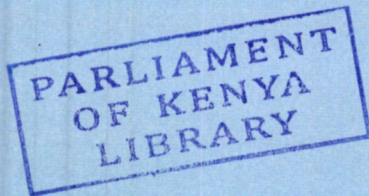


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

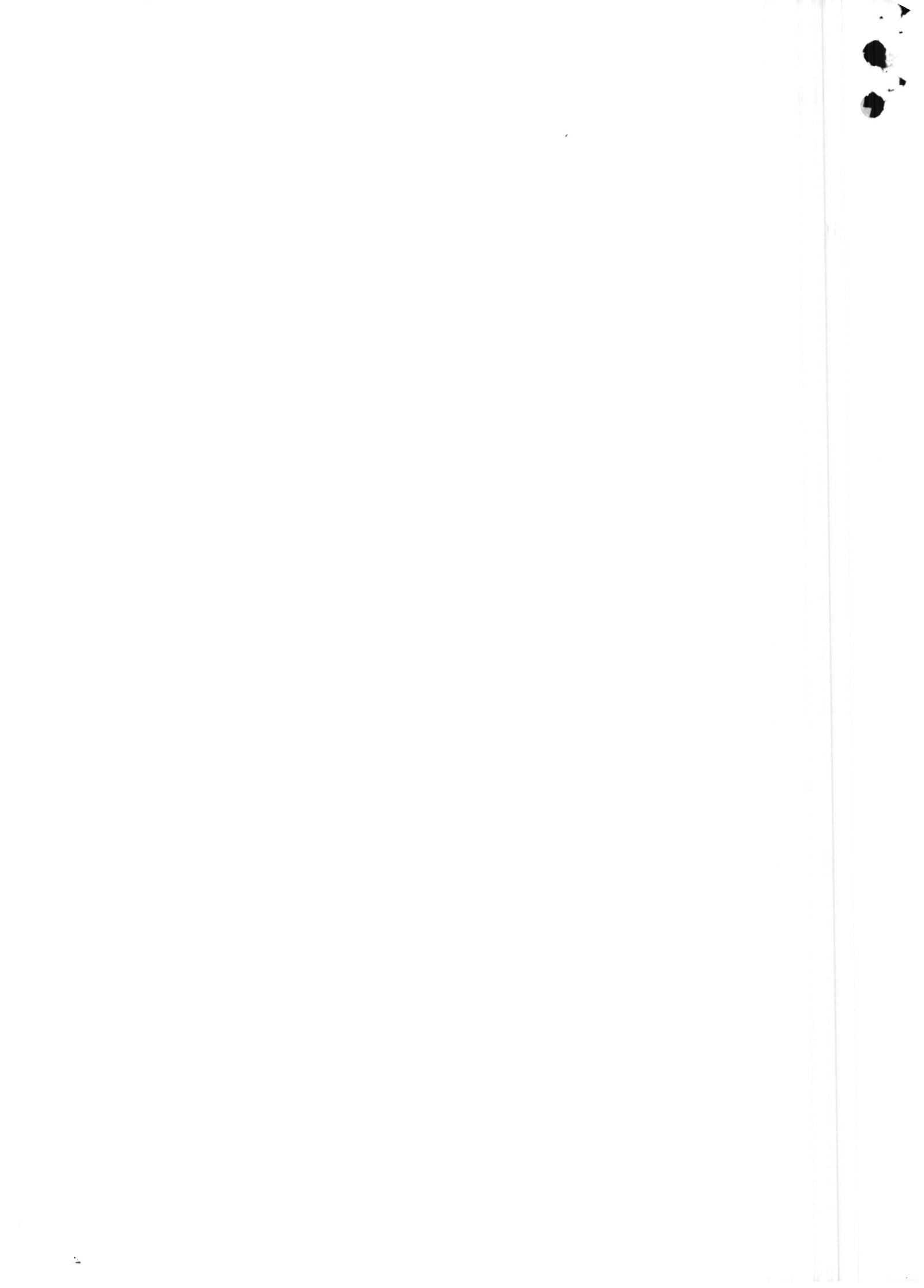
ON

THE FINANCIAL STATEMENTS OF
TANA AND ATHI RIVERS
DEVELOPMENT AUTHORITY

FOR THE YEAR ENDED
30 JUNE 2015

*Paper Laid
by Majority Whip
Wednesday Morning*







KENYA NATIONAL AUDIT OFFICE
P. O. Box 30084 - 00100,
NAIROBI.

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR
THE FINANCIAL YEAR ENDED
JUNE 30, 2015**

*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
OECF	~	Overseas Economic Co-operation Fund
TARDA	~	Tana and Athi Rivers Development Authority
TDIP	~	Tana Delta Irrigation Project

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

Table of Content	Page
KEY ENTITY INFORMATION AND MANAGEMENT	iii
1 THE BOARD OF DIRECTORS.....	viii
II MANAGEMENT TEAM	xii
I. CHAIRMAN'S STATEMENT	xvi
II. MANAGING DIRECTOR'S STATEMENT.....	xvii
VI. CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 TH JUNE 2015	xxi
VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT	xxvi
VIII. REPORT OF THE DIRECTORS	xxviii
IX. STATEMENT OF DIRECTORS RESPONSIBILITIES	xxix
X. REPORT OF THE INDEPENDENT AUDITORS ON TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY	xxx
Auditor General	xxx
XI. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015.....	1
XII. STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2015.....	2
XIII. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015.....	3
XIV. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2015	4
XV. STATEMENT OF BUDGET VS ACTUAL FOR THE YEAR ENDED 30 JUNE 2015.....	5
XVI. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015	8

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

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 Water, Environment and Natural Resources.

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 Minister; 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.

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

- Conservation of water towers, river banks and water reservoirs.
- 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)

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

(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 Areas)
- 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

Prof. Judi Wangalwa Wakhungu

Ministry of Environment, Natural Resources & RDA

(ii) Principal Secretary

Dr. Richard Lesiyampe

Ministry of Environment, Natural Resources & RDA

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

(iii) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were:

NAME		DESIGNATION
1. Mr. Steven G. Ruimuku	-	Managing Director
2. Ms. Damaris Kiarie	-	Ag. Chief Manager Human Resource & Administration.
3. Mr. John Nyoike	-	Ag. Chief Manager Finance and Accounts
4. Eng. Philip Langat	-	Chief Manager Technical Services & Operations
5. Mr. Parmenas Mukeku	-	Ag. Chief Manager Business Dev/IP
6. Ms. Irene Ndavi	-	Ag. Chief Manager Planning, Research & Development.
7. Eng. J. Karanja	-	Engineering Service Manager
8. Mr. Elijah Oyugi	-	Internal Audit & Risk Manager
9. Mr. Wycliffe Sava	-	Supplies & Procurement Manager
10. Ms. Sylvia Ndegwa	-	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

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

(f) Bankers

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

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

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




- Khaemba & Co. Advocate
- Muriuki Njagagua & Associates
- Ogola Okelo & Co. Advocate
- M Mulekyo & Co. Advocate
- Wamalwa & Co. Advocates
- Waweru Gatonye and Co. Advocate
- Kibe & Kinoti Co Advocate

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)




