible to confirm the accuracy, validity and recoverability of the trade and other receivables balance of Kshs.140,401,502 as at 30 June 2017.

5. Revaluation Reserve

Reflected in the statement of financial position and disclosed in Note 23 to the financial statements is the revaluation reserve balance of Kshs.19,697,833,221 as at 30 June 2017 (2016: Kshs.19,697,833,221). However, no documentary evidence has been made available to support any revaluations of assets undertaken by management. Further, the reserve balance is not identified with any particular assets of the Authority and the depreciation on the revalued assets was never charged to the reserve. In addition, revaluation of the Authority's assets was last done in 2006 and thus the expired period is more than the five-years prescribed under International Public Sector Accounting Standards No. 17.

Consequently, it has not been possible to confirm whether the revaluation reserve balance of Kshs.19,697,833,221 as at 30 June 2017 is fairly stated.

6. Trade and Other Payables

As reported in the previous year, included in trade and other payables balance of Kshs. 238,092,491 as at 30 June 2017 (2016: Kshs.230,532,432) are un-remitted statutory deductions of Kshs.3,355,164 relating to National Social Security Fund (NSSF) and withheld VAT of Kshs.6,475,583.60, which have been outstanding for long some dating back to 2004. Further included in trade and other payables balance is an amount of Kshs.70,815,832.50 relating to un-remitted pension and PAYE of Kshs.54,007,140.36 dating back to 2014. No explanation has been provided why the Authority has delayed remittance of statutory deductions to the respective institutions. Further, as reported in the previous year, the Authority does not reconcile reported amounts of arrears and penalties owed to NSSF. As a result, the management does not confirm the authenticity of the payments made and outstanding balances, an indication of poor internal control. The Authority is likely to incur heavy penalties and interest charges if management does not take corrective measures.

In addition, creditors amounting to Kshs.63,710,558.48 have been outstanding between one and twenty years. Management has not explained why the debts have remained unpaid for so long.

Additionally, payables amounting to Kshs.2,225,125.20 relate to defunct organizations that ceased existing as tabulated below:

Ministry	Year	Amount Kshs
Ministry of Cooperative Development	2008	50,816.20
Ministry of Home affairs	2011	152,050
Ministry of State Dev. Of Northern Kenya	2013	85,380
Council		
Town council of Kitui	2012	213,000
Murang'a County Council	2008	1,723,879
Total		2,225,125.20

In view of these anomalies, it has not been possible to confirm the accuracy, validity and completeness of the trade and other payables balance of Kshs.238,092,491 as at 30 June 2017.

7. European Union Fund Grant

As similarly reported in the previous year and since 2013/2014, the Authority received Kshs.30,714,048 in respect of a grant from the European Union (EU) for implementation of Community Based Mini-hydropower electric power Development-Project in Upper Tana Basin for poverty alleviation. However, these funds have remained unutilized for a period of over four years.

Available information indicates that the donor, the European Union, recalled the funds in the financial year 2013/2014 and advised the Authority to prepare a new proposal for another grant. No evidence has been provided to show whether the management has ever prepared another proposal. The management has not explained why the funds were not put to intended use resulting to withdrawal of the same by the donor. In the circumstances, the Authority's management seems not to have given sufficient focus on achievement of the Authority's strategic goals.

8. Biological Assets

The biological assets balance of Kshs.14,360,177 as at 30 June 2017 (2016: Kshs.44,191,488) excludes unvalued fruit bearing trees in the Authority's farm at Kibwezi. In addition, the biological assets movement schedule has not been disclosed in the financial statements despite reported purchase and disposals of biological assets in Kiambere and Kibwezi stations during the year under review.

Further, the Accounting for Biological Assets has not been done in line IPSAS 27. This because the loss on revaluation between 2015/2016 and 2016/2017 from Kshs.44,191,488 to Kshs.14,360,177 has not been accounted for in the statement of financial performance. Additionally, no stock take report as at 30 June 2017 in respect of biological assets has been provided for audit examination.

Consequently, it has not been possible to confirm the accuracy and completeness of the biological assets balance of Kshs.14,360,177 as at 30 June 2017.

9. Lease Income

Included in other income of Kshs.168,049,484 as reflected in the statement of financial performance for the year ended 30 June 2017 (2016: Kshs.247,572,911) is an amount of Kshs.30,000,000 being lease income from Braken Agricultural Limited for the lease of 10,000 hectares of land for the production of rice. However, Article 7 of the lease agreement specifies the terms that must be met by both the lesser and the lessee. Sections (ii) and (iv) of the agreement appear to disadvantage the Authority in regards to gains and costs that may arise, as it is required to offer milling and storage services to the lessee without compensation.

The Authority has not established a billing policy by which its products and services may be costed and billed taking into account all the costs related to production for sale. Independent inquiry at Tana Delta Rice Mills confirmed that at present, rice is milled at Kshs.4 per kilogram (Kg) but the Authority had offered to mill the rice at

Kshs.3.50 per kilogram for Braken Agricultural Limited. This caused a net expense of Kshs.130,000,000 to the Authority which was far beyond the income received from the lease that was expected to produce 260,000,000 Kgs of rice annually.

In addition, under subsection (iii) of the lease contract, the Authority has offered to provide sufficient storage to Braken Agricultural Limited but no charge; is specified by the lessor to the lessee to meet the storage costs. While providing storage, the Authority will be required to meet costs of drying, fumigation, security, and labour shifting the rice. Since the lessee is required to produce 260,000 tons of rice per annum, the Authority will incur huge costs on storage on behalf of the lessee. The costs do not appear to have been taken into account when the lease agreement was drawn.

Consequently, the Authority is likely to incur huge losses from the lease agreement which is skewed to benefit the lessee.

10. Trial Balance

The balance of Kshs.13,353,414,171 in respect of revenue reserves funds reflected in the financial statements do not agree with the trial balance figure of Kshs.12,800,702,800 as at 30 June 2017, resulting in a variance of Kshs.552,711,371. No explanation or reconciliation has been provided for the variance.

11. Assets Register

The authority has no assets register in place showing the cost of assets, year of purchase, rates of depreciation/amortization, accumulated depreciation/amortization and net book value to date. Consequently, the completeness and accuracy of property, plant and equipment and intangible assets balances of Kshs.10,379,031,923 and Kshs.232,000 respectively, as at 30 June 2017 cannot be confirmed.

12. OECF Japanese Loan

The statement of financial position reflects OECF Japanese Loan balance of Kshs.816,258,600 as at 30 June 2017. However, the facility's Loan Agreement document has not been availed for audit review. The activity in the account shows repayment of Kshs.334,928,136 which was not supported by any documentary evidence and the loan balance was also not confirmed by the funding institution.

Consequently, it has not been possible to confirm the validity, completeness and accuracy of Kshs.816,258,600 in respect to the OECF Japanese Loan.

13. Cash and Cash Equivalents

The cash and cash equivalents balance of Kshs.88,259,459 as at 30 June 2017 had outstanding items in the reconciliation as follows:

- (i) Consolidated bank account had unpresented cheques totalling Kshs.2,483,865.10. Cheques totalling Kshs.2,062,684.10 were claimed to have been reversed on 31 January 2018 but the cashbook was not produced to confirm the reversals.

- (ii) Unpresented cheques as at 30 June 2017 for Masinga dam totalling Kshs.254,000 were stale but had not been reversed in the cash book.
- (iii) Emali Livestock multiplication unit had unpresented cheques totalling Kshs.412,300 which were indicated to have cleared on 3rd July 2017 but no bank statement showing the clearance was provided for verification.
- (iv) The ledger for Emali (KCB-Machakos) Savings had a balance of Kshs.205,953 while the cash book indicates Kshs.181,852 resulting to unexplained variance of Kshs.24,101.

Consequently, the completeness and accuracy of cash and cash equivalents balance of Kshs.88,259,459 as at 30 June 2017 cannot be confirmed.

14. Revenue from Exchange transactions

(i) External AIA - Kengen

Revenue from exchange transactions of Kshs.168,049,484 as disclosed in Note 5 to the financial statements includes external AIA from Kengen of Kshs.67,166,640. However, no agreement between the Authority and Kengen has been provided for audit examination in support of the amount which the Authority should be receiving from Kengen and other terms pertaining to this transaction. Further, although Kengen Staff are housed in the Authority's houses and pay rent for occupation, information in form of lease agreements detailing the number of houses and the charges per month has not been provided for audit verification.

