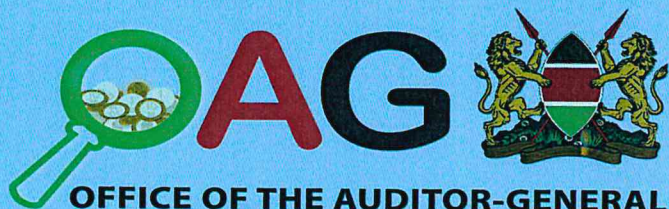


REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY	
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REPORT

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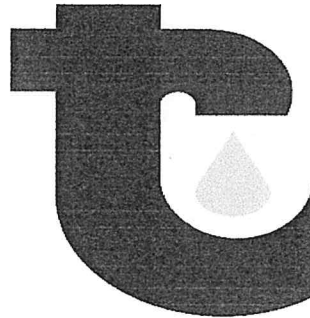
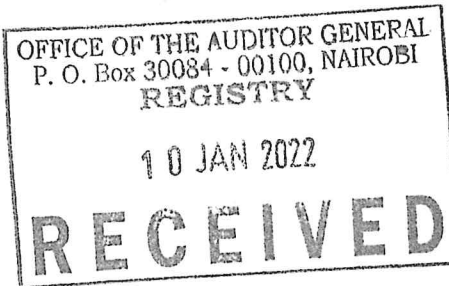
THE AUDITOR-GENERAL

ON

**TANA AND ATHI RIVERS
DEVELOPMENT AUTHORITY**

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





TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR
THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

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

Abbreviations

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

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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 East African Community and Regional Development.

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.

Governance Structure

The Authority has a governance structure consisting of Fifteen (15) Board Members, including the Chairman appointed by the President and the MD as the Secretary to the Board.

Principal Activities

Vision

"To be a leading self-sustaining river basin development Authority in natural resource conservation and development."

Mission

"To undertake integrated basin based natural resources conservation through planning and sustainable development".

Mandate

The Authority will contribute towards the achievement of 3rd Medium Term Plan of Vision 2030 and Big 4 Agenda.

Key objectives

This includes:

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

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 152Kms 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)*

(iii) Other Development Programmes:

(a) Catchment Conservation Programmes

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

(b) Other Projects

- *Tana Delta Irrigation Project – Tana River County*
- *Kiangurwe Community Mini Hydro Power Station – Kirinyaga County*
- *Owns (2) two Prime Plots in Nairobi (Upper Hill and Industrial Area)*
- *Masinga Irrigation Project - Machakos County*

*Tana and Athi Rivers Development Authority (TARDA) Reports and Financial Statements
for the Year Ended June 30, 2020*

- *Kiambere Irrigation Project – Embu County*
- *Emali Livestock Multiplication & Breeding Farm – Kajiado County*
- *Kibwezi Irrigation Project – Makueni County*
- *Kitui Honey Refinery – Kitui County*

(b) Key Management:

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

(i) Cabinet Secretary

Hon. Adan Mohamed, EGH

Ministry of EAC and Regional Development

(ii) Principal Secretary

Dr. Margaret W. Mwakima

State Department for EAC

(iii) Fiduciary Management

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

NAME	DESIGNATION
1. Mr. Steven G. Ruimuku	- Managing Director
2. Mr. David Kimaiyo	- Ag. Chief Manager Finance and Accounts
3. Mr. Samuel Gitonga	- Chief Manager Technical Services & Operations
4. Ms. Damarys Kiarie	- Chief Manager Human Resource & Administration.
5. Mr. Parmenas Mukeku	- Chief Manager Athi Basin
6. Ms. Irene Ndavi	- Ag. Chief Manager Planning, R & D
7. Eng. Henry Maina	- Ag. Chief Manager Tana Basin
8. Mr. James Osano	- Internal Audit & Risk Manager
9. Mr. Wycliffe Sava	- Supplies & Procurement Manager
10. Ms. Maureen Nyamai	- Senior Legal Officer
11. Mr. Samuel Wanyoike	- ICT Manager