1 THE BOARD OF DIRECTORS

No	PASSPORT SIZE PHOTO	ACADEMIC & PROFESSIONAL QUALIFICATIONS	DATE OF BIRTH, KEY QUALIFICATIONS & WORK EXPERIENCE
1.	 <p data-bbox="156 1043 464 1115">Hon. Abdul Bahari Ali Authority Chairman</p>	<p data-bbox="603 432 927 539">EMPPA : (Candidate) Public Policy & Administration</p> <p data-bbox="603 577 954 645">BA (Hons) Economics & Government - 1989</p>	<p data-bbox="1002 432 1177 465">D.o.B: 1963</p> <p data-bbox="1002 472 1230 506">Kenya Airways</p> <ul style="list-style-type: none"> <li data-bbox="1002 512 1385 580">- Industrial Relation Officer (1991-1992) <li data-bbox="1002 586 1469 654">- Chief Industrial Relation Officer (1993-1995) <p data-bbox="1002 660 1145 694">Firestone</p> <ul style="list-style-type: none"> <li data-bbox="1002 701 1469 768">-Manager Industrial Relation and Transport (1996) <li data-bbox="1002 775 1422 842">- Human Resources Manager (1996-2003) <p data-bbox="1002 880 1422 947">Member Budget Committee, PIC (KNA)</p> <p data-bbox="1002 954 1465 1059">Vice Chair Finance and Monetary affairs Committee of Pan African Parliament.</p> <p data-bbox="1002 1066 1417 1099">MP Isiolo South (2003-2013)</p> <p data-bbox="1002 1106 1337 1173">Member Pan African Parliament (2008-2013)</p>
2.	 <p data-bbox="148 1832 480 1906">Mr. Steven G. Ruimuku Managing Director</p>	<p data-bbox="595 1171 962 1238">Ph.D: (Candidate) Sustainable Development</p> <p data-bbox="595 1276 938 1344">M.A. Economics (Public Finance) - 1984</p>	<p data-bbox="994 1171 1169 1205">D.o.B: 1958</p> <p data-bbox="994 1227 1469 1294">Lecturer – International Trade & Economics - USiU (2000 to date)</p> <p data-bbox="994 1328 1385 1361">Public Finance since 1984</p> <ul style="list-style-type: none"> <li data-bbox="1034 1368 1241 1402">• Economics <li data-bbox="1034 1408 1433 1442">• Public Expenditure Mngt <li data-bbox="1034 1449 1289 1482">• Administration <li data-bbox="1034 1489 1449 1624">• Integrated Dev (Multipurpose Reservoirs, Food Security programmes) <li data-bbox="1034 1630 1449 1697">• Conservation and climate change programmes <p data-bbox="978 1720 1393 1787">Patron- Education taskforce: Nyeri South District</p> <p data-bbox="978 1809 1417 1843">Patron-Mahiga Primary school</p> <p data-bbox="978 1865 1401 1933">Board Member- Mahiga Girls Sec School.</p>

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

<p>3.</p>	 <p>Dr. Luke Musau Vice Chairman</p>	<p>M.B., Ch.B. Masters in Medicine</p>	<p>D.o.B: 1957</p> <ul style="list-style-type: none"> - Member Institute of Governance Directors. - Former Board Member Kenyatta National Hospital in 1995 - 2000, - Director Kinga Ltd, - Chairman Machakos Forensic Centre. - Deputy Chair Machakos Investment and promotion Board. - Experience of over 30 years.
<p>4.</p>	 <p>Mr. Solomon Lutta Board Member</p>	<p>EMBA - Strategic Management.</p> <p>BS - International Business Administration (Finance)</p>	<p>D.o.B: 1974</p> <p>Feb 2005 – Oct 2005: Esso & Mobil, Nairobi & Sub-Saharan Africa. Oct 2005 – Sept 2007: Vestegaard Frandsen EA Nairobi. Sept 2007 – Jan 2009: Franchise, Johannesburg, South Africa & Luand, Angola. Jan 2009 – July 2010: Coca cola Central, East & West Africa. Aug 2012 to Date - Business Development Director East Africa.</p> <p>16 years' experience in Finance, Planning, Sales and Marketing, Strategy, and Customer Service.</p>
<p>5.</p>	 <p>Mr. John Nthuku Board Member</p>	<p>Msc in Management,</p> <p>BA Hons,</p> <p>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.

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

6.		<p>Diploma in Marketing</p>	<p>D.o.B: 1960</p> <ul style="list-style-type: none"> - D.T Dobie -10 years (1998 - 2008) - Business lady from 2008 to 2011 - Chairperson - of ASK Show 2011 to date
7.		<p>BA & Post graduate , Dip in Education</p>	<p>D.o.B: 1953</p> <p>1978 – 1987: Maumau Memorial Secondary School</p> <p>1995 – 1998: Head teacher Kipini Secondary School</p> <p>1998 – 1999: Provincial Director of Education (Coast Province)</p> <p>1999 – 2001: District Education Officer (Taita Taveta)</p> <p>2001 – 2008: Garissa Teachers Training College</p> <p>2004 to date: KNEC</p>
8.		<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>




TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

Alternate Board Members



- | | | |
|-------------------------------|---|---|
| 9. Mr. William Otieno Ogola | - | Ministry of Env, Natural Resources & RDA |
| 10. Mr. Wilfred Mwanzia | - | Ministry of Agri. Livestock and Fisheries |
| 11. Mr. Anthony Mugane | - | Ministry of Env, Natural Resources & RDA |
| 12. Mr. Joseph Mukui | - | Ministry of Devolution and Planning |
| 13. Ms. Grace Kerubo Nyarango | - | National Treasury |
| 14. Ms. Rosemary Njonge | - | Ministry of Water and Irrigation |
| 15. Eng. R. K. Gaita | - | Ministry of Env. Natural Resources & RDA |
| 16. Mr. Kenneth Marende | - | Board Chairman - Kenya Power |
| 17. Eng. T. Ndonga Gitahi | - | Ministry of Energy and Petroleum |
| 18. Eng. George Odedeh | - | General Manager NIB |
| 19. Ms. Concepta Wasilwa | - | Attorney General's Office |

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

II MANAGEMENT TEAM

NO.	Name	Qualification	Designation / D.O.B
1.	 <p>John Nyoike</p>	<p>MBA (Finance) – 2010</p> <p>BBA (Finance & Accounting) - 2009</p> <p>Member of Institute of Certified Public Accountancy of Kenya (ICPAK)</p>	<p>D.o.B: 1964</p> <p>Ag. Chief Manager Finance and Accounts</p>
2.	 <p>Phillip Langat</p>	<p>Msc. Eng.(Agricultural Engineering) - 2007</p> <p>BSc (Agricultural Engineering) - 1996</p> <p>Member - Institute of Engineers Kenya (MIEK).</p>	<p>D.o.B: 1970</p> <p>Chief Manager Technical Services and Operations</p>
3.	 <p>Parmenas Mukeku</p>	<p>BSc (Animal Production) - 1992</p>	<p>D.o.B: 1965</p> <p>Ag. Chief Manager Business Development</p>

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

4.	 <p>Irene Ndavi</p>	<p>MSC International Development Studies. BA (Agricultural Education)</p>	<p>D.o.B: 1977 Ag. Chief Manager Planning and Research Development</p>
5.	 <p>Damarys Kiarie</p>	<p>BA (Social Sciences) - 1980</p>	<p>D.o.B: 1957 Ag. Chief Manager Human Resource & Administration.</p>
6.	 <p>Eng. Joseph Karanja</p>	<p>BSc (Civil Engineering) - 1984 Member - Institute of Engineers Kenya (MIEK).</p>	<p>D.o.B: 1959 Manager Engineering Services Unit</p>

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

<p>7.</p>	 <p>Elijah Oyugi</p>	<p>B Com (Accounting and Taxation) - 1993</p>	<p>D.o.B: 1969</p> <p>Acting Internal Audit and Risk Manager</p>
<p>8.</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>9.</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>

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

Senior Managers

- | | | |
|-----------------------|---|-----------------------------------|
| 10. David Kimaiyo | - | Finance Manager |
| 11. Samuel Gitonga | - | Hydrologist |
| 12. Lisa Njururi | - | Public Relation Manager |
| 13. Jackson Muiruri | - | Monitoring and Evaluation Manager |
| 14. Bartholomew Kamau | - | Administration Manager |
| 15. Samuel Wanyoike | - | ICT Manager |

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 economical 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.



Hon. Abdul Bahari Ali
AUTHORITY CHAIRMAN

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

II. MANAGING DIRECTOR'S STATEMENT

I am delighted to report the 2014/15 Financial Statements of Tana and Athi Rivers Development Authority. During the year under review, the Authority's reduced its current liabilities from Kshs. Kshs178m in 2014 to Kshs. 143 m in 2015 a significant reduction of 24%.

TARDA's total revenue in 2015 reflect negative change by 28.2% from Kshs 519 million in 2014 to Kshs 372 million in 2015 mainly due to the following reasons;

- Discontinuation of devolved programmes funding of Kshs.28 million by the exchequer that is Economic Stimulus Programme.
- Dismal performance of projects due to low funding, severe drought, over reliance to rain fed agriculture, high cost of production and animal diseases.

However in the statement of financial performance expenses reduced from Kshs.1.23billion in 2014 to Kshs.1.12billion in 2015 a reduction of 9.8% occasioned by strengthen controls.

In the statement of changes in equity the capital fund in the year 2015 witnessed a 13% growth in capital to Kshs.2.5billion in 2015 from Kshs.2.2billion in 2014.

CHALLENGES

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 facilitates 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.650m 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.