(ii) Other Incomes

The revenue from exchange transactions of Kshs.168,049,484 also include an amount of Kshs.61,036,682 in respect of sale of produce, sale of tree seedlings, sale of sand and honey and rendering services which was not fully supported by documentary evidence. Consequently, the validity and accuracy of the recorded amounts totalling Kshs.61,036,682 for other incomes cannot be confirmed.

15. Cost of Sales

The statement of financial performance reflects cost of sales totalling Kshs.121,326,556 for the year ended 30 June 2017 and as disclosed in Note 6 of financial statements. However, no documents and accounting records whatsoever including the ledger in support of the balance were produced for audit verification. Consequently, the validity and accuracy of the recorded amounts cannot be confirmed.

16. Capital Fund

According to the accounting policy, the capital fund is expected to hold the resources which were made available at the inception of the Authority and loans repaid on behalf of TARDA by the Government. However, the statement of changes in net assets reflects an amount of Kshs.199,000,000 that is neither the initial capital nor loan repayments yet the same has been included in the capital fund. Further, the

movement in capital fund includes a loan repayment of Kshs.334,928,136 that has not been supported.

Consequently, the validity and accuracy of the capital fund balance of Kshs.3,521,831,378 as at 30 June 2017 cannot be confirmed.

17. Errors in the financial statements

The financial statements for the year ended 30 June 2017 had some errors as indicated below:

(i) Note 20

The balance for prior year does not agree with the certified financial statements and does not agree with the statement of financial position.

Balance per Note 20	Balance per statement of financial position	Difference
Kshs	Kshs	Kshs.
<u>88,259,459</u>	<u>49,037,986</u>	<u>39,221,473</u>

(ii) Note 13

The Note has no reference either to the statement of financial performance or statement of financial position.

No explanation has been provided for these anomalies.

18. Property, Plant and Equipment

(i) Land without Ownership Documents

The property, plant and equipment balance of Kshs.10,379,031,923 as at 30 June 2017 (2016: Kshs. 10,798,665,311) includes an amount of Kshs.90,903,600 representing the value of three parcels of land located at Masinga, Kitui and Emali measuring 17,745.73 hectares whose ownership documents have not been produced for audit verification. In the circumstances, it has not been possible to confirm the ownership by the Authority of the three parcels of land worth Kshs.90,903,600 as at 30 June 2017.

(ii) Fully Depreciated Assets

Similarly, as reported in the previous year, included in the property, plant and equipment balance of Kshs.10,379,031,923 as at 30 June 2017 (2016: Kshs. 10,798,665,311) are assets whose original cost was Kshs.1,942,275,373 which are fully depreciated but some of which are still in use. These assets have not been adjusted from those that are depreciated when calculating depreciation and therefore

the depreciation has been overstated by an unknown amount over the years. Further, the management has not put in place any policy on revaluation of fully depreciated assets.

In the circumstances, the accuracy and completeness of the depreciation charge for the year amounting to Kshs.440,121,137 cannot be confirmed.

In addition, the validity and accuracy of the property, plant and equipment balance of Kshs.10,379,031,923 cannot be confirmed.

(iii) Additions to Plant & Equipment

The additions to plant and equipment of Kshs.1,297,400 relate to Emali borehole whose drilling commenced in the year 2009/2010 and had been work in progress until the transfer was effected in the year under review. However, no additional work had been done on the borehole from 2009 to the date of the transfer. No justification was provided to support the transfer from work in progress to plant and equipment.

In addition, as reported in the previous year, the procurement documents and the records in support of the payment to the contractor for the borehole have not been availed for audit verification. Further, the board incurred further expenditure relating to commissioning of the stalled borehole amounting to over Kshs.500,000 representing over 38.5% of the cost of the borehole which could not be justified.

(iv) Masinga Hydro Electric Power Station and Kiambere Hydro Electric Power Station

The property, plant and equipment balance includes Masinga HEP and Kiambere HEP at a cost of Kshs.6,134,385,600 and Kshs.9,385,013,300, respectively which are not under the use and maintenance of TARDA. The Authority charged depreciation totalling Kshs.2,760,473,520 and Kshs.4,223,255,979 respectively against these assets. However, these assets were not in any way under the control of the Authority and were not used in the operations of the Authority during the year under review. These assets cannot therefore be justifiably accounted for as property, plant and equipment of the Authority. No explanation has been provided for this anomaly.

(v) Buildings

These are additions to buildings totalling Kshs.4,897,000 which relates to costs in respect of renovation of Kiambere Guest House that do not technically constitute an addition since the building has been in existence. In addition, no procurement documents or payment documents relating to the renovation were provided for audit verification.

Under the circumstances, the accuracy and validity of the additions to buildings amounting to Kshs.4,897,000 cannot be confirmed.

19. Investments

The investments balance reflected in the statement of financial position as at 30 June 2017 represents the historical cost of shares purchased over twenty years

ago at Kshs.24,500,000. The accounting for these investment has not been done in line with IPSAS accrual which requires the investment to be disclosed at fair value.

20. Special Projects Expenditure

(i) Unsupported expenditure

The statement of financial performance reflects an amount of Kshs.232,060,561 in respect of special projects expenses and as disclosed in Note 10 to the financial statements. However, procurement documentation for payments made to various service providers amounting to Kshs.54,932,129 were not provided for audit verification.

In addition, the Authority undertook construction of Baricho Murya Chake water supplies (budget of Kshs.90,000,000) and construction of Ganze to Bamba Jilla road (budget of Kshs. 62,000,000) whose funding were fully received during the year under review. Although the work for these constructions had been awarded to various contractors and were in progress as at 30 June 2017, procurement documents in support of the sourcing and award of the contracts were not provided for audit verification.

Under the circumstances, the validity and propriety of the special projects expense totalling Kshs.232,060,561 cannot be confirmed.

(ii) Unsupported Imprests to Staff

The special project expenses disclosed in Note 10 to the financial statements includes imprests issued to staff. A sample of imprests surrenders amounting to Kshs. 5,716,100 revealed that part of the imprest was used for fuel and hire of motor vehicles. The fuel expenditure was not supported by ETR compliant receipts in line with the financial regulations and circulars. As regards the hire of motor vehicles, no justifications or evidence of authority to hire vehicles by the concerned officers were provided for audit examination.

(iii) Unaccounted for Funds for GOK Grants – Special Programmes

The Authority received an amount of Kshs.402,000,000 from the State Department of Devolution to undertake pre-defined drought mitigation projects in designated areas of the country. The programmes had a pre-approved specific work plan of activities to be undertaken by the Authority and funds were disbursed to the Authority and received during the year under review.

However, based on the financial statements presented, the funds received had been used and exhausted as at 30 June 2017 even though an amount of Kshs.208,940,898 only had been expensed in the financial year under review leaving an unexplained variance of Kshs.193,159,108.

Consequently, the efficient use of the grant of Kshs.402,000,000 in accordance with the law and for the approved projects cannot not be confirmed.

21. Budget and Budgetary Control

(i) Over expenditure

The statement of financial performance for the year ended 30 June 2017 reflects expenditure above budget as detailed below:

Expenses	Budget Kshs	Current Year Actual Kshs	Variance Kshs
Legal fees, licenses and subscriptions	5,000,000	8,545,978	(3,545,978)
Operational HQ - Motor maintenance, Security, Uniforms	2,990,000	3,834,720	(844,720)
Motor running	2,396,200	3,222,785	(826,585)
Stationery Expenses	1,500,000	1,562,827	(62,827)
Telephone and internet	1,800,000	2,448,496	(648,496)
Hire of transport	3,000,000	5,355,366	(2,355,366)
Subsistence and accommodation	27,857,373	56,962,337	(29,104,964)
Board Expenses	16,000,000	17,564,657	(1,564,657)
Training	2,500,000	4,172,958	(1,672,958)
Official entertainment	1,000,000	1,714,415	(714,415)
Stock Taking	700,000	1,223,200	(523,000)
Bank Charges	640,000	660,492	(20,492)
TOTAL	65,383,573	107,268,231	(41,884,458)

No authority for the over expenditure has been given for audit review.