(c) TARDA Headquarters

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

(d) Contacts

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

(e) 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

(f) Independent Auditors

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

(g) Principal Legal Advisor


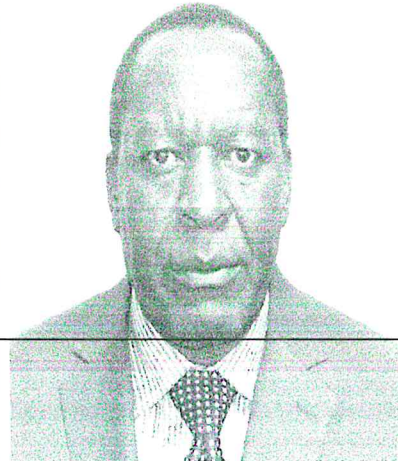
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112- 00200
Nairobi, Kenya



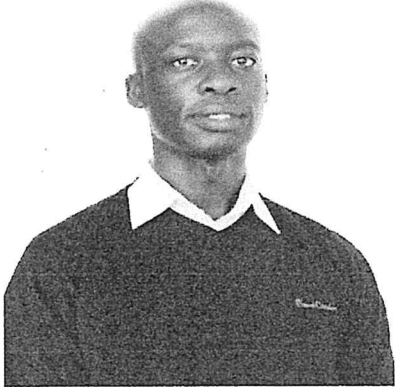
*Tana and Athi Rivers Development Authority (TARDA) Reports and Financial Statements
for the Year Ended June 30, 2020*



(h) Lawyers

- M Mulekyo & Co. Advocate
- Waweru Gatonye and Co. Advocate
- Kibe & Kinoti Co Advocate
- Muchoki KangataNjenga& Co. Advocate
- Muthuri Riungu Company Advocate

i) THE BOARD OF DIRECTORS

No	PASSPORT SIZE PHOTO	ACADEMIC & PROFESSIONAL QUALIFICATIONS	DATE OF BIRTH, KEY QUALIFICATIONS & WORK EXPERIENCE
1.	 <p data-bbox="228 1021 627 1122">Hon. Jamleck Kamau, EGH Chairperson of the TARDA Board of Directors</p>	<p data-bbox="659 506 1018 651">University of Nairobi Nairobi, Kenya Bachelors of Arts degree (Economics)</p> <p data-bbox="659 685 978 797">School of Professional Studies Nairobi, Kenya CPA</p> <p data-bbox="659 831 1010 976">United States International University Nairobi Kenya , Masters in International Business</p>	<p data-bbox="1058 506 1305 539">D.o.B: 10-05-1965</p> <p data-bbox="1058 573 1549 651">Former MP Kigumo Constituency in Murang'a County 2007</p> <p data-bbox="1058 685 1533 797">Former Chairman of Parliamentary Committee on Energy, Communication and Information.</p> <p data-bbox="1058 819 1533 965">Minister for State , Ministry of Nairobi Metropolitan Development, The Kenya Government Nairobi, Kenya 2012 – 2013.</p> <p data-bbox="1058 999 1557 1178">Program Supervisor ,Community Interactions , Philadelphia, United States of America,1994 – 1997 Social Development and Community Services</p>
2.	 <p data-bbox="228 1738 563 1818">Mr. Steven G. Ruimuku Managing Director</p>	<p data-bbox="659 1223 1026 1290">Ph.D:(Candidate) Sustainable Development</p> <p data-bbox="659 1323 1002 1402">M.A. Economics (Public Finance) -1984</p>	<p data-bbox="1058 1223 1233 1256">D.o.B: 1958</p> <p data-bbox="1058 1267 1533 1368">Lecturer – International Trade &Economics -USIU (2000 to date) Public Finance since 1984</p> <ul data-bbox="1106 1379 1557 1626" style="list-style-type: none"> • Economics • Public Expenditure Mgt. • Integrated Dev (Multipurpose Reservoirs, Food Security programmes) • Conservation and climate change programmes <p data-bbox="1058 1637 1549 1704">Patron- Education taskforce: Nyeri South District</p> <p data-bbox="1058 1715 1541 1818">Patron-Mahiga Primary school Board Member- Mahiga Girls Sec School.</p>