Under Funding

During the year under review, the Authority operations continued to be adversely affected due to under funding from the Government.

ON GOING PROGRAMMES AND PROJECTS

a) High Grand Falls

This is the 3rd multipurpose reservoir after Masinga and Kiambere that TARDA plans to develop along the Tana River system. The site of the reservoir was beckoned in 1986 and construction was meant to start in 1992, four years after commission Kiambere reservoirs. We are happy to report that the dream of TARDA on this project is coming to reality. High Grand Falls Multi-purpose reservoir has seven salient benefits to the nation and also the communities within the dam and buffer zone areas and also the Tana Delta communities. Such benefits include;

- Food security enhancement through irrigated agriculture of 100,000ha. particularly in Bura, Hola and Garsen
- Food enhancements within Galana ranch through inter basin water transfer from Tana to Athi (Galana) river.
- Flood and river flow regulation in order to minimize destructive phenomena in the Tana Delta and stop human and livestock displacement.
- Production of hydro energy to national grid
- Provision of water for industrial livestock and human consumption to LAPSSET (Lamu) and Muikuru project in Mwingi basin (Mwingi County).
- Massive employment of skilled and non-skilled labour in support of the above vision 2030 projects.
- Minimize national imbalances for sugar and rice through increased production within the Tana Delta under vision 2030.

HGF is, in itself a vision 2030 project and an enabler facility for other four vision 2030 projects mentioned above.

During the year under review, the Authority has initiated negotiation for project funding between the National Treasury and the Exim Bank of China through the parent Ministry. Further, the authority has commenced Social Environmental Impact Assessment of the project at a cost of Kshs 11m due January 2016 to facilitate resettlement and pave way for the project.

b) TARDA Headquarters

The Authority purchased the Upper Hill Plot in 1987 with the sole purpose of developing a high-rise office block. The office block was to provide a permanent center for integrated resource planning and coordination of developments in the two rivers basins.

The TARDA Plot measures 0.672 Ha (1.7 acres) and is located in the Upper Hill area. The plot's current value is estimated at Kshs. 600 million.

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

The Authority has initiated the process towards developing a state of the art Tower also to house TARDA Resource centre at Upper Hill area, Nairobi. The resource complex will be used by TARDA as offices and also provide rentable space for income generation on commercial basis. During the year under review, the Authority has engaged a Consultant to develop a concept paper to facilitate resource mobilization for construction of the building.

c) Tana Delta Integrated Project- Rice

The Authority was allocated and acquired Title deed for 31,000Ha in Tana Delta. The land was identified suitable for various crops including rice, sugarcane and soya beans production. Of these 12,000ha are devoted for rice production. The ultimate plan is to develop 10,000ha under rice with initial acreage of 4,000ha in 2015/16.

The overall goal of the project is geared towards achieving the Vision 2030 goals in particular national food security and improve livelihood through sustainable integrated agribusiness development and management of the Tana Delta area. During the year under review, the Authority leased 10,000ha to Braken Agricultural (K) Limited for rice production.

d) Munyu Multipurpose Reservoir & Greater Kibwezi Irrigation Projects

The project's identified for implementation along the Athi basin are Munyu Multipurpose Reservoir & Greater Kibwezi Irrigation project with a potential of about 13,000ha. The Project is aimed at;

- Increasing water supply for irrigation, domestic supply and hydropower generation.
- Production of food crops for food security and high value crops such as cotton, bananas and other horticultural crops as cash crops for poverty alleviation.

The project is also meant to develop three hydro-electric power stations with an aggregated capacity of 40MW of hydroelectric power and create a 575 million cubic metres of water storage.

The Project is geared towards improving economic development in the region and the country as a whole by developing 20,000 hectares for irrigation catchment management and creation of job opportunities. During the year under review, the Authority is undertaking project feasibility study through a Consultancy.

e) Integrated Regional Development Master Plan (IRDP).

The Authority is finalizing IRDP than would enable coordination monitoring and exploitation of natural resources within the Tana and Athi rivers basins. The process of developing IRDP has been done in consultation with the stakeholders. The launch of the plan is scheduled before the end of financial year 2015/16.

f) Integrated Solar Energy Project

The Authority has identified land in Masinga/Kiambere and TDIP for green energy development including solar power. The Authority plans to produce 720MW of renewable

green energy from its seven (7) sites in Kiambere, Masinga and Tana Delta. During the year under review, the prospective five (5) bidders were awarded.

g) Lower Murang'a Food Security Program

Murang'a County lies approximately 85 Kms North East of Nairobi, covering 2,558 Km². The County has 7 constituencies, with a population of 942,581 according to the KNBS 2009 National Census Report. The Authority under the National water conservation for food security has identified Lower Murang'a Irrigation Scheme to cover around 5,000 ha of Gravity fed irrigation solutions under the presidential initiative

The project is geared towards improving economic development in the region and the country as a whole by developing 5,000 ha for irrigation, catchment management and creation of job opportunities. During the year under review the Authority initiated project feasibility studies expected to be ready by March 2016

Appreciation

I extend my appreciation to the Government including National Treasury and our Parent Ministry, the Ministry of Environment, Natural Resources and RDA, 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

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

VI. CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30TH JUNE 2015

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 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

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

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 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 18 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*;

- 2.1 Be the policy making organ of TARDA.
- 2.2 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.
- 2.3 Approve the TARDA budget, including any readjustments and external borrowing.
- 2.4 Approve the TARDA strategic plan and any other long range plans.
- 2.5 Regularly assess its performance and effectiveness as a whole, including that of individual directors and the CEO.
- 2.6 Advise and determine the Board Procedure and requirements including inter 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 and Planning Sub-Committee of the Board:

Roles and 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. Solomon Lutta | – | Chairman |
| ii. | Ms. Sarah Mugwanja | - | Member |
| iii. | Mr. Joseph Mukui | - | Member |
| iv. | Eng. R.K. Gaita | - | Member |
| v. | Concepta Wasilwa | - | Member |

The F & P committee held Four (4) regular meetings in 2014/2015.

2. Human Resource 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 Halima Shaiyah | - | Chairperson |
| ii. | Dr. Luke Musau | - | Member |
| iii. | Mr. Antony Mugane | - | Member |
| iv. | Mr. John Nthuku | - | Member |
| v. | Ms. Sara Mugwanja | - | Member |
| vi. | Mr. Maro Dhadho Badiribu | - | Member |

The HR Sub-Committee held four (4) regular meetings in 2014/2015.

3. Audit, Monitoring 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 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. | Concepta Wasilwa | - | Member |
| iii. | William Ogolla | - | Member |
| iv. | Eng. George Odedeh | - | 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 A & M Sub-Committee held four (4) regular meetings in 2014/2015.

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) is an integration of business operations and values, whereby the interests of all stakeholders and the environment are reflected in the company's policies and actions.

TARDA recognizes that our Authority has the potential to make a significant impact on its staff, customers, society and the environment. Our CSR believes in transforming lives. This is achieved by building relationships with customers, giving back to the community and maintaining the company's visibility and reputation.

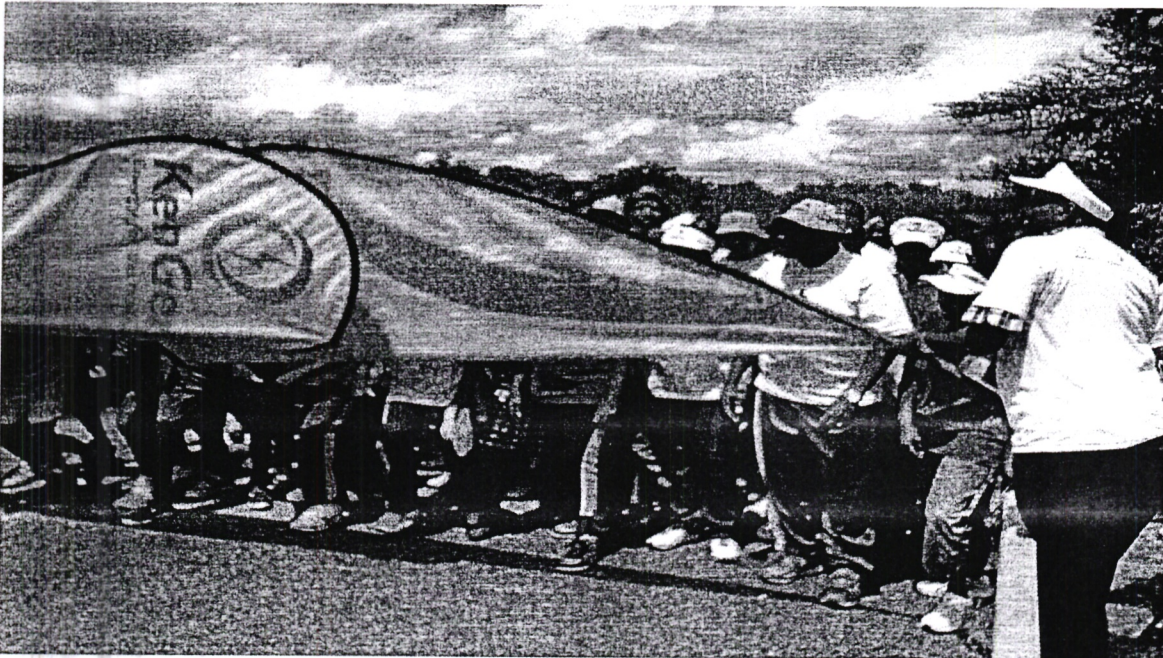
The outcome of all the Corporate Social Responsibility activities that TARDA has undertaken is meant to create a positive change in society and support improvement in the lives of individuals.