(ii) Under Expenditure

There was under expenditure as indicated below:

Description	Budget Kshs.	Current year Kshs.	Variance Kshs.
Computer expenses	400,000	342,090	57,910
Office equipment maintenance	700,000	656,153	43,847
Office Rent	14,000,000	13,661,728	338,272
General Insurance	9,638,250	4,680,900	4,957,350
Postage expenses	50,000	6,475	43,525
Library	220,000	41,175	178,825
Minor Alteration & maintenance works	300,000	148,640	151,360
Land Rates	4,300,000	1,382,250	2,917,750
Advertising & Publicity	3,500,000	1,988,435	1,511,565
Maintenance of buildings & Stations	2,000,000	1,496,205	503,795
TOTAL	35,108,250	24,404,051	10,704,199

No reason has been given for the anomaly.

22. Unreconciled Liabilities

Disclosed in the financial statements under Note 13 is a project in respect of renovation of Kiambere Guest House and MDE-Construction (Work in progress) amounting to Kshs.22,745,986 and Note 10 a special project expenses amounting to Kshs.208,840,898 for various constructions project, which ordinarily are undertaken by contractors. Although payments were made to the contractors, the mandatory retention in respect of these amounts have not been recognized in the accounting records. No explanation has been provided for this anomaly.

23. Loss Making Services

As similarly reported in 2015/2016, the Authority received a total of Kshs.61,036,682.80 from ten of its projects - sale of produce, sale of tree seedlings, sale of sand and honey and rendering of services. However, the cost of sales from these projects was Kshs.121,326,556 resulting to a loss of Kshs.60,289,873.20 as detailed below:

	Revenue	Cost Of Sales	Profit/Loss
Tana Delta Irrigation Farm	5,871,552.60	46,739,644.00	(40,868,091.40)
Kibwezi Farm	1,732,911.00	4,194,969.00	(2,462,058.00)
Emali Farm	1,646,318.90	4,964,145.00	(3,317,826.10)
Lower Athi Region	2,308,761.00	7,548,388.00	(5,239,627.00)
Kitui Honey Refinery and Guest House	0	1,729,048.00	(1,729,048.00)
Tana Region	6,920.00	200,739.00	(193,819.00)
Upper Athi Region	251,350.00	4,449,542.00	(4,198,192.00)
Masinga Irrigation Project	932,373.00	5,619,165.00	(4,686,792.00)
Masinga Afforestation	1,021,100.00	5,503,152.00	(4,482,052.00)
Wote Tree Nursery	104,140.00	224,960.00	(120,820.00)
	61,036,682.80	121,326,556.00	(60,289,873.20)

The cause of the losses and the mechanism put in place by management to mitigate against the losses have not been explained.

24. Employee Costs

The of employee costs of Kshs. 319,868,773 as reflected in the statement of financial performance and disclosed in Note 12 to the financial statements do not agree with summary of salaries journals as detailed below:

	Financial Statement Figures Kshs.	Salaries Journal Figure Kshs.	Variance. Kshs.
Medical expenses	22,046,356	5,007,808	17,038,548
Salaries	265,061,741	231,823,390	33,238,351
Staff Welfare	3,222,785	3,222,785	0
Pension and gratuity	25,301,717	24,196,725	1,104,992
Casual wages	2,138,174	1,632,122	506,052
Leave Allowance	2,098,000	2,098,000	0
TOTAL	319,868,773	267,980,830	51,887,943

These variances have not been reconciled to ensure validity of amounts reported in the financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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 such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to cease operations, or have no realistic alternative but to do so.

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.

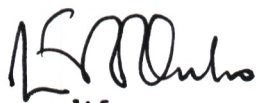
Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

My responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matter described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

I am independent of the Tana and Athi Rivers Development Authority in accordance with ISSAI 30 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.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

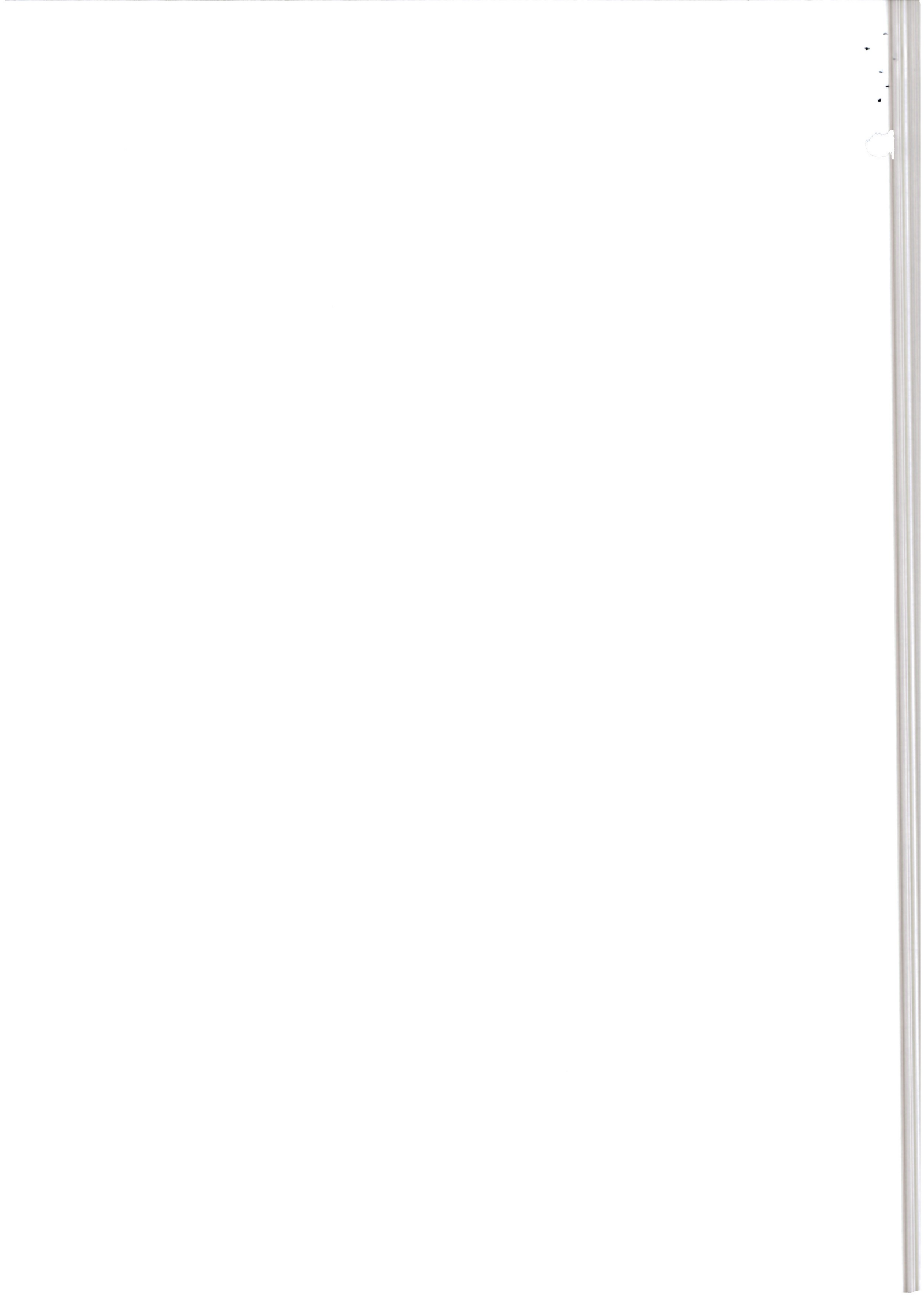
12 September 2018



TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

xi) STATEMENT OF FINANCIAL PERFORMANCE

		Jun-17	Jun-16
	NOTE	KSHS	KSHS
Revenue from non-Exchange transactions	4	593,808,413	123,946,413
Other incomes	5	<u>168,049,484</u>	<u>247,572,911</u>
TOTAL REVENUE		<u>761,857,897</u>	<u>371,519,324</u>
EXPENSES			
Cost of sales from exchange transactions	6	121,326,556	84,475,785
Operation and Maintenance	7	175,044,099	124,180,257
Administrative Expenses	8	8,584,487	6,557,612
Directors expenses	9	17,564,657	16,915,928
Special projects expenses	10	232,060,561	3,817,204
Depreciation and Amortization	11	440,121,137	439,898,349
Employee costs	12	<u>319,868,773</u>	<u>268,374,604</u>
TOTAL EXPENSES		<u>1,314,570,270</u>	<u>944,219,739</u>
NET DEFICIT		<u>(552,712,373)</u>	<u>(572,700,415)</u>



TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

i) STATEMENT OF FINANCIAL POSITION

	NOTE	Jun-17 KSHS	Jun-16 KSHS
NON CURRENT ASSETS			
Property Plant and Equipment	14a	10,379,031,923	10,798,665,311
Intangible Assets	14b	232,000	464,000
Work in progress	15	252,001,275	235,449,689
Investments -Portfolio	16	24,500,000	24,500,000
		<u>10,655,765,198</u>	<u>11,059,079,000</u>
CURRENT ASSETS			
Inventories	17	21,843,297	22,313,576
Biological Assets	18	14,360,177	44,191,488
Trade and Other receivables	19	140,401,502	92,916,780
Cash and cash equivalents	20	88,259,459	49,037,986
Bank-Climate Change		59,468,843	2,820,352
		<u>324,333,279</u>	<u>211,280,182</u>
Total Assets		<u>10,980,098,477</u>	<u>11,270,359,182</u>
NON CURRENT LIABILITIES			
FUND AND LIABILITIES			
O.E.C.F (Japan)Loan	21	816,258,600	1,151,186,736
Capital Fund	22	3,521,831,378	2,987,903,242
Accumulated Deficit		(13,353,414,171)	(12,799,944,915)
Revaluation Reserve	23	19,697,833,221	19,697,833,221
Tourism Trust Fund	24	28,114	28,114
Climate Change Fund		59,468,844	2,820,352
		<u>10,742,005,986</u>	<u>11,039,826,750</u>
CURRENT LIABILITIES			
Trade and other Payables	25	238,092,491	230,532,432
		<u>238,092,491</u>	<u>230,532,432</u>
Total Fund Liabilities		<u>10,980,098,477</u>	<u>11,270,359,182</u>

The financial statements set out on pages 1 – 26 were signed on behalf of the Board of Directors by:

MANAGING DIRECTOR _____

CHAIRPERSON _____

DATE: _____

DATE: _____

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

ii) STATEMENT OF CHANGES IN NET ASSETS

	Loan Capital	Capital Fund	Accumulated Deficit	Revaluation Reserve	Tourism Trust Fund	Climate Change	Total
At 1st July 2015	<u>1,258,660,121</u>	<u>2,769,331,811</u>	<u>(12,232,654,792)</u>	<u>19,697,833,221</u>	<u>28,114</u>		<u>11,493,198,475</u>
Government Capital Grants		106,006,000					106,006,000
Amounts Received From NEMA						22,981,659	22,981,659
Expenses to the Community						(15,069,261)	(15,069,261)
Vehicle From The Fund		5,092,046				(5,092,046)	(0)
Loan Repayments	(107,473,385)	107,473,385					-
Prior year adjustments jvs 5,16,18,21,32 affecting 2014/15			5,410,288				5,410,288
Deficit for the year			(572,700,415)				(572,700,415)
At 30th June 2016	<u>1,151,186,736</u>	<u>2,987,903,242</u>	<u>(12,799,944,915)</u>	<u>19,697,833,221</u>	<u>28,114</u>	<u>2,820,352</u>	<u>11,039,826,750</u>
Government Capital Grants		199,000,000					199,000,000
Amounts Received From NEMA						106,419,432	106,419,432
Expenses to the Community						(49,770,940)	(49,770,940)
Loan Repayments	(334,928,136)	334,928,136					-
Prior year adjustments			(756,882)				(756,882)
Deficit for the year			(552,712,373)				(552,712,373)
At 30th June 2017	<u>816,258,600</u>	<u>3,521,831,378</u>	<u>(13,353,414,171)</u>	<u>19,697,833,221</u>	<u>28,114</u>	<u>59,468,844</u>	<u>10,742,005,986</u>

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

(i) STATEMENT OF CASHFLOWS

	Note	Jun-17	Jun-16
Cash and cash equivalents at the beginning of the Year		49,037,984	44,074,040
Cash flows from operating activities			
Receipts			
Revenue From Non -Exchange Transactions	4	593,808,413	123,946,413
Revenue From Exchange Transactions	5	168,049,484	247,572,911
		<u>761,857,897</u>	<u>371,519,324</u>
Payments			
Cost of Sale From exchange transaction	6	121,326,556	84,475,785
Operation and Maintenance	7	175,044,099	124,180,257
Administrative Expenses	8	8,584,487	6,557,612
Directors expenses	9	17,564,657	16,915,928
Special projects expenses	10	232,060,561	3,817,204
Employee costs	12	319,868,773	268,374,604
		874,449,133	504,321,390
Net cash flows from operating activities		(112,591,236)	- 132,802,066
Prior Year Adjustments		(756,882)	5,410,288
Cash flows from investing activities			
Renovations of Kiambere guest House	13a	(4,897,000)	-
MDR -Constructions(work in progress)	13b	(17,848,986)	-
Purchase of property, plant, equipment and intangible assets	14	(14,061,349)	- 9,627,220
Decrease in inventory	17	470,279	4,031,870
Decrease in Biological	18	29,831,311	- 22,497,443
Increase in debtors	19	(47,484,722)	- 32,564,338
Decrease/Increase in Creditors	25	7,560,059	87,006,853
Net cash flows used in investing activities		<u>(46,430,408)</u>	<u>26,349,722</u>
Cash flows from financing activities			
GOK.Grants-Development Funds		199,000,000	106,006,000
Net cash flows used in financing activities		199,000,000	106,006,000
Net increase/(decrease) in cash and cash equivalents		39,221,474	4,963,944
Cash and cash equivalents at 30 June 2016	20	49,037,984	49,037,984
Cash and cash equivalents at 30 June 2017		88,259,458	-
Climate Change - BANK		59,468,844	2,820,352

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

iv) STATEMENT OF BUDGET VS ACTUAL AMOUNT

APPROVED BUDGET FY 2016/17						
DETAILS						
VOTE R HEAD 707 YEAR	DETAILS	ORIGINAL APPROVED BUDGET 2016/17	APPROVED BUDGET REALLOCATION 2016/2017	ACTUAL EXPENDITURE 2016/17	VARIANCE 2016/17	% CHANGE
Salaries and Wages						
211010100	Staff Salaries, Temporarily, casuals wages	242,140,000	242,140,000	268,440,914	(26,300,914)	-10.86%
211010101	N.S.S.F	2,360,000	2,360,000	857,000	1,503,000	63.69%
212010202	Pension & Gratuity	19,400,000	19,400,000	25,301,717	(5,901,717)	-30.42%
	Sub - Total	263,900,000	263,900,000	294,599,631	(30,699,631)	-11.63%
O & M Activities						
2210800	Staff Welfare	2,396,200	2,396,200	3,222,785	(826,585)	-34.50%
2211200	Motor Running	2,609,200	2,609,200	3,573,945	(964,745)	-36.97%
2210701	Travelling & Accommodation	12,461,500	27,857,373	56,962,337	(29,104,964)	-104.48%
2211317	Postage & Telegram	106,500	50,000	6,475	43,525	87.05%
2210201	Telephone & Internet	1,500,000	1,800,000	2,448,496	(648,496)	-36.03%
2210809	Official Entertainment	600,000	1,000,000	1,714,415	(714,415)	-71.44%
2210800	Board Expenses	14,000,000	16,000,000	17,564,657	(1,564,657)	-9.78%
2211319	Electricity & Water Exp.	1,000,000	1,000,000	1,081,075	(81,075)	-8.11%
2211320	Printing & Publishing	250,000	250,000	315,489	(65,489)	-26.20%
2211321	Library Expenses	220,000	220,000	41,175	178,825	81.28%
2211100	Stationery Expenses	1,000,000	1,500,000	1,562,827	(62,827)	-4.19%
2211322	Advertisement & Publicity	2,500,000	3,500,000	1,988,435	1,511,565	43.19%
2211323	Office Rent	14,000,000	14,000,000	13,661,728	338,272	2.42%
2211324	Land Rates	4,300,000	4,300,000	1,382,250	2,917,750	67.85%
2211102	Computer expenses	400,000	400,000	342,090	57,910	14.48%
2210604	Hire of Transport	1,000,000	3,000,000	5,355,366	(2,355,366)	-78.51%
2211308	Legal Fees & Subscriptions	5,000,000	5,000,000	8,545,978	(3,545,978)	-70.92%