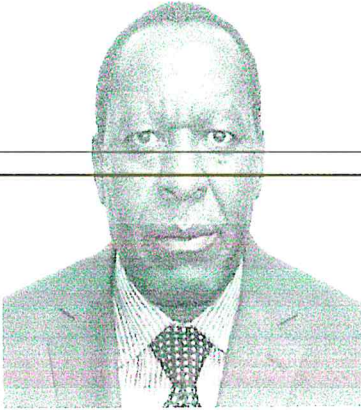



3.	 <p>Mr. Robert Kabuta Murimi Board member</p>	<p>Business Administration Calvin Collage Grand Rapids Michigan, USA</p>	<p>D.o.B: 19 May 1961</p> <ul style="list-style-type: none"> - Hotel Manager , Alliance Hotels Limited - Director of Various Companies
4.	 <p>Mrs. Jane Cirindi Kithinji Board Member</p>	<p>Bachelor of Education, Kenyatta University</p>	<p>D.o.B: 1961</p> <ul style="list-style-type: none"> - Teacher, Chogoria Boys High School- 1987-1995 - Head Teacher- Makuri Girls High School 1995-2013 - County Executive Committee- 2013-2017 - Chairlady- Kenya Secondary School Heads Association, Maara District 2008-2013 - Chairlady – Kenya Secondary School Heads Association, Tharaka Nithi County 2011-2013 - Chairlady- Nithi Constituency Bursary Fund (for the National Government) 2008-2013
5.	 <p>Dr. Michael Maero Wawire Board Member</p>	<p>Bsc, Msc, PhD- JKUAT</p>	<p>D.o.B: 1976</p> <p>Doctorate of philosophy Food science and post-harvest technology- JKUAT Laboratory and Food Technology- Katholieke Unibesiteit. Leuven, Belgium.</p> <p>Masters of Postharvest and Food Preservation Engineering Katholieke Unibesiteit. Leuven, Belgium.</p> <p>Bachelor of Science in Food Science and Post harvets Technology, JKUA</p>

6.		O Level	<p>D.O.B 1957</p> <p>Chairperson, Jubilee Party, Kirinyaga County</p> <p>Former Board Member, Tana Water Services Board</p> <p>Business Mogul</p>
<p>Mr. Muriithi Wa Kang'ara Board Member</p>			
7.	 <p>Late Mr. Ndogo Waweru</p>	<p>East African Certificate of Education Division III- East African Examination Council</p>	<p>D.O.B 1949</p> <p>Teaching 1976-1980 Kiriri Primary School 1981-1985 Mwisho wa Lami Primary School</p> <p>Head teacher 1986-1992 Maji Mingi Primary School 1993-2000 Elected Councilor, Njoro</p> <p>2015-2018 Board Member ENSDA</p>




ALTERNATE BOARD MEMBERS


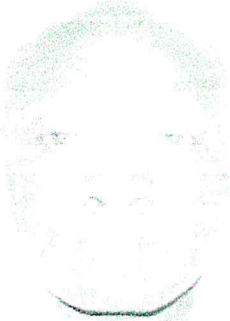

- | | | |
|---------------------------------|---|--|
| 8. Mr. Anthony Mugane | - | Alternative Director to Principal Secretary
Ministry of Forestry and Wildlife |
| 9. Eng. Ndegwa Muhwanga | - | Alternative Director to Principal Secretary
Ministry of Water Sanitation and Irrigation |
| 10. Amb.(Eng.) Mahboab Maalim | - | Board Chairman - Kenya Power and Lighting
Company Limited |
| 11. Mr. Ronald Inyang'ala | - | Alternate Director to The Principal Secretary
National Treasury |
| 12. Late Eng. John K. Kibe | - | Alternative Director to Principal Secretary
Ministry of Agr. Livestock, Fisheries and
Irrigation |
| 13. Eng. Alexander w. Kuria | - | Alternative Director to the General Manage
National Irrigation Board |
| 14. Ms. Felister Nyacuru OGW | - | Alternative Director
Attorney General and Department of
Justice |
| 15. Mr. Christopher Musumbu OGW | - | Alternative Director to Principal Secretary
Ministry of EAC & Regional Development |
| 16. Mr. Peter Nyutu Mwangi | - | Senior Assistance Inspector General
(Corporation)
Executive office of the President |

ii) MANAGEMENT TEAM


NO.	Name	Qualification	Designation / D.O.B
1.	 Mr. Steven G. Ruimuku	Ph.D:(Candidate) Sustainable Development M.A. Economics (Public Finance) -1984	D.o.B: 1958 Managing Director
2.	 David Kimaiyo	MBA (Finance Option) – 2010 BBA (Finance & Accounts Option) – 2008 CPA KISM	D.o.B: 1975 Ag. Chief Manager Finance and Accounts
3.	 Samuel Gitonga	Msc. (Water Resources Survey & Management)–1999 MBA (Strategic Management) 2014 BSc. (Geology) - 1989	D.o.B: 1962 Chief Manager Technical Services
	 Samuel Gitonga	Member-Institute of Environmental Assessment Kenya (EIK) Hydrological Society of Kenya (HSK)	