KENGEN – TARDA RACE

KENGEN partnered with TARDA to host the Great Dams Race in the area of Masinga Dam on 14th July, 2014.

The objective of the race was to raise awareness on environmental conservation as a means to lessening the effects of climate change in the community.

Fuel conserving 'Jikos' and energy saving lamps were distributed to the locals.



The Board Chairman TARDA Hon. Abdul Bahari flagging off the trial run.

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)



TARDA's Chief Manager Business Development and Investment Promotion handing out solar lamps to a participant.

NATIONAL RALLY RAID MOTOR RACE

The National Rally Raid Motor race in partnership with TARDA was held in March 2015 at Masinga Dam Resort where mosquito nets was donated to the local communities surrounding the dam.

VIII. REPORT OF THE DIRECTORS

The Directors submitted their report together with the audited financial statements for the year ended June 30, 2015 which show the state of Tana and Athi Rivers Development Authority's affairs.

Principal activities

The principal activities of the of Tana and Athi Rivers Development Authority is to undertake integrated planning and development through maximization and utilization of water and land based resources within the Tana and Athi river basins.

Results

The results of Tana and Athi Rivers Development Authority for the year ended June 30, 2015 are set out on page 1 – 24.

Directors

The members of the Board of Directors who served during the year are shown on page 8 - 11.

Auditors

The Auditor General is responsible for the statutory audit of Tana and Athi Rivers Development Authority in accordance with Section 15(2) of the Public Audit Act, 2003 and submits the audit report in compliance with Article 229(7) of the Constitution of Kenya.

"By order of the Board"

Sign:  _____

Date: 30/9/2016

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, 2015. 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, 2015, and TARDA's financial position as at June 30, 2015. 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 30/9/2015 2015 and signed on its behalf by." 

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Tana and Athi Rivers Development Authority set out at pages 1 to 24, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in reserves and statement of cash flows 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 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility 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.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on the financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

Report of the Auditor-General on Tana and Athi Rivers Development Authority for the year ended 30 June 2015

assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Going Concern

As reported in the previous year, the Authority recorded a loss of Kshs.753,407,355 (2013/2014 Kshs.717,088,891) which raised its cumulative deficit to Kshs.12,232,654,792 as at 30th June 2015. The deficit has mainly been attributed to depreciation charges of Kshs.387,984,972 on Masinga and Kiambere Hydro power facilities and non-remittance of accrued revenue due from Kenya Power and Lighting Company, following a Government directive that all revenue from hydroelectric power facilities be remitted to the National Treasury.

In view of the foregoing, the going concern status of the Authority is dependent upon financial support from the Government, its bankers and creditors.

2. Property Plant and Equipment

2.1 Land Without Ownership Documents

The property plant and equipment balance of Kshs.11,224,308,393 as at 30 June 2015 includes a sum of Kshs.22,674,600 representing the value of three (3) parcels of land located at Kibwezi, Kitui and Emali measuring 924.83 hectares whose ownership documents have not been presented for audit verification.

In the circumstance, it has not been possible to confirm the ownership status of the three (3) parcels of land.

2.2 Fully Depreciated Assets

Included in the property plant and equipment balance of Kshs.11,224,308,393 as at 30 June 2015 are fully depreciated assets whose original cost was Kshs.1,942,275,373. However, some of the assets are still in use and have therefore not been adjusted from aggregate assets balance before charging depreciation. Further, management has not put in place policies on how to revalue the Authority's assets. In the circumstances, the accuracy and completeness of the depreciation charge for the year amounting to Kshs.449, 683,150 has not been ascertained.

2.3 Capital Work in Progress

As reported in the previous years. The work-in-progress (capital) balance of Kshs.235,449,689 as at 30 June 2015 comprises of capital work in progress in respect of staff houses, a school, a dispensary, and supermarket, whose construction commenced in 1990 at Tana Delta Irrigation Project (TDIP) in Garsen valued at Kshs.234,152,289; and-work-in progress at Emali in respect of construction of bore hole which commenced in 2010 valued at Kshs.1,297,400 and which has been carried forward since. However, no documents to support the work-in-progress balance of Kshs.235,499,689 were not presented for audit and as a result the accuracy and validity of the balance could not be ascertained.

2.4 Assets held by Former Managing Directors

As previously reported, the Authority incurred expenditures totaling Kshs.422,500 on purchase of mobile phones and iPads which were issued to a former Managing Director between July 2012 and February 2013. Further, available records indicate that one other former Managing Director was issued with a laptop, camera and mobile phones which, however had not been surrendered to the Authority as at 30 June 2015. The management has not provided a satisfactory explanation why these assets were not recovered from the two former Managing Directors after expiry of their respective tenures.

In the circumstances, it has not been possible to confirm that the property, plant and equipment balance of Kshs.11,224,308,393 as at 30 June 2015 is fairly stated.

3. Trade and Other Receivables

The trade and other receivables balance of Kshs.60,352,441 as at 30 June 2015 (2013/2014 Kshs.60,262,030) is net of the Kenya Power and Lighting Company debtor account. According to Note 18 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 sum has been under dispute. Further, the balance of Kshs.60,352,441 includes debtors account – car loan balance of Kshs.259,396 which the Authority alleges is historical and cannot be supported, and a debtor account for Freshco Kenya Limited amounting to Kshs.7,576,126 which is not supported by contract documents.

In addition, the Authority did not provide age analysis for the trade receivables balance of Kshs.60,532,441 as at 30 June 2015. In addition, it was not possible to confirm whether adequate provision had been made against the long outstanding debts.

In the circumstances, it has not been possible to confirm the correctness and recoverability of the trade and other receivables balance of Kshs.60,352,441 as at 30 June 2015.

4. Revaluation Reserve

The financial statements reflect a revaluation reserve of Kshs.19,697,833,221 as at 30 June 2015. However, the reserve could not be verified as no documentary evidence was presented to confirm revaluation of assets done during the year under review. In addition, the reserve is not supported with corresponding increase in values of assets and furthermore, asset and depreciation on the revalued assets was not charged to the reserve. Further, the last revaluation of the Authority's assets was done in 2006 although International Public Sector Accounting Standard No.17 requires that revaluations be done after every five years.

In the circumstances, it has not been possible to confirm whether the revaluation reserve balance of Kshs.19,697,221 as at 30 June 2015 is fairly stated.

5. Trade and Other Payables

Included in trade and other payables balance of Kshs.143,525,579 as at 30 June 2015 are un-remitted statutory deductions relating to the National Social Security Fund (NSSF) of Kshs.3,355,164 and withheld VAT Kshs.1,707,468 due to the Kenya Revenue Authority. The remittances have been outstanding for long, some dating back to 2004. Further, included in trade and other payables is a balance of Kshs.28,622,440 relating to un-remitted pension. No explanation has been provided for the failure to remit statutory deductions to the respective institutions.

Further, as reported in the previous year, the Authority does not reconcile arrears and penalties owed to the NSSF. The omission signifies poor internal control and the Authority is likely to suffer heavy penalties if corrective action is not taken without delay.

In addition, other creditors totalling to Kshs.20,636,111 have been outstanding for between one and nineteen years. Management has not explained this anomaly.