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

2210700	Staff Training	1,500,000	2,500,000	4,172,958	(1,672,958)	-66.92%
2211309	Audit Fees & Expenses.	700,000	700,000	696,000	4,000	0.57%
2210900	General Insurance	9,638,250	9,638,250	4,680,900	4,957,350	51.43%
2210901	Medical Insurance	14,436,200	16,920,876	22,046,356	(5,125,480)	-30.29%
2220202	Maintenance of office Equipment	700,000	700,000	656,153	43,847	6.26%
2220205	Maintenance of Building & Station	1,000,000	2,000,000	1,496,205	503,795	25.19%
2220206	Minor Alteration & Maintenance Works	200,000	300,000	148,640	151,360	50.45%
3111005	Purchases of Office Computers	500,000	1,000,000	534,984	465,016	46.50%
3111001	Furniture & Fittings ,office Equipment	550,000	800,000	724,165	75,835	9.48%
3111009	Stock Taking exercise	700,000	700,000	1,223,200	(523,200)	-74.74%
3111010	Bank Charges	380,000	640,000	660,492	(20,492)	-3.20%
	Sub - Total	93,647,850	120,781,899	156,809,575	(36,027,676)	-29.83%
	Total - Vote R	357,547,850	384,681,899	451,409,206	(66,727,307)	-17.35%
VOTE D						
PC ACTIVITIES						
1102000401	(a) Redemption of Debts (Financial Stewardship)	27,602,150	27,602,150	69,323,710	(41,721,560)	-151.15%
1102000404	(d) Operational HQ-Motor Mtce, Security ,Uniform	2,000,000	2,990,000	3,717,298	(727,298)	-24.32%
	Sub - Total	29,602,150	30,592,150	73,041,008	(42,448,858)	-138.76%
	TARDA PC Projects-Strategic and Other Dev. Objectives	0	42,598,935	61,319,619	(18,720,684)	-43.95%
TARDA Development programmes						
1102000411	(a) Kieni Integrated Project	192,950,000	107,500,000	17,047,431	90,452,569	84.14%
1102000412	(b) Muranga Integrated Project	57,800,000	24,366,667	6,172,232	18,194,435	74.67%
1102000413	(c) Tana Delta Irrigation Project (TDIP)	25,500,000	12,283,333	5,875,040	6,408,293	52.17%
	Sub - Total	276,250,000	144,150,000	29,094,703	115,055,297	79.82%
NON PC - VOTE D						
	Special Government Intervention Programmes	0	402,000,000	208,840,898	193,159,102	48.05%
	Sub - Total Vote - D	305,852,150	619,341,085	372,296,228	247,044,857	39.89%
	Grand - Total	663,400,000	1,004,022,984	823,705,434	180,317,550	17.96%

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

SOURCES OF FUNDS AND DISBURSEMENT 2016/17 FY				
		ANNUAL	ACTUAL	BUDGET
	BUDGETS	2016/2017	RECEIPTS	VARIANCE
		Kshs	2016/2017	2016/2017
			Kshs	Kshs
1	RECURRENT VOTE			
	GoK (Normal)	191,000,000	191,808,413	808,413
	(c) KenGen	62,000,000	67,166,640	5,166,640
	(d) AIA Project	85,400,000	61,282,404	(24,117,596)
	Sub-total	338,400,000	320,257,457	(18,142,543)
2	DEVELOPMENT VOTE			
	GOK-Development(Kieni, Murang'a, Tdip)	199,000,000	199,000,000	-
	Sub-total	199,000,000	199,000,000	-
	Total	537,400,000	519,257,457	(18,142,543)
3	GOVERNMENT STRATEGIC INTERVENTIONS PROGRAMMES			
	GOK-Intervention Programmes	402,000,000	402,000,000	-
	Sub-total	402,000,000	402,000,000	-
	Total Inflows (R + D)	939,400,000	921,257,457	(18,142,543)

Material Variance Explanation

Salaries

The management honored and implemented the Collective Bargaining Agreement (**CBA**) between **TARDA** and the union resulting to increased cost in this account.

Operations and Maintenance

During the financial year the country experienced a severe drought which pushed the annual inflation rate to over 10% per cent. This high inflation attributed to a sudden surge in prices of consumable commodities e.g fuel,lubricants,stationary,milk e.t.c.and as a result increased the cost of the below O&M expenses

- (1)Staff Welfare
- (2)Motor running
- (3)Stationery Expenses
- (4)Printing and Publishing
- (5)Station Maintenance

Travelling and Accommodation

The Authority is currently undertaking a new devolved approach to bring services closer to the communities hence more travel for technical staff who are currently being paid new rates as approved by the Salaries and Remuneration Commission (SRC).

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Official Entertainment

In the year under review there was a strong desire by investors to exploit the resources within Tana and Athi Rivers basins and therefore costs related to this item shot up.

Board Expenses

There was a general increase in expenses in this account due to increased Strategic Board meetings aimed towards improving the Authority's operations and service delivery

Hire of Transport

The CEO official Car breakdown led to hiring of transport services which led to over expenditure of this account.

Medical

The Authority took a medical scheme three months to the financial year and during these months the staff members were earning a medical allowance this led to budget over expenditure.

Debt Redemption

Most of our creditors threatened to take legal redress t over non- payment of goods and services a rendered to us. The management therefore decided to offset these debts and this led to over expenditure.

Legal fees and Commissions

Under the new dispensation of Devolution the Authority faced a myriad litigation cases from this devolved units hence the increase in this expenditure

xvi) NOTES TO THE FINANCIAL STATEMENTS

1. Pronouncements from the Public Sector Accounting Standards Board (PSASB)

The Public Finance Management (PFM) Act 2012 Section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary National Treasury, gazetted members of the Board through Gazette Notice No. 1199 of 28 February, 2014. Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and The International Public Sector Accounting Standards (IPSAS) for non-commercial entities, the entity has adopted the pronouncements made by the IPSAS board in preparation of its current year financial statements.

2. Statement of compliance and basis of preparation

TARDA has adopted the international Public Sector Accounting Standards for the first time in June 2014 and the financial statements have been prepared in accordance with and comply with IPSAS. The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of TARDA.

The financial statements have been prepared on the basis of historical cost.

3. Summary of significant Accounting Policies

a) Revenue Recognition

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

i) Revenue from non-exchange transactions

Transfers from other Government Entities

Revenues from non-exchange transactions with other Government entities are measured at fair value and recognized on obtaining control of the asset. If the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii) Revenue from exchange transactions

- **'Sale of goods**

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

Revenue also comprises of the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of TARDA's activities.

- **'Rendering of services**

Revenue from rendering of services is recognized by reference to the stage of completion when the outcome of the transaction can be estimated reliably, and this is also in accordance with the terms specified by the Management of TARDA. (Prevailing rates at a particular time.)

- **'Exchange transactions**

Exchange transactions are recognized initially at fair value. They are then valued less any provision made. A provision for impairment of receivables is established when there is objective evidence that TARDA will not be able to collect all amounts due according to the original terms of the receivables.

- **'Other Revenue**

Other revenue consists of gains on disposal of property plant and equipment. Any gain on disposal is recognized immediately on sale and is determined by deducting the proceeds from the sale of the value of the asset.

b) Financial instruments

- **'Equity**

TARDAS equity comprises of cash funding from the government, grants etc.

All subsequent receipts of the same are recognized as revenues in the statement of financial performance.

c) Budget information

TARDA's budget is prepared on accrual basis using line based budget which capitalizes operation and maintenance, to underlying assets. The budgets are approved by the board of Directors on an annual basis.

d) Property Plant and Equipment

All property plant and Equipment are stated at cost less accumulated depreciation. Costs include expenditure that is directly attributable to the acquisition of the items. When significant parts of property plant and Equipment require replacement at intervals, TARDA recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

TARDA recognizes items of property plant and Equipment upon disposal or if there are no significant future economic benefits expected from its continuity. The assets useful lives are reviewed and adjusted prospectively if appropriate at the end of 5 years.