Tana and Athi Rivers Development Authority (TARDA) Reports and Financial Statements for the Year Ended June 30, 2020

4.	 <p>Parmenas Mukeku</p>	<p>BSc (Animal Production) - 1992</p>	<p>D.o.B: 1965 Chief Manager Athi Basin</p>
5.	 <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>
6.	 <p>Damarys Kiarie</p>	<p>BA (Social Sciences) - 1980</p>	<p>D.o.B: 1957 Chief Manager Human Resource & Administration.</p>

7.		<p>BSc (Agriculture Engineering) - 1999</p> <p>Member - Institute of Engineers Kenya (MIEK).</p> <p>Engineers Board of Kenya (EBK)</p>	<p>D.o.B: 1974</p> <p>Ag. Chief Manager Tana Basin</p>
	<p>Eng. Henry Maina</p>		
8.		<p>MBA (Finance Option) – 2010</p> <p>B Com (Accounting Option) – 2006</p> <p>CPA (K) -1997</p> <p>CPS (K) - 2007</p>	<p>D.o.B: 1962</p> <p>Internal Audit and Risk Manager</p>
9.		<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>Wycliffe Sava</p>		

Tana and Athi Rivers Development Authority (TARDA) Reports and Financial Statements for the Year Ended June 30, 2020

10.	 Maureen Nyamai	CPS (K)-2019 Advocate-2014 KSL .DIP 2013 LLB – 2011	D.o.B: 1989 Senior Legal Officer
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iii) CHAIRPERSON'S STATEMENT

Assumption of Office

In Exercise of the powers conferred by section 4(1) of the Tana and Athi Rivers Development Authority Act Cap 443 of the Laws of Kenya, His Excellency the President, Uhuru Kenyatta appointed me to be the Chairman of Tana and Athi Rivers Development Authority (TARDA), for the period of three (3) years with effect from 3rd May, 2019.

Mandate of TARDA

TARDA's area of jurisdiction is wide, covering an area of approximately 138,000km² covering nineteen (19) 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 Region is inhabited by a diversity of communities and is endowed with natural resources and enabling infrastructure; all providing good opportunities for development.

Vision

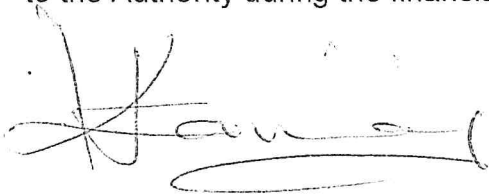
The Board's vision for TARDA is to be a leading self-sustaining river basin development Authority in natural resources conservation and development. TARDA's overall goal is to facilitating the attainment of the 'Big 4 Agenda' Pillar on Food Security in line with the National Government's Vision 2030 and the Third Medium Term Plan (2018-2022) on advancing socio-economic development of our Nation. The Board has identified key initiatives for implementation 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.

Performance Highlights:

During the year under review, TARDA engaged our partners and stakeholders in the Counties in activities with positive bearing on social and economic gains in catchment conservation activities, water conservation, and irrigation development among others. However, due to the impact of the COVID-19 pandemic that hit the country and the entire world, many of the activities the Authority was engaged in were greatly hampered. However, TARDA endeavors to provide excellent customer service through all delivery channels through continuous improvement of various processes and procedures.

Acknowledgement

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 stakeholders and most importantly, the dedicated employees for their consistent support and commitment to the Authority during the financial year despite all the challenges faced.



BOARD CHAIRMAN

iv) MANAGING DIRECTOR'S STATEMENT

I was appointed as the Acting Managing Director of Tana and Athi Rivers Development Authority on 16th September, 2020. I am delighted to report the 2019/20 Financial Statements of Tana and Athi Rivers Development Authority. The report highlights the operational performance, challenges and ongoing projects.

During the year under review, the Authority total revenue reflect an Increase of 3.4% from Kshs.464 million in 2019 to Kshs.480 million in 2020 mainly revenue from non-exchange transactions and exchange transactions.