Consequently, it has not been possible to confirm the accuracy and completeness of trade and other payables balance totalling to Kshs.143, 525,579 as at 30 June 2015.

6. Illegal and Irregular Staff Employment Contracts

6.1 Illegal Employment Contract by Managing Director

As reported in the previous year, the Managing Director changed his name from that recorded in the national identification card as confirmed by the National Registration Bureau to a different name on record in his passport No. A1593455 acquired on 2 February 2011. Further, he changed his date of birth from 1953 to 1958, a date he now uses on most of his official documents.

Accordingly, his true age is 63 years and as such he ought to have retired in 2008 one year before the Government enhanced retirement age to 60 years. Therefore, the

Managing Director cheated on his age by 5 years. An analysis of extra basic salary which he ought not to have earned totals to Kshs.16,045,464 as analyzed below;

Period	No. of Months	Basic pay per Month (Kshs.)	Total basic pay Kshs.	Remarks
January 2009 to June 2009	6	200,000	1,200,000	As Deputy MD
July 2009 to June 2011	24	150,000	3,600,000	On Interdiction
July 2011 to February 2012	7	75,000	225,000	
March 2012 to February 2014	24	150,000	3,600,000	
March 2014 to June 2014	4	156,000	624,000	
July 2014 to August 2014	2	162,240	324,000	
September 2014 to March 2015	7	170,352	1,192,464	
April 2015 to July 2016	16	330,000	5,280,000	As a substantive CEO
Total			16,045,464	

Consequently, Kshs.16,045,464 basic pay, besides other allowances, was illegally earned and amounts to fraud committed by the officer.

6.2 Irregular Staff Recruitment

As reported in the previous year, the then Acting Managing Director approved recruitment and signed appointment letters for 37 employees from the date of his appointment in April 2013 up to the time of reporting although he had not been confirmed to the substantive position of managing director. The total basic pay for the 37 employees for the period under review amounted to Kshs.13,787,412. Examination of records on the new appointees revealed that 17 out of 37 employees were from one region. Further, the Authority did not obtain additional recurrent

expenditure budgeting provision for the year under review and further, no approved staff establishment was presented for audit verification. Therefore, the Authority may have used development funds to meet its recurrent expenditure including salaries for the new employees. Also in the year under review, the management recruited nine (9) staff for positions that were not advertised and further, no interviews were conducted as required.

Consequently, the Acting Managing Director, who was thereafter in June 2015 appointed to the substantive position by the Cabinet Secretary was in breach of Treasury Circular No.9/2013 of 26 July 2013 on freezing of all new recruitment and therefore committed abuse of office. The expenditure amounting to Kshs.13,787,412 incurred in 2013/2014 was therefore not a proper charge on public funds.

7. Loss Making Services

7.1 Masinga Dam Resort

During the year under review, the Authority made sales amounting to Kshs.25,489,624 and incurred cost of sales amounting to Kshs.27,680,212 from Masinga Dam Resort resulting in a net loss of Kshs.2,190,588. The cause of this anomaly has not been explained.

7.2 Tana Delta Resort

Similarly, the Tana Delta Resort made sales amounting to Kshs.5,534,243 against the cost of sales amounting to Kshs.8,514,449 resulting in a gross loss of Kshs.2,980,206. Management has not put in place any new measures to make the venture profitable.

8. Over-expenditure on Accommodation and Subsistence

During the year under review, the Authority incurred a total of Kshs.19,743,075 on accommodation and subsistence allowances against the approved budget of Kshs.16,500,000 resulting in an over-expenditure of Kshs.3,243,075 contrary to Section 12 of the State Corporations Act Cap 446.

9. Funding of Parliamentary Activities

Included in the administrative expenses balance of Kshs.4,717,495 is a sum of Kshs.652,367 paid to Authority's Cashier, to support the activities of the parliamentary committee on environment and natural resources. It was not clear why the Authority agreed to fund parliamentary activities which were not budgeted for.

10. Consultancy Services - Munyu Multi-Purpose Dam

The Authority entered into a contract with a consultancy firm for a feasibility study on the Munyu Multi-purpose dam and the greater Kibwezi irrigation project under tender

No.TARDA/RFP/110/2013/2014 at a contract price of Kshs.347,714,640. The bidders listed were less than ten (10) contrary to the Public Procurement and Disposal Act 2005. In addition, the technical proposals drawn by for each bidder were not provided for audit verification. It was not clear whether evaluation was completed within the required 30 days prescribed in public procurement regulations. Although the contract period was twelve months ending 3 October 2015, the contract had not been completed as at the time of audit, eight months after the expected completion time.

Consequently, the Authority was in breach of the Public Procurement and Disposal Act, 2005 and further, delay in completion of the project may result in additional project costs.

11. Biological Assets

The biological assets balance of Kshs.21,694,045 as at 30 June 2015 excludes fruit bearing trees and other commercial trees in Kibwezi and Kiambere valued at Kshs.10,500,000 and un-valued trees at Kiambere. Further, biological assets movement schedule has not been disclosed in the financial statements despite a purchase of 127 goats by the Authority during the year under review.

Consequently, it has not been possible to confirm the accuracy and completeness of the biological assets balance of Kshs.21,694,045 as at 30 June 2015.

12. Lease Income – Tana Delta Investment Project

The Authority entered into a contract with Braken Agricultural Limited on 10 September 2015 in which the Authority, as lesser, leased out 10,000 Ha to Braken Agricultural Ltd for the production of rice. However, Article 7 of the contract and specifies the terms that must be met by both the lessor and the lessee. In subsections (ii) & (iv,) the Authority appears to be disadvantaged in terms of the gains and costs that will be arising as it is obligated to offer services to the lessee, including milling and storage of the harvest without compensation. In addition, the Authority has no costing policy by which its products and services can be billed.

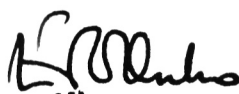
Independent inquiry at Tana Delta Rice Mills confirmed that at present, rice is milled at Shs.4 per kg but as per sub-section (i) of the contract, the Authority had offered to mill the rice at Kshs.3.50 per kilogram. This will result in net expense the Authority at Kshs.130,000,000 far beyond the income received as result of the lease.

Under (iii) of the contract, the Authority has also offered to provide sufficient storage space to Braken Agricultural Limited's rice. However, it has not set the storage charges. The Authority will also be required to meet drying, fumigation, security and labour costs. Since the lessee is required to produce 260,000 tons of rice per annum, the storage charges that Authority will incur will be huge but these do not appear to have been taken into account when the contract agreement was drawn.

Consequently, value for money does not appear to have been considered under the contract as the Authority is likely to incur huge losses from the lease agreement.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Tana and Athi Rivers Development Authority as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Tana and Athi Rivers Development Authority Act, Cap 443 of the Laws of Kenya.



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

Nairobi

15 November 2016

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

XI. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	Jun-15 KSHS	Jun-14 KSHS
REVENUE			
Revenue from non-Exchange transactions	4	252,671,380	352,910,228
Other incomes	5	122,036,214	166,290,859
TOTAL REVENUE		<u>374,707,594</u>	<u>519,201,087</u>
EXPENSES			
Cost of sales from exchange transactions	6	105,069,756	175,053,571
Operation and Maintenance	7	82,099,764	94,454,829
Administrative Expenses	8	4,717,495	4,506,115
Directors expenses	9	12,161,960	7,663,059
Special projects expenses	10	212,465,710	86,368,408
Depreciation and Amortization	11	449,683,150	633,339,906
Employee costs	12	262,573,614	232,608,861
TOTAL EXPENSES		<u>1,128,771,449</u>	<u>1,233,994,750.</u>
Other gains/Losses	13		
Gain on Disposal of Assets		656,500	238,175
Loss on foreign exchange transactions			(2,533,407)
NET DEFICIT		<u>(753,407,355)</u>	<u>(717,088,891)</u>