Gains or losses arising from de-recognition of these assets are measured as the difference between the net disposal and the carrying amount of the asset and are recognized as surplus or deficit. All repairs and maintenance of the assets are expensed during the period incurred.

e) Intangible assets

Intangible assets acquired separately are initially recognized at cost. They are carried at cost less any accumulated amortization and any impairment losses. Amortization is provided over the estimated useful life using the straight line method.

Software is amortized over a useful life of three years. Intangible assets are de-recognized if there is no future benefit that will arise from its continuity.

f) Inventory

Inventory is measured at cost upon initial recognition. After initial recognition, inventory is measured at the lower of cost and net realizable value.

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

The annual physical stocktaking is conducted at every end of financial year. Any obsolete stock values are deducted from the inventory total since they have a zero value.

g) Provisions

Provisions are recognized when the entity has a present obligation (Legal or Constructive) as a result of a past event; it's probable that an outflow of resources embodying economic benefit or service potential required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

- **Contingent Liabilities**

TARDA does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements.

- **Contingent Asset**

At the end of the financial year 2016/17 Tarda had no contingent Asset existing.

h) Nature and purpose of Reserves

TARDA creates and maintains reserves in terms of specific requirements.

- **Loan Capital**

This was loan taken for JICA for the construction of TDIP. The government of Kenya assumes loan repayment responsibility since the project cannot sustain itself or breakeven due to massive destruction by the 1997 Elnino rains.

- **'Capital fund**

The capital fund represents the resources that were availed in the inception of the Authority and also the loans paid on TARDAS behalf by the Government.

- **'Revaluation Reserve**

This represents capital reserves that arise as a result of Revaluation of TARDA's Assets.

- **'Revenue Reserve**

This is the accumulation of undistributed profit mainly for strengthening the financial position of TARDA and meeting future contingencies. The Reserve can be either a surplus or deficit depending on losses or profits carried over.

- **'Tourism Trust Fund**

This is a balance from tourism trust fund promotion in MDR. The fund have since been wound up.

- **Climate Change Adaptation Programme**

The National Government through MWENR, NEMA and TARDA is implementing the climate change programme.

The funds received for the programme was **Kshs.106.4 m** and **Kshs.49.8m** has already been utilized leaving a balance of **Kshs.59.5m** as at 30th June 2017.

i) Employee Benefits

TARDA employs staff under three categories.

- Those who are on permanent employment, earn monthly salary till their exit from TARDA.
- Those on temporary basis earn salaries up to the end of their contracts.
- Those under casual employment earn casual wages for the agreed period.

Permanent employees also enjoy a yearly leave allowance, monthly medical allowance and sick offs.

- **Salary Advance**

Salary Advances are provided to assist staff settle personal commitments. They are repayable within a period of 12 months and also adhering to the 1/3rd rule.

- **Pension Obligation**

TARDA has post employee benefit whereby it makes pension contributions on behalf of its staff in accordance with the laws established by the parent Ministry. The contributions are treated as payments to a defined contribution pension plan.

A defined contribution is a pension plan under which fixed contributions are paid into a separate pension and entity fund. The contributions are recognized as employee benefit expense when they are due.

TARDA also has short term employee benefits such as wages and salaries, leave allowance, sick offs, and medical allowance.

j) Cash and Cash equivalents

Cash and Cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at various commercial banks at the end of the financial year. Cash on hand is mainly petty cash and unbanked sales at the end of the financial year.

k) Related Parties

TARDA regards a related party as a person or entity with the ability to exert control individually or jointly, or to exercise significant influence over TARDA. Members of key management are regarded as related parties and comprise of the Board of Directors, Chief Executive officer and the Chief Managers.

	2017	2016
Directors Allowances	17,564,657	16,915,928
CEO and senior Management salaries	34,147,446	31,311,756

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

Senior Management outstanding Debts	737,952	549,320
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I) Financial Risk management Disclosures

- **Credit risk**-Failure by KPLC/KenGen to repay the long outstanding debt which they owe TARDA, and subsequent nonpayment of Revenues generated through Masinga and Kiambere dams has negatively affected the financial position of the Authority.

TARDA is also exposed to credit risks on its debtor's accounts as most of its customers are external. However it seeks to reduce the credit risk through setting limits for debtors and monitoring the existing ones.

Cash and bank Equivalents are held in banks with sovereign risks.

	Jun-17	Jun-16
Amount due from KPLC(1988)	1,179,215,376	1,179,215,376
Other Debtors	222,303,960	174,819,237
Cash at Bank	88,259,459	49,037,987
Cash at Bank – Climate Change Programme	59,468,844	2,820,352

- **Liquidity Risk**-TARDA has significant exposure to liquidity risk as it relies mostly on the Parent Ministry for both its development and Recurrent funds. The parent Ministry is not timely on its remittances and at times funds are remitted partly hence TARDA is not in a position to meet its obligations as they fall due.

Period	FY 2016-2017	FY 2015-2016
Over 30 days	5,658,125	51,845,993
Over 60 days	14,154,653	52,541,994
Over 90 days	32,124,458	54,852,025
Over 120 days	186,155,255	71,292,400
Total	238,092,491	230,532,432

- **Market Risk**

Any fall in prices in the market in relation to prices of Biological assets negatively affect our revenue of the Authority.

- **Forex exchange Risk**

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

TARDA is exposed to Forex exchange risk if the exchange risk is adjusted upwards against the shilling when dealing with issues such as overseas procurements like spare parts, exchange of money for inland expenses while staffs are officially travelling overseas.

m) Significant judgments and sources of estimation and uncertainty.

The Management of TARDA, makes judgments, estimates and assumptions that affect the reported amounts of Revenues, expenses, Assets and Liabilities at the end of the reporting period.

• Useful lives and residual values

The useful lives and residual values of assets are assessed using the following pre-determined depreciation rates.

Depreciation of assets is calculated using the straight line method to write down their cost or revalued amount to their residual values over the estimated useful life using the following annual Rates.

	Assets	Rates (%)
i	Masinga Dam & Kiambere Power Station	
a)	Civil Engineering Works	2.50
b)	Electro-Mechanical Works	12.50
ii	Motor Vehicles	
a)	Saloons and Light Trucks	25.00
b)	Lorries and Tractors	33.30
iii	Equipment	10.00
iv	Computers and intangibles	33.00
v	Furniture and Fittings	7.50
vi	Buildings	2.50

• Biological Assets

Estimation of value for TARDA's Biological Assets is purely based on the market value of the asset during sale and this also becomes the carrying amount of the asset.

• Inventory

Stocks are valued at cost price. Prices for Agricultural produce are determined based on the prevailing market prices.

n) Subsequent events

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

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

4 REVENUE FROM NON EXCHANGE TRANSACTIONS	Jun-17	Jun-16
	Kshs	Kshs
Gok Grants-Recurrent	191,808,413	123,946,413
GoK Grants-Special Programmes	<u>402,000,000</u>	
	<u>593,808,413</u>	<u>123,946,413</u>
5 REVENUE FROM EXCHANGE TRANSACTIONS	Jun-17	Jun-16
External AIA-Kengen	67,166,640	62,000,040
Sale of produce	11,309,657	20,257,824
Sale of tree seedlings	6,227,936	1,425,235
Sale of sand & honey	8,312,620	6,490,550
Miscellaneous income	9,600,440	99,600,318
Training Levy	245,722	126,522
TDIP Lease	30,000,000	30,000,000
Rendering of Services	35,186,469	27,672,422
	<u>168,049,484</u>	<u>247,572,911</u>
<p>External AIA KenGen relates to the compensation for transfer of Generation and Transmission assets by TARDA to KenGen. Sale of Farm Produce relates to Sale of milk and cows in Emali, Sale of Rice in TDIP, Sale of Honey in Kitui, sale of Mangoes, tomatoes in Kibwezi, Kiambere Farm and Masinga Farm and rental income from housing in Kiambere, TDIP Lease income through earned has not been received.</p>		
6 COST OF SALES	Jun-17	Jun-16
Tana Delta Irrigation Farm	46,739,644	38,795,030
Tana Delta Resort	6,059,366	5,337,942
Kibwezi farm	4,194,969	5,548,733
Emali Farm	4,964,145	2,424,486
Kiambere Farm	1,263,997	574,756
Masinga Dam Resort	26,834,094	20,284,340
Lower Athi Region	7,548,388	485,505
Kitui Honey Refinery and Guest House	1,729,048	1,256,990
Buffer zone Conservation-Sand Harvesting	4,636,126	4,201,784