In the statement of changes in equity the capital fund in the year 2020 witnessed a 15% growth in capital from Kshs.4.3 billion in 2019 to Kshs.5.0 billion in 2020. This was due to development funds received in the year under review.

The overall deficit decreased by 21% Kshs 728 million in 2019 to Kshs 577 million in 2020.

MAIN CHALLENGE

Going Concern

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

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

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

ON GOING PROGRAMMES AND PROJECTS

1. TANA DELTA IRRIGATION PROJECT (TDIP)

A. RICE FARMING (5,000Ha):

The plan is to expand this area for paddy farming to 5,000ha which will enable production of 60,000tonnes of paddy rice which translates to 42,000tonnes of milled rice. This is approx. **Kshs.2.50 billion per annum.**

I. Phase-1

The 1st phase of the project covering 2,000ha was implemented through financial assistance of the Japanese government. The main components of the project were:

- Intake works from the Tana River at Sailoni
 - The main canal and service road approx. 13.6kms
 - Main drain and service road
 - Secondary canals and service roads and drains
-
- On farm works, 2,000ha
 - Flood protection dykes
 - Building works consisting of main office block, central workshop, residential quarters, stores e.t.c
 - Rice mill complex with a processing capacity approx. 7.5tons per hour
 - Operations and maintenance equipment including farm machinery

The project was completed in 1997 but was damaged by El-Nino floods of 1997/98 which destroyed approx. 70% of the infrastructure.

Current Status and Challenges:

2,000ha is fully developed for rice crop farming.

Biggest impediment to production is unstable river channel at intake works and damage of irrigation infrastructure by floods.

Out puts

If above challenges are addressed, the 2,000ha of land can:

(a)

- ✓ Produce 24,000 tonnes of paddy rice or 17,000 tonnes of milled rice.
- ✓ **Value:** Kshs.1 billion per annum.
- ✓ Employment (local) over 2,000 workers
- ✓ Minimize import of rice to the county (import substitution).

(b) Community Livelihoods

The **34km canal supplying water to the project** is the one 18 villages living along its stretch **access** water for domestic, livestock and farming uses from.

It is a shared facility between TARDA and the local communities. when the canal is filled with silt as a result of flooding and/or the flood protection dykes are destroyed both the communities and TARDA are adversely affected. The farming system which is the dominant source of livelihood for the rural communities is worsened because they depend on the canal's efficient water deliveries.

B. SUGAR CANE FARMING (22,000Ha):

The delta has a unique endowment area as a sugar producing belt which can:

- Produce mature cane in 11 to 12 months per year as opposed to 22 months in the Western belt.
- Has the land farm size suitable for **block farming units** both with nucleus estates and with the out growers.
- Adopt irrigation solution under furrow delivery systems.
- Promote diversification not only in farming but also in processing without fundamental challenges.
- Has demonstrated a high yield of 150 – 180 tonnes of harvested cane.

Projected Output on 22,000ha as nucleus estate:

- With cane harvested from 18,000ha (nucleus estate) the project would produce 2.70 – 3.20 million tonnes per year or approx.350,000 tonnes of sugar. This translates to over 80% of total sugar import.
- Co-generation, bio-fuel or other forms of diversified output from the cane farming.
- Incorporating the local communities into sugar cane farming will increase domestic production of cane sugar to over 400,000 tonnes per annum notwithstanding other diversified products.
- The 18,000 harvested acreage, will produce 230 million litres of ethanol per annum.

Development focus:

Due to the challenges and the issues learnt within the existing sugar belt in Kenya, TARDA is convinced that the most ideal sugar production model is **private sector** initiative.

2. KIENI INTEGRATED IRRIGATION PROJECT

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

Commercial contracts signed. Approval of Financial proposal by Treasury waited. In the year under review the Authority constructed 8 Small Holder Irrigation Schemes which are in completion stage.

3. LOWER MURANG'A INTEGRATED IRRIGATION PROJECT

The Lower Murang'a Integrated Irrigation Project is being implemented as part of 1 million acre and funded through Ministry of Environment, Water and Natural Resources - State Department of Water under "**Water Use for Enhanced National Food and Water Security Project**".