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

XII. STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	Jun-15 KSHS	Jun-14 KSHS
NON CURRENT ASSETS			
Property Plant and Equipment	14	11,224,308,393	11,661,262,601
Work in progress	15	235,449,689	235,449,689
Investments -Portfolio	16	24,500,000	24,500,000
		<u>11,484,258,082</u>	<u>11,921,212,290</u>
CURRENT ASSETS			
Inventories	17	26,345,446	27,901,154
Biological Assets	18	21,694,045	11,681,155
Trade and Other receivables	19	60,352,441	60,262,030
Cash and cash equivalents	20	44,074,040	113,131,578
		<u>150,465,972</u>	<u>212,975,917</u>
Total Assets		<u>11,636,724,054</u>	<u>12,134,188,207</u>
NON CURRENT LIABILITIES			
FUND AND LIABILITIES			
O.E.C.F (Japan)Loan	XIII	1,258,660,121	1,525,489,349
Capital Fund	XIII	2,769,331,811	2,220,490,409
Accumulated Deficit		(12,232,654,792)	(11,487,852,926)
Revaluation Reserve	XIII	19,697,833,221	19,697,833,221
Tourism Trust Fund	XIII	28,114	28,114
		<u>11,493,198,475</u>	<u>11,955,988,167</u>
CURRENT LIABILITIES			
Trade and other Payables	21	143,525,579	178,199,863
		<u>143,525,579</u>	<u>178,199,863</u>
Total Fund Liabilities		<u>11,636,724,054</u>	<u>12,134,188,207</u>

The financial statements set out on pages 1 – 24 were signed on behalf of the Board of Directors by:

MANAGING DIRECTOR _____

CHAIRMAN _____

DATE: 30/09/2016

DATE: 30/9/2016

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

XIII. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

	Loan Capital	Capital Fund	Accumulated Deficit	Revaluation Reserve	Tourism Trust Fund	EU Fund	Total
At 1st July 2013	2,057,160,000	1,575,675,941	(11,008,565,543)	19,697,833,221	28,114	30,714,048	12,352,845,781
Government Grants		113,143,817					113,143,817
Overstated Inventory in 2012/2013			2,680,178				2,680,178
Write off intercompany debt			443,700				443,700
TARDA expense in EU			(2,974)			(2,974)	(5,948)
Masinga Compensation debt W/off			239,030,317				239,030,317
Staff Salaries Understate			(4,349,712)				(4,349,712)
Payments	(531,670,651)	531,670,651				(90,000)	(90,000)
Refund to EU						(30,621,074)	(30,621,074)
Deficit for the year			(717,088,891)				(717,088,891)
At 30th June 2014	1,525,489,349	2,220,490,408	(11,487,852,925)	19,697,833,221	28,114	0	11,955,988,167
At 1st July 2014	1,525,489,349	2,220,490,408	(11,487,852,925)	19,697,833,221	28,114	0	11,955,988,167
Government Grants		282,012,175					282,012,175
Payments	(266,829,228)	266,829,228					0
W/off of Debts owed by deceased staff			(1,410,704)				(1,410,704)
W/off of Creditors erroneously retained in the books			9,465,492				9,429,492
Salary advance erroneously expensed in 2013/14			107,000				107,000
Provision of intercompany debt erroneously written off in 2013 /14 against revenue reserve funds			443,700				443,700
Deficit for the year			(753,407,355)				(753,407,355)
At 30th June 2015	1,258,660,121	2,769,331,811	(12,232,654,792)	19,697,833,221	28,114	-	11,493,198,475

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

XIV. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2015

	Jun-15	Jun-14
Net cashflow from operating Activities	(753,407,355)	(717,088,892)
Adjustments		
Depreciation and Amortization	449,683,150	633,339,906
Prior Year Adjustments	8,605,488	237,801,509
Operating Income before working capital changes	<u>(295,118,717)</u>	<u>154,052,523</u>
Increase in Biological Assets	(10,012,890)	617,330
Decrease in Inventory	1,555,708	59,956,571
Decrease in Debtors	(90,411)	(1,476,407)
Proceeds from sale of Property Plant and Equipment		821,325
Decrease in Creditors	(34,674,284)	(229,061,892)
Cash generated from operations	<u>(338,340,594)</u>	<u>(15,090,550)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed Assets	(12,728,942)	(7,435,223)
Net cash from investing Activities	<u>(12,728,942)</u>	<u>(7,435,223)</u>
CASH FROM FINANCING ACTIVITIES		
Gok Grants-Development Funds	282,012,175	113,143,817
EU Fund	0	(30,714,048)
Net cash from financing Activities	<u>282,012,175</u>	<u>82,429,769</u>
Net increase /Decrease in cash & cash equivalent	<u>(69,057,360)</u>	<u>59,903,996</u>
Cash & cash equivalent at 1st July 2014	<u>113,131,400</u>	<u>53,227,405</u>
Cash & cash equivalent at 30 June 2015	<u>44,074,040</u>	<u>113,131,400</u>

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

XV. STATEMENT OF BUDGET VS ACTUAL FOR THE YEAR ENDED 30 JUNE 2015

VOTE R HEAD 707 YEAR	DETAILS	APPROVED BUGDET 2014/15	ACTUAL EXPENDITURE 2014/15	VARIANCE EXPENDITURE 2014/15	%age VARIANCE 2014/15
Salaries and Wages					
211010100	Staff Salaries	220,700,000	228,110,772.00	(7,410,772)	-3%
211010101	N.S.S.F	2,360,000	2,341,882.00	18,118	1%
212010202	Pension	17,400,000	19,196,063.00	(1,796,063)	-10%
211010202	Casual wages	10,400,000	939,362.00	9,460,638	91%
	Medical Expenses	9,100,000	9,424,832.00	(324,832)	-4%
	Sub - Total	259,960,000	260,012,911.00	(52,911)	0%
O & M Activities					
2210800	Staff Welfare	3,000,000	2,560,730.00	439,270	15%
2211200	Motor Running	2,000,000	2,335,980.00	(335,980)	-17%
2220101	Motor vehicle maintenance	1,700,000	1,302,548.00	397,452	23%
2210701	Travelling & Accommodation	16,500,000	19,743,075.00	(3,243,075)	-20%
2211317	Postage & Telegram	50,000	30,640.00	19,360	39%
2210201	Telephone & Internet	1,800,000	1,699,486.00	100,514	6%
2210809	Official Entertainment	600,000	1,734,585.00	(1,134,585)	-189%
2210800	Board Expenses	11,300,000	12,161,960.00	(861,960)	-8%
2211319	Electricity & Water Exp.	800,000	829,079.00	(29,079)	-4%
2211320	Printing & Publishing	200,000	188,575.00	11,425	6%
2211016	Uniform & Clothing's	100,000	22,996.00	77,004	77%
2211321	Library Expenses	300,000	265,170.00	34,830	12%
2211100	Stationery Expenses	2,000,000	2,981,745.00	(981,745)	-49%
2211322	Advertisement & Publicity	1,500,000	515,048.00	984,952	66%
2211323	Office Rent	13,200,000	12,675,830.00	524,170	4%
2211324	Land Rates	3,990,719	3,166,588.00	824,131	21%
2211102	Computer expenses	300,000	636,900.00	(336,900)	-112%
2210604	Hire of Transport	1,200,000	1,490,905.00	(290,905)	-24%
2211313	Security Expenses	700,000	501,910.00	198,090	28%
2211308	Legal Fees & Commission	6,562,690	6,540,701.00	21,989	0%
2210700	Staff Training	1,200,000	702,950.00	497,050	41%
2211309	Audit Fees & Expenses.	700,000	696,000.00	4,000	1%
2210900	Insurance Expenses	8,300,000	9,440,653.00	(1,140,653)	-14%
2220202	Maintenance of office Equipment	800,000	826,245.00	(26,245)	-3%
2220205	Maintenance of Station	1,000,000	593,368.00	406,632	41%
2220206	Minor Alteration & Maintenance Works	500,000	128,550.00	371,450	74%
3111005	Purchases of Office Computers	1,200,000	872,210.00	327,790	27%