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

Tana Region	200,739	225,198
Upper Athi Region	4,449,542	952,921
Masinga Irrigation Project	5,619,165	1,875,853
Masinga Afforestation	5,503,152	836,531
Tana Bridge	451,976	489,042
Machakos Tree Nursery	907,245	790,120
Wote Tree Nursery	224,960	396,555
	<u>121,326,556</u>	<u>84,475,785</u>

7 OPERATION AND MAINTENANCE

	Jun-17	Jun-16
Computer Expenses	342,090	221,120
General Insurances	4,680,900	9,691,953
Legal fees, Licenses and Subscriptions	8,545,978	16,130,455
Motor Maintenance	2,872,606	1,144,249
Motor Running	3,573,945	2,885,431
Office Equipment maintenance	656,153	410,364
Maintenance of Building and Stations	1,496,205	1,457,005
Rent and Rates	15,043,978	16,725,151
Water and Electricity	1,081,075	913,785
Security Expenses	727,270	473,370
Stationery Expenses	1,562,827	1,360,978
Printing and Publishing	315,489	230,182
Advertising and Publicity	1,928,435	4,195,169
Telephone and Internet	2,448,496	1,829,180
Postage Expenses	6,475	13,590
Hire of Transport	5,355,366	3,284,566
Subsistence and Accommodation	56,962,337	22,298,934
Library Expenses	41,175	13,920
PC-Non Financial Indicators	-	13,557,682
Minor Alterations	148,640	40,690
Strategic Objectives-Other development Activities	61,319,619	19,327,930
PC Activities-Service delivery	-	442,503
PC-Operational Indicators	-	6,762,282
Corporate Social Responsibility (Donation)	60,000	-
PC-Activities-Dynamic/Qualitative	-	119,520
Non PC-Internal Control Processes	-	441,303
Non PC-Enhanced Publicity	-	208,945
TDIP-Operation Expenses	5,875,040	-
	<u>175,044,099</u>	<u>124,180,257</u>

Authority as a lessee

- a) TARDA has entered into contract with Gimco Ltd for the lease of one floor (7th) at Queensway House. This is renewable after every one year. The lease

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

payments are recognized as an expense in the income statement over the lease term on a straight line basis.

b) **Land Rates:** Land rates are payable on a yearly basis on all TARDA project

8 ADMINISTRATION EXPENSES	Jun-17	Jun-16
Uniform and clothing	117,422	381,704
Training	4,172,958	2,980,590
Official Entertainment	1,714,415	1,088,808
Stock Taking	1,223,200	770,650
Bank Charges	660,492	639,860
Audit Fees	<u>696,000</u>	<u>696,000</u>
	<u>8,584,487</u>	<u>6,557,612</u>
9 BOARD EXPENSES	Jun-17	Jun-16
Sitting Allowance	6,144,665	4,277,000
Travelling and Accommodation	8,783,798	8,836,929
Mileage	1,184,230	942,562
Printing and Publishing	537,474	244,915
Medical Allowance	497,990	1,594,522
Honoraria	<u>416,500</u>	<u>1,020,000</u>
	<u>17,564,657</u>	<u>16,915,928</u>
10 SPECIAL PROJECT EXPENSES	Jun-17	Jun-16
Water Harvesting Programme	-	1,924,099
NIFS-Muranga Feasibility study	6,172,232	1,893,105

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

Kieni Integrated Projects Expenses	17,047,431	-
GOK-Special Programmes	<u>208,840,898</u>	-
	<u>232,060,561</u>	<u>3,817,204</u>
11 DEPRECIATION AND AMORTIZATION	Jun-17	Jun-16
Property Plant and Equipment	439,889,137	439,172,189
Computer Software	232,000	726,160
	<u>440,121,137</u>	<u>439,898,349</u>
12 EMPLOYEE COSTS	Jun-17	Jun-16
Medical Expenses	22,046,356	9,004,217
Leave Allowance	2,098,000	2,142,000
Salaries	265,061,741	228,168,229
Staff Welfare	3,222,785	2,260,397
Pension and Gratuity	25,301,717	24,013,880
Casual Wages	2,138,174	2,785,881
	<u>319,868,773</u>	<u>268,374,604</u>
	Jun-17	Jun-17
13 Renovation of Kiambere Guest House	4,897,000	-
MDR-Construction(work in progress)	17,848,986	-
	<u>22,745,986</u>	-

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

NOTE 14a: PROPERTY PLANT AND EQUIPMENT

DETAILS	MOTOR VEHICLES	PLANT & EQUIP.	FURN. & FITTINGS	LAND	BUILDINGS	COMPUTERS	MASINGA HEP	KIAMBERE HEP	TOTAL
At 1st July 2015	312,729,257	1,918,670,635	66,132,509	1,264,135,430	1,779,406,458	23,293,143	6,134,385,600	9,385,013,300	20,883,766,332
Additions and Prior Year Adjustment	10,184,092	742,360	1,823,016	-	-	1,273,798	-	-	14,023,266
At 30th June 2016	<u>322,913,349</u>	<u>1,919,412,995</u>	<u>67,955,525</u>	<u>1,264,135,430</u>	<u>1,779,406,458</u>	<u>24,566,941</u>	<u>6,134,385,600</u>	<u>9,385,013,300</u>	<u>20,897,789,598</u>
Depreciation and Impairment									-
At 1st July 2015	312,430,758	1,917,295,562	57,166,321		1,142,920,484	22,379,418	2,453,754,240	3,754,005,315	9,659,952,098
Charge for the Year	467,503	227,022	5,095,453		44,485,161	912,078	153,359,640	234,625,332	439,172,189
Accumulated depreciation as at 30th June 2016	<u>312,898,261</u>	<u>1,917,522,584</u>	<u>62,261,774</u>	-	<u>1,187,405,645</u>	<u>23,291,496</u>	<u>2,607,113,880</u>	<u>3,988,630,647</u>	<u>10,099,124,287</u>
Net Book Value As at 30th June 2016	10,015,088	1,890,411	5,693,751	1,264,135,430	592,000,813	1,275,445	3,527,271,720	5,396,382,653	10,798,665,311
At 1st July 2016	322,913,349	1,919,412,995	67,955,525	1,264,135,430	1,779,406,458	24,566,941	6,134,385,600	9,385,013,300	20,897,789,598
Additions	12,615,000	1,297,400	911,365	-	4,897,000	534,984	-	-	20,255,749
At 30th June 2017	<u>335,528,349</u>	<u>1,920,710,395</u>	<u>68,866,890</u>	<u>1,264,135,430</u>	<u>1,784,303,458</u>	<u>25,101,925</u>	<u>6,134,385,600</u>	<u>9,385,013,300</u>	<u>20,918,045,347</u>
Depreciation and Impairment as at 1st July 2016	312,898,261	1,917,522,584	62,261,774	-	1,187,405,645	23,291,496	2,607,113,880	3,988,630,647	10,099,124,287
Charge for the Year	4,272,148	356,762	2,043,720	-	44,607,586	623,949	153,359,640	234,625,332	439,889,137
Accumulated depreciation as at 30th June 2017	<u>317,170,409</u>	<u>1,917,879,346</u>	<u>64,305,494</u>	-	<u>1,232,013,231</u>	<u>23,915,445</u>	<u>2,760,473,520</u>	<u>4,223,255,979</u>	<u>10,539,013,424</u>
Net Book Value As at 30th June 2017	18,357,940	2,831,049	4,561,396	1,264,135,430	552,290,227	1,186,480	3,373,912,080	5,161,757,321	10,379,031,923
Net Book Value As at 30th June 2016	10,015,088	1,890,411	5,693,751	1,264,135,430	592,000,813	1,275,445	3,527,271,720	5,396,382,653	10,798,665,311

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14b: INTANGIBLE ASSETS

DETAILS	COMPUTER SOFTWARE	TOTAL
1st July 2015	5,287,706	5,287,706
Prior Year Adjustments	696,000	696,000
At 30th June 2016	<u>5,983,706</u>	<u>5,983,706</u>
1st July 2016	5,983,706	5,983,706
30th June 2017	<u>5,983,706</u>	<u>5,983,706</u>
Depreciation and impairment		-
1st July 2015	4,793,547	4,793,547
Charge For the Year	726,160	726,160
At 30th June 2015	5,519,706	5,519,706
1st July 2016	5,519,706	5,519,706
Charge For the Year	232,000	232,000
Accumulated Depreciation as at 30th June 2017	<u>5,751,706</u>	<u>5,751,706</u>
Net Book Value As At 30.6.2017	232,000	232,000
Net Book Value As At 30.6.2016	464,000.00	464,000

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

15	WORK IN PROGRESS	Jun-17	Jun-16
	Tana Delta Irr. Project	234,152,289	234,152,289
	Emali Bore hole	-	1,297,400
	Masinga Dam Resort	17,848,986	-
		<u>252,001,275</u>	<u>235,449,689</u>

The Work in Progress in Tana Delta Project relates to Structures which were destroyed by 1997 El Nino. The houses were neither Commissioned nor certificate of completion issued to TARDA. Plans are underway to rehabilitate some of these houses and convert them into guest houses.