The project areas covers 3 sub-counties of Murang'a namely, Kiharu, Maragua and Gatanga sub-counties. The following locations will be targeted within the project area;

- i) Mirira location in Kiharu sub-county.
- ii) Maragua ridge location , Kamahuha location, Kambiti location and Makuyu location in Maragua sub-county
- iii) Ithanga location and Kakuzi location in Gatanga sub-county

The Authority and County Government of Murang'a commissioned project feasibility study and design for the development of 5,000ha irrigation scheme in the Lower Murang'a and a Mini-hydro power generation.

In the year under review the Authority endeavors to complete 2no. On-going smallholder irrigation projects approximately 35ha at; Wairuri /Mariki-Sama and Gaitega/Gaturi.

4. THE HIGH GRANDFALLS MULTI-PURPOSE RESERVOIR

Scope of Works: Construction of concrete roller dam, Construction of rock fill portion of dam, Construction of saddle dam, Construction and installation of 730MW power house including switch yard and 230km overhead transmission line.

Current Status: Detailed design completed, Commercial Contract signed, BOT proposals being solicited from Investors.

Project Cost: \$1.54bn planned under BOT.

Project Output: 730MW hydropower, irrigation infrastructure for 100,000Ha land & Water supply for over 2 million people among other benefits like catchment conservation and Tan river floods control.

Planned Output: - Carry out 5no. Public sensitization meetings;

5. LEASE OF LAND

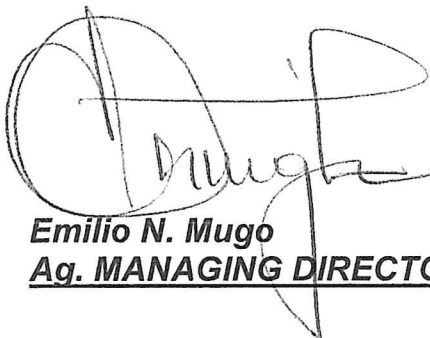
Request for Proposal (RFP): Lease of approximately 2,800 acres of land at the Masinga Irrigation Project meant to promote domestic production, forex exchange earnings and import substitution, enhanced food security, employment and income generation as part of the Big "Four" Agenda (Big 4)

Expression of Interest (EOI): Lease of approximately 23,000 ha for sugar production at the Tana Delta Irrigation Project (TDIP) meant to promote domestic production, forex exchange earnings and import substitution, enhanced food security, employment and income generation as part of the Big "Four" Agenda (Big 4)

Appreciation

I extend my appreciation to the Government including The National Treasury and our Parent Ministry of East African Community (EAC) and Regional Development, State Department for Regional & Northern Corridor Development, 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.



Emilio N. Mugo
Aq. MANAGING DIRECTOR

v) CORPORATE GOVERNANCE STATEMENT

BOARDS AND MANAGEMENT OF STATE CORPORATIONS

The Tana and Athi Rivers Development Authority (TARDA) Act Chapter 443 of the Laws of Kenya is the main guideline on membership and procedure of the Authority. Section 4 (1) of the TARDA Act provides for a Board of Seventeen (17) Board Members, Including the Chairman appointed by the President and the Managing Director as the Secretary to the Board. In the period under review two members passed away i.e. Mr. Ndogo Waweru, an Independent Board Member passed away in April 2020 and Eng. John Kibe, Alternate Director to the Principal Secretary Ministry of Agriculture, livestock and Fisheries & Irrigation.

OVERVIEW

Corporate governance refers to the principles, processes and practices by which an organization 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's business remains viable and sustainable.

Good Corporate Governance is necessary in order to:

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

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

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

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

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

The Authority regards good corporate governance as crucial to the success of the business and is steadfastly committed to practice it so that the Authority remains a sustainable and 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 Fifteen (15) Members. The Chairperson of the Board, Five (5) are non-official members who are not members of the Government service, The Chairman Kenya Power and Lighting Company, Seven (7) of the members are principal secretaries or alternate appointees and the Managing Director. The Board also has one (1) representative from the Inspectorate of State Corporations, however, the representative is not a member of the Board.

2. Functions of the Board are inter alia:

1. Determine TARDA's mission, vision, purpose and core values.
2. Set and oversee TRADA's overall strategy and approve significant policies
3. Approve TARDA's organizational structure
4. Approve the annual budget of TARDA
5. Monitor TARDA's performance and ensure sustainability and regularly access the performance of top management.
6. Enhance TARDA's corporate image of TARDA
7. Ensure effective communication with stakeholders
8. Regularly undertake overall board performance evaluation.