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

3111001	Furniture & Fittings	400,000	236,000.00	164,000	41%
3111005	Purchase of office Equipment	700,000	1,250,322.80	(550,323)	-79%
3111006	Shows and Exhibition	100,000	-	100,000	100%
3111009	Stock Taking exercise	900,000	922,050.00	(22,050)	-2%
3111010	Bank Charges	700,000	638,914.00	61,086	9%
31110111	Corporate Social Responsibility	700,000	571,000.00	129,000	18%
	Sub - Total	85,003,409	88,262,713.80	(3,259,305)	-4%
	Total - Vote R	344,963,409	348,275,624.80	(3,312,216)	-1%
VOTE D					
PC Activities	(a) Redemption of Debts	12,000,000	10,812,250.00	1,187,750	10%
	(b) Service Delivery Activities	5,085,000	249,700.00	4,835,300	95%
	(c) Non-financial Activities	4,310,000	4,775,308.00	(465,308)	-11%
	(d) Operational Activities - (Environmental Conservation)	10,800,000	4,527,737.00	6,272,263	58%
	(e) Dynamic Activities	610,000	332,400.00	277,600	46%
	(f) Other Non-financial Activities	7,650,000	3,461,922.00	4,188,078	55%
	Sub - Total	40,455,000	24,305,947.00	16,149,053	40%
Development Activities	(a) Upper Hill Feasibility Studies & Designs	4,000,000	69,000.00	3,931,000	98%
	(b) MDR Refurbishment and expansion.	23,000,000	11,901,620.00	11,098,380	48%
	Sub - Total	27,000,000	11,970,620.00	15,029,380	56%
National Irrigation For Food Security	(a) Projects Rehabilitation				
	- Kibwezi Project	5,000,000	2,325,000.00	2,675,000	54%
	- Kiambere Farm	5,000,000	3,778,300.00	1,221,700	24%
	- Kiambere Honey	5,000,000	2,886,000.00	2,114,000	42%
	- Emali Farm	5,000,000	2,200,000.00	2,800,000	56%
	- Masinga Farm	4,000,000	2,081,000.00	1,919,000	48%
	(b) High grand falls	4,000,000	595,250.00	3,404,750	85%
	(d) TDIP Farm - rice	10,000,000	7,869,875.00	2,130,125	21%
	(e) TDIP Rice mill complex Rehabilitation	10,000,000	7,869,875.00	2,130,125	21%
	(f) TDIP Farm - Rehabilitation	25,000,000	15,739,750.00	9,260,250	37%
	(g) Tana Delta Resort - Rehabilitation	10,000,000	4,500,000.00	5,500,000	55%
	(h) Munyu Pre- Feasibility Study	10,000,000	9,926,366.00	73,634	1%
	(g) Muranga Feasibility Study	16,990,000	5,737,160.00	11,252,840	66%
	Sub - Total - NIFS	109,990,000	65,645,681.00	44,344,319	40%
	Sub - Total Vote - D	177,445,000	101,922,248.00	75,522,752	43%
	Grand - Total	522,408,409	444,917,768.00	77,490,641	15%

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

Material Variance Explanation

Motor running

This budget item increased due to a global increase of petroleum related products.

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.

Postage and telegram

The authority is currently enhancing its ICT infrastructure and is less dependent on postage services hence the reason for the underutilized funds.

Insurance Expenses

There was a general increase in insurance premiums during the year.

Uniform and Clothing

This item was underutilized since the request was made late and thus was carried forward to the following financial year.

Stationery Expenses

Due to low stock in the previous years the management decided to furnish various departments with adequate stationery during the year hence the increased expense.

Advertisement & Publicity

This item was part of the cost reduction measures that the Authority was envisaged to undertake during the year under review.

Station maintenance

There was cost saving in this vote.

Minor Alteration and maintenance work

The variance was caused by the late disbursement of funds from exchequer.

Purchase of Office computers

Due to the late disbursement of funds the authority was not able to imperforate IT department's demands as per agreed work plans.

Purchase of office equipment

There was a special need to have office equipment bought to enhance performance.

Show and exhibition

The funds were released late from the Treasury and thus the shows and exhibition was overtaken by events.

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

Computer expenses

Due to improved ICT infrastructure program the authority is undertaking, the budget item expenses increased during the year.

Vote D

The development funds were disbursed late thus the Authority did not achieve what it had planned to do leading to a positive variance in most of the development votes.

XVI. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

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

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

- **'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.

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

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.

- **Contingent Liabilities**

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

A case in court which will be determined in the year 2015/16, in respect of disputed and unpaid casual wages, where Tarda has deposited 7 million with the court is a contingent liability.

- **Contingent Asset**

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

At the end of the financial year 2014/15, 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.

- **'EU Fund**

TARDA received Kshs. 33m from EU Fund to construct Gikwa Mini hydro power. The amount was refunded back to European Union during the financial year 2013/14 since the project did not kick off.

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.

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

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

	2015	2014
Directors Allowances	12,161,960	7,663,059
CEO and senior Management salaries	22,999,372	19,790,634
Senior Management outstanding Debts	497,025	652,405

L) **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.

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

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.

	June 2015	June 2014
Amount due from KPLC(1988)	1,179,215,376	1,179,215,376
Other Debtors	140,254,899	143,829,711
Cash at Bank	43,959,887	112,582,275

- **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 2014-2015	FY 2013-2014
Over 30 days	3,927,949	40,228,469
Over 60 days	6,193,562	18,426,440
Over 90 days	1,512,982	10,268,425
Over 120 days	131,891,086	109,276,529
TOTAL	143,525,579	178,199,863

- **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**

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.

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

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	
iv	Computers	20.00
v	Furniture and Fittings	7.50
vi	Buildings	2.50

- **Estimates and Assumptions**

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

Stocks are valued at Cost price

Prices for Agricultural produce are determined based on the prevailing market prices.

TARDA management considers writing off the intercompany debts if there is a high degree of uncertainty over their recovery

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, 2015

4. REVENUE FROM NON EXCHANGE TRANSACTIONS	Jun-15 Kshs.	Jun-14 Kshs.
Gok Grants-Recurrent	136,808,409	153,870,941
GoK Grants-ESP	-	28,574,375
GoK Grants-Water Harvesting Programme	115,862,971	170,464,912
	<u>252,671,380</u>	<u>352,910,228</u>

Water Harvesting Programme relates to the grants from the Government to promote food security in the Country.

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

5. OTHER INCOMES	Jun-15	Jun-14
External AIA-Kengen	56,833,300	62,000,000
Sale of produce	19,211,183	68,748,499
Sale of Tree Seedlings	1,225,057	3,097,607
Sale of Sand	4,495,227	
Miscellaneous Income	116,371	
Training Levy	31,209	
Hire of Masinga Airstrip	100,000	
TDIP Lease	9,000,000	
Sale of Tenders		43,000
Rendering Services	31,023,867	32,401,753
	<u>122,036,214</u>	<u>166,290,859</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.</p>		
6. COST OF SALES	Jun-15	Jun-14
Tana Delta Irrigation Farm	44,036,457	120,424,338
Tana Delta Resort	8,514,449	
Kibwezi farm	6,735,157	4,617,221
Emali Farm	2,548,647	3,465,996
Kiambere Farm	4,470,905	2,062,347
Masinga Dam Resort	27,680,212	34,507,238
Lower Athi Region	792,751	1,307,385
Kitui Honey Refinery	2,265,673	2,118,862
Buffer zone Conservation	740,002	
Tana Region	553,254	778,530
Upper Athi Region	1,652,795	1,007,025
Masinga Irrigation Project	2,318,861	2,104,393
Masinga Afforestation	764,018	906,763
Tana Bridge	871,720	457,283
Machakos Tree Nursery	609,265	988,050
Wote Tree Nursery	515,590	308,140
	<u>105,069,756</u>	<u>175,053,571</u>

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

7. OPERATION AND MAINTENANCE	Jun-15	Jun-14
Computer Expenses	636,900	389,121
General Insurances	9,440,653	7,037,253
Legal fees, Licences and Subscriptions	6,540,701	7,005,596
Motor Maintenance	1,302,548	3,206,813
Motor Running	2,335,980	3,500,721
Office Equipment maintenance	826,245	1,137,872
Maintenance of Building and Stations	593,368	875,985
Rent and Rates	15,842,418	16,535,175
Water and Electricity	829,079	800,080
Security Expenses	501,910	860,023
Stationery Expenses	2,981,745	2,312,258
Printing and Publishing	188,575	449,262
Advertising and Publicity	515,048	2,669,408
Telephone and Internet	1,699,486	1,868,826
Postage Expenses	30,640	68,231
Hire of Transport	1,490,905	4,529,716
Subsistence and Accommodation	19,743,075	19,371,565
Public Relations	740	124,570
Library expenses	265,170	85,360
Shows and Exhibitions	-	938,951
Sundry Expenses	-	59,000
PC-Non financial Indicators	4,755,308	14,031,846
Minor Alterations	128,550	1,229,941
Gikwa Expenses	-	675,476
Strategic objectives-Other development	1,557,470	