16	INVESTMENTS	Jun-17	Jun-16
	265,000 Ordinary Shares@ 20.00 each	5,300,000	5,300,000
	960,000 4% Preference Shares @20.00 each	<u>19,200,000</u>	<u>19,200,000</u>
		<u>24,500,000</u>	<u>24,500,000</u>

These shares do not earn dividend, however listing of the bank at Nairobi Stock Exchange is at advance stage.

17	INVENTORIES	Jun-17	Jun-16
	Stationery	1,118,987	568,988
	Household Goods	76,685	142,765
	Fertilizers	65,110	6,000
	Spare Parts	8,922,617	8,975,301
	Construction Materials	4,575,899	15,590
	Refreshment and Beverages	173,929	333,913
	Farm inputs-Chemicals	5,689,520	9,339,035
	Fuel and Lubricants	487,580	813,992
	Seeds	20,400	95,000
	Honey	276,000	390,430
	Rice and Paddy	197,540	1,210,865
	Food	194,831	270,697
	Packaging Materials	44,199	-
	Hay	-	<u>151,000</u>
		<u>21,843,297</u>	<u>22,313,576</u>

The stock represents Machinery / Motor vehicle spare parts, Stores and Farm produce.

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

18	BIOLOGICAL ASSETS	Jun-17	Jun-16
	Emali/Kiamber/Masinga Livestock	7,978,000	2,940,000
	Seedlings/Farm Produce	6,382,177	41,251,488
		<u>14,360,177</u>	<u>44,191,488</u>
19	TRADE AND OTHER RECEIVABLES	Jun-17	Jun-16
	Staff Advances	3,152,742	8,151,452
	Trade Receivables	1,388,101,594	1,335,618,162
	Other Receivables	10,265,000	10,265,000
		<u>1,401,519,336</u>	<u>1,354,034,614</u>
	Provision for bad debts	(1,261,117,834)	(1,261,117,834)
		<u>140,401,502</u>	<u>92,916,780</u>

Nature of KPLC debt

This debt relates to sale of bulk power to KPLC for periods prior to April 1988. The matter is being handled by Public Investment Committee (PIC).

Court Guarantee of Kshs.10 million relate to money deposited with the Court in relation to Masinga compensation case

Our lawyers are due to receive the money from the Judiciary.

Financial Risk management disclosures

Credit Risk-Failure by KPLC/KenGen to repay the long outstanding debt which they owe the Authority and subsequent non repayments of revenues generated through Masinga and Kiambere Dams has negatively affected the financial position of the Authority.

TARDA is exposed to credit risks on its debtor Accounts as most of its debtors are external. However it seeks to reduce the credit risk through setting credit limits for debtors and monitoring the existing debts.

TARDA is also exposed to credit risk since its operating budget is financed by the government.

Cash and bank equivalent are held in banks with sovereign risks which is very minimal.

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

	June 2017	June 2016
Amounts due from KPLC	1,179,215,376	1,179,215,376
Other receivables	222,303,960	174,819,237

Liquidity Risk

The Authority has significant exposure to liquidity risk as it depends mostly on the Parent Ministry for both Development and Recurrent .The parent Ministry does not remit funds in time.

Any cash from its operations is restricted and banked intact hence liquidity risk.

	June 2017	June 2016
Trade and other Payables	238,092,491	230,532,432

Market Risk-A fall in prices in the market in relation to the prices of Biological assets will reflect negatively on our sales and report.

20	CASH AND CASH EQUIVALENTS	Jun-17	Jun-16
	Cash at Hand	88,522	88,522
	Cash at Bank	88,170,937	88,170,937
		<u>88,259,459</u>	<u>88,259,459</u>
	Climate Change Programme-BANK	<u>59,468,843</u>	<u>2,820,352</u>
21	LOANS	Jun-17	Jun-16
	O.E.C.F.(Japan) B/F	1,151,186,736	1,258,660,121
	Loan Repayments	(334,928,136)	(107,473,385)
		<u>816,258,600</u>	<u>1,151,186,736</u>
22	CAPITAL FUND	Jun-17	Jun-16
	Capital Fund b/f	2,987,903,242	2,769,331,811
	GOK Grants for the year	199,000,000	106,006,000
	Loan Repayment	334,928,136	107,473,385
	Vehicle from Climate Change fund	-	5,092,046
		<u>3,521,831,378</u>	<u>2,987,903,242</u>
23	REVALUATION RESERVE FUND	Jun-17	Jun-16
		19,697,833,221	19,697,833,221
		<u>19,697,833,221</u>	<u>19,697,833,221</u>

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

24	TOURISM TRUST FUND	Jun-17	Jun-16
	Balance c/f	28,114	28,114
		28,114	28,114
	Climate Change Fund	<u>59,468,843</u>	<u>2,820,352</u>
25	TRADE AND OTHER PAYABLES	Jun-17	Jun-16
	Creditors Account	106,308,027	119,592,902
	Sundry creditors and Statutory Deductions	129,696,464	109,547,530
		<u>236,004,491</u>	<u>229,140,432</u>
	Audit fees Provision	2,088,000	1,392,000
		<u>238,092,491</u>	<u>230,532,432</u>

i) PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

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	Going Concern	TARDA has been insolvent since the day the generating and transmission assets were transferred to KENGEN and unless the claims are honoured, the going concern and balance sheet accounting of the Authority will continue to be negative and recurring	Steven Ruimuku MD	Not resolved	Continuous

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

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)
		year after year.			
2	Property Plant and Equipment	The acquisition of the title deeds for Kibwezi, Emali and Kitui projects is in process.	Steven Ruimuku MD	Not resolved	June 2018
3	Capital work in progress TDIP Houses (234,152,289)	Plans are underway to rehabilitate some of these houses and convert them into guest houses.	Steven Ruimuku MD	Not resolved	Continuous
4	Trade and other receivables	KPLC payment of Kshs.1,179,215,376.30 debt as at 30 th June 2014 ended up in Parliamentary Investment Committee (PIC) where it remains undetermined to date.	Steven Ruimuku MD	Not resolved	Continuous
5	Trade and other payables Un-remitted Statutory Deductions	These are statutory deductions comprising of outstanding VAT, Pension, PAYE and NSSF. The amount will be paid once the financial position of the Authority improves. (A payment plan is already in place on how to clear the balances)	Steven Ruimuku MD	Not resolved	June 2018
6	Assets held by former Managing Directors	The Management undertakes to pursue the concerned former Managing Directors with a view of recovering the Authority's assets in their possession.	Steven Ruimuku MD	Not Resolved	Continuous
7	Biological Assets	The Management will incorporate the revaluation of the biological assets in the plan revaluation of assets in the next financial year	Steven Ruimuku MD	Not Resolved	Continuous

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

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)
8	Lease Income	The Management will develop the pricing policy as the Lessee has shown commitment in the execution of the lease agreement	Steven Ruimuku MD	Not Resolved	Continuous
9	Loss Making Services	This is attributed to inadequate funding from the exchequer and some of the projects are social based so not for profit making	Steven Ruimuku MD	Not Resolved	Continuous
10	Revaluation Reserve	The Management is planning to undertake revaluation of its Assets in the next financial year	Steven Ruimuku MD	Not Resolved	Continuous

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Steven G. Ruimuku
MANAGING DIRECTOR

Ms. Halima Shaiya
Ag. BOARD CHAIRPERSON

Date.....*29/09/2017*.....

Date.....*HALS 29/09/2017*.....