3. Role of the Chairman of the Board of Directors

The chairman inetralia:

1. Providing overall leadership to the Board especially on area of policy development
2. Conducts efficient Board meetings and guide the Board's decision –making process.
3. Lead the Board evaluation process.
4. Head the Board Evaluation Process.
5. Promotes a positive image of TARDA.

4. Conduct of Board's Business

The TARDA Act CAP 443 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 & Supply Chain Committee of the Board

Roles and Responsibility

The Board as per section 12 of the TARDA Act CAP 443 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 to the National 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 members:

- | | | |
|--------------------------------|---|-------------|
| i) Mr. Robert Murimi | - | Chairperson |
| ii) Mr. Muriithi wa Kang'ara | - | Member |
| iii) Mr. Ronald Inyangala | - | Member |
| iv) Mr. Albert Mokua | - | Member |
| v) Eng. James Muturi | - | Member |
| vi) Mr. Anthony Mugane | - | Member |
| vii) Eng. Alexander Wainanina- | | Members |

The Finance & Supply Chain committee held Five (5) regular meetings in 2019/2020

2) Human Resource & Administration Committee of the Board

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 & Administration.

- | | | |
|--------------------------------|---|-------------|
| i) Ms. Jane Cirindi Kithinji | - | Chairperson |
| ii) Ms. Felister Nyacuru | - | Member |
| iii) The Late Mr. Ndogo Waweru | - | Member |
| iv) The Late Eng. John Kibe | - | Member |
| v) Eng. Alexander Wainaina | - | Member |
| vi) Mr. Albert Mokua | - | Member |

The HR Sub-Committee held five (5) regular meetings in 2019/2020.

3) Governance, Audit & Risk Management Committee of the Board

Roles and Responsibility

The 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) The Late Mr. Ndogo Waweru | - | Chairperson |
| ii) Amb. Eng. Maalim Moahboub | - | Member |
| iii) Eng. Alexander Wainaina | - | Member |

- | | | |
|--------------------------|---|--------|
| iv) Ms. Felistus Nyacuru | - | Member |
| v) Dr. Wawire M. Michael | - | Member |
| vi) Eng. James Muturi | - | Member |

The Audit committee will:

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

The Audit, Risk Management and Compliance Sub-Committee held Five (5) regular meetings in 2019/2020.

4) Planning & Natural Resources Conservation Committee of the Board

- | | | |
|--------------------------------|---|----------|
| i) Dr. Wawire M. Michael | - | Chairman |
| ii) Mr. Muriithi wa Kang'ara | - | Member |
| iii) Late Eng. John Kibe | - | Member |
| iv) Ms. Felister Nyacuru OGW | - | Member |
| v) Mr. Anthony Mugane | - | Member |
| vi) Mrs. Jane Cirindi Kithinji | - | Member |
| vii) Mr. Robert Murimi | - | Member |
| viii) Mr. Albert Mokua | - | Member |

Roles and Responsibility

The Planning Research and Development committee will:

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

The Planning Research and Development Sub-Committee held Six (6) regular meetings in 2019/2020.

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. Further, Board members are encouraged to attend training conducted by the State Corporations Advisory Committee (SCAC).

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 Four (4) full Board 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