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

Activities		1,100,370
PC Activities-Other non financial indicators	3,461,922	
PC Activities-Service delivery	753,031	
PC Activities-TDIP Lease	579,560	
PC-Operational Indicators	4,527,737	3,441,410
Corporate Social Responsibility	571,000	150,000
	<u>82,099,764</u>	<u>94,454,829</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 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 projects

8. ADMINISTRATION EXPENSES	Jun-15	Jun-14
Uniform and clothing	22,996	11,998
Training	702,950	1,296,240
Official Entertainment	1,734,585	1,233,423
Stock Taking	922,050	703,000
Bank Charges	638,914	565,454
Audit fees	696,000	696,000
	<u>4,717,495</u>	<u>4,506,115</u>
	<u>16,599,748</u>	<u>21,712,354</u>
9. DIRECTORS EXPENSES	Jun-15	Jun-14
Sitting Allowance	2,648,800	3,408,254
Travelling and Accommodation	8,845,424	2,742,639
Mileage	150,024	403,579

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

Training		110,200
Printing and Publishing	53,046	24,000
Medical Allowance		64,064
Honoraria	464,666	910,323
	<u>12,161,960</u>	<u>7,663,059</u>

10. SPECIAL PROJECT EXPENSES	Jun-15	Jun-14
Water Harvesting Programme	196,802,184	86,368,408
NIFS-Murang'a Feasibility study	5,737,160	
Munyu Dam	9,926,366	
	<u>212,465,710</u>	<u>86,368,408</u>

11. DEPRECIATION AND AMORTIZATION	Jun-15	Jun-14
Property Plant and Equipment	447,920,581	631,577,337
Computer Software	1,762,569	1,762,569
	<u>449,683,150</u>	<u>633,339,906</u>

12. EMPLOYEE COSTS	Jun-15	Jun-14
Medical Expenses	9,424,832	8,942,708
Leave Allowance	2,200,000	2,060,000
Salaries	225,910,772	198,844,070
Staff Welfare	2,560,703	2,656,809
Workman compensation	-	518,880
Pension and Gratuity	21,537,945	17,505,069

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

Casual Wages	939,362	2,081,325
--------------	---------	-----------

	<u>262,573,614</u>	<u>232,608,861</u>
--	--------------------	--------------------

13. OTHER GAINS /LOSSES

Jun-15

Jun-14

Gain on sale of assets	656,500	17,750
------------------------	---------	--------

Unrealized gain on Asset sale		220,425
-------------------------------	--	---------

Loss on foreign exchange transactions		2,533,407
---------------------------------------	--	-----------

	<u>656,500</u>	<u>2,771,582</u>
--	----------------	------------------

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

TANA & ATHI RIVERS DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

NOTE 14: PROPERTY PLANT AND EQUIPMENT

DETAILS	MOTOR VEHICLES	PLANT & EQUIP.	FURN. & FITTINGS	LAND	BUILDINGS	COMPUTERS	MASINGA HEP	COMPUTER SOFTWARE	KIAMBERE HEP	TOTAL
At 1st July 2013	324,515,156	1,918,111,080	62,840,665	1,264,135,430	1,769,275,308	21,272,883	6,134,385,600	3,805,226	9,385,013,300	20,883,354,648
Disposal	(71,000)		(988,500)							(1,059,500)
Additions	597,001	125,071	1,751,471		2,331,150	1,148,050		1,482,480		7,435,223
At 30th June 2014 Accumulated Depreciation	325,041,157	1,918,236,151	63,603,636	1,264,135,430	1,771,606,458	22,420,933	6,134,385,600	5,287,706	9,385,013,300	20,889,730,371
At 1st July 2013 Accumulated Depreciation on Disposal Charge For the Year	323,141,830 (17,750) 1,469,328	1,717,637,493	47,658,956 (220,425) 4,769,062	-	1,054,145,162 44,290,161	19,724,578 1,240,199	2,147,034,960 153,359,640	1,268,409 1,762,569	3,284,754,651 234,625,332	8,595,366,039 (238,175) 633,339,906
At 30th June 2014 Net Book Value As At 30.6.2014	324,593,408 447,749	1,909,461,108 8,775,043	52,207,593 11,396,043	- 1,264,135,430	1,098,435,323 673,171,135	20,964,777 1,456,156	2,300,394,600 3,833,991,000	3,030,978 2,256,728	3,519,379,983 5,865,633,317	9,228,467,770 11,661,262,601
At 1st July 2014	325,041,157	1,918,236,151	63,603,636	1,264,135,430	1,771,606,458	22,420,933	6,134,385,600	5,287,706	9,385,013,300	20,889,730,371
Disposal	(12,311,900)	(1,093,375)								(13,405,275)
Additions	-	1,527,859	2,528,873	-	7,800,000	872,210				12,728,941
At 30th June 2015 Accumulated Depreciation	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	5,287,706	9,385,013,300	20,889,054,037
At 1st July 2014 Accumulated Depreciation on Disposal Charge For the Year	324,593,408 (12,311,900) 149,250	1,909,461,108 (1,093,375) 8,927,829	52,207,593 4,958,728	-	1,098,435,323 44,485,161	20,964,777 1,414,641	2,300,394,600 153,359,640	3,030,978 1,762,569	3,519,379,983 234,625,332	9,228,467,770 (13,405,275) 449,683,150
At 30th June 2015 Net Book Value As At 30.6.2015	312,430,758 298,499	1,917,295,562 1,375,073	57,166,321 8,966,188	- 1,264,135,430	1,142,920,484 636,485,974	22,379,418 913,725	2,453,754,240 3,680,631,360	4,793,547 494,159	3,754,005,315 5,631,007,985	9,664,745,645 11,224,308,393

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

NOTES TO THE FINANCIAL STATEMENTS

15. WORK IN PROGRESS	Jun-15	Jun-14
Tana Delta Irrigation Project	234,152,289	234,152,289
Emali Bore hole	1,297,400	1,297,400
	<u>235,449,689</u>	<u>235,449,689</u>

The Work in Progress relates to Projects 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. The borehole in Emali is set to be completed during the Financial year 2015/2016

16. INVESTMENTS	Jun-15	Jun-14
These are shares held in Consolidated Bank of Kenya as numerated below :-		
265,000 Ordinary Shares@ 20.00 each	5,300,000	5,300,000
960,000 4% Preference Shares @20.00 each	19,200,000	19,200,000
	<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-15	Jun-14
Stationery	732,202	1,494,661
Packaging Materials		248,000
Fertilizers	7,500,750	909,100
Spare Parts	9,699,030	9,270,038
Construction Materials	86,747	9,270
Refreshment and Beverages	708,841	645,747
Farm inputs-Chemicals	4,682,705	3,087,450
Fuel and Lubricants	1,001,613	2,707,231

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

Seeds	151,300	
Honey	1,036,979	1,428,448
Rice and Paddy	52,395	6,638,700
FOOD	303,884	88,149
Hay	389,000	1,374,360
	<u>26,345,446</u>	<u>27,901,154</u>

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

18.	BIOLOGICAL ASSETS	Jun-15	Jun-14
	Emaili/Kiambere/Masinga Livestock	4,783,000	6,624,375
	Seedlings/Farm Produce	16,911,045	5,056,780
		<u>21,694,045</u>	<u>11,681,155</u>
 19.	 TRADE AND OTHER RECEIVABLES	 Jun-15	 Jun-14
	Staff Advances	8,136,359	8,086,856
	Trade Receivables	1,295,277,724	1,289,325,913
	Other Receivables	18,056,192	25,632,318
		1,319,470,275	1,323,045,087
	Provision for bad debts	(1,261,117,834)	(1,262,783,057)
		<u>60,352,441</u>	<u>60,262,030</u>

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

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.

	June 2015	June 2014
Amounts due from KPLC	1,300,849,950	1,289,325,913
Other external debtors	18,056,192	25,632,318

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 2015	June 2014
Trade and other Payables	143,525,579	178,199,863

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

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY (TARDA)

20. CASH AND CASH EQUIVALENTS	Jun-15	Jun-14
Cash at Hand	235,775	549,302
Cash at Bank	43,838,265	112,582,098
	<u>44,074,040</u>	<u>113,131,400</u>
21. TRADE AND OTHER PAYABLES	Jun-15	Jun-14
Creditors Account	102,483,579	124,652,581.00
Audit fees Provision	696,000	696,000.00
Sundry creditors and Statutory Deductions	40,346,000	52,851,283.00
	<u>143,525,579</u>	<u>178,199,864.00</u>