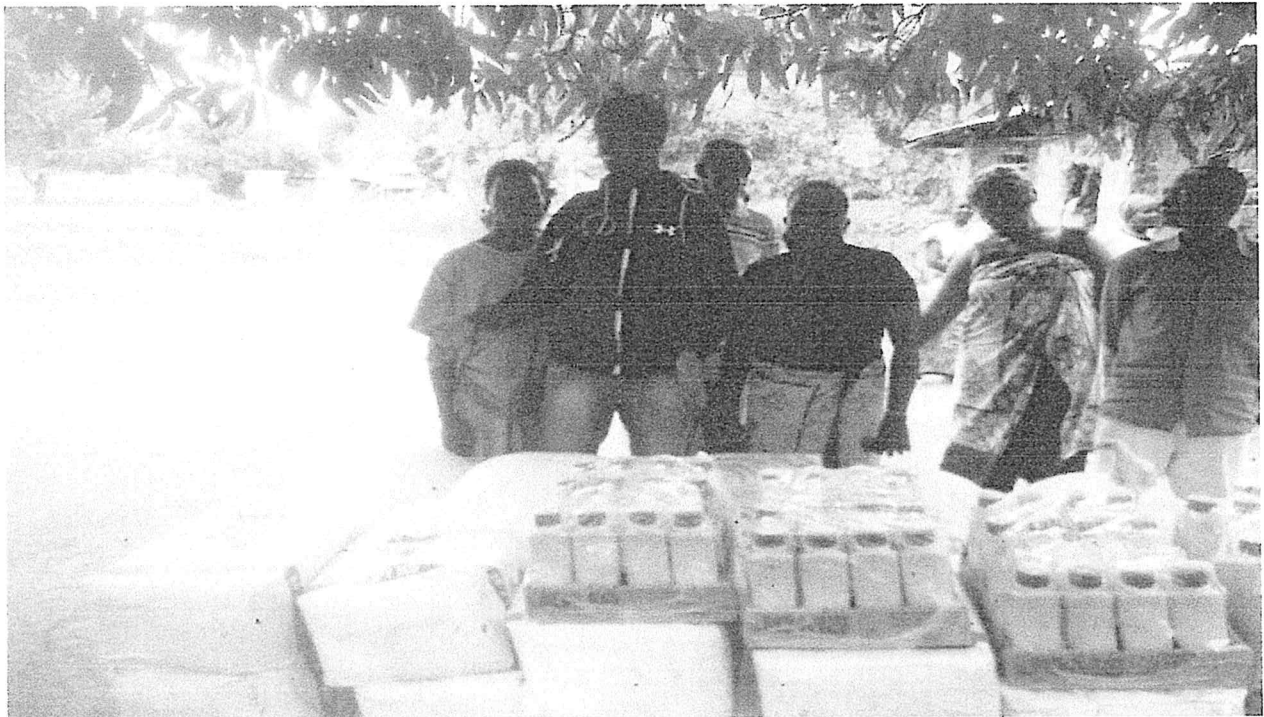
Members are entitled to a transport allowance where official transport is not provided for them to attend a meeting or an official function, which they are required to attend. A member will be reimbursed on the cost of travel by the most cost effective public transport means on production of receipted 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).

vi) CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

TARDA recognizes that it has the potential to make significant impact on its staff, customers and business partners, the communities around it and largely on the environment. Our CSR programs are hinged on the belief that we can transform lives by supporting various programs and creating positive change in the community. This is achieved by building and maintaining strong relationships with our stakeholders, giving back to the communities within our jurisdiction and partnering with other likeminded organizations that strive to impact positively on their environment.

During the year under review, the Authority donated food stuff to four community villages namely: - Wema, Hewani, Bandi and Gaden that were affected by the floods on the 6th April 2020, as part of TARDA's 2019/2020 financial year corporate social responsibility. The Food donation programme was a response to the Tana delta Community leadership that had requested TARDA's management to support the community with foodstuff during the flooding period.



Food Donation to the village communities



TARDA'S team members donating food to the community

Following heavy rains that were being experienced countrywide, the floods caused devastating effects to crops, livestock and human settlements within the Tana Delta. The community villages namely, Wema, Hewani, Bandi and Gaden appealed for relief support after floods swept their homes away and displaced them.



viii) **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.

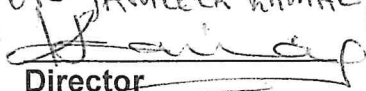
The Directors are responsible for the preparation and presentation of Authority's financial statements, which give a true and fair view of the state of affairs TARDA for and as at the end of the financial year ended June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of 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.

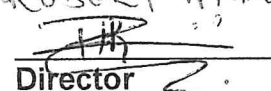
The Directors accept responsibility for TARDA's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by 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, 2020, and TARDA's financial position as at June 30, 2020. 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.

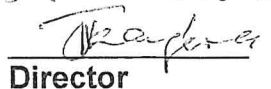
Nothing has come to the attention of the Directors to indicate that Tana and Athi Rivers Development Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the Financial Statements

The Authority's financial statements were approved by the Board on 23rd OCTOBER 2020 and signed on its behalf by."

HON. JAMLECK KAMAU, EGH

Director

ROBERT MURIMI

Director

JAMES MUMITHI KAUJIA

Director

vii) **REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of 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, 2020 are set out on page 1 – 56.

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"


Corporate Secretary
Nairobi

Date... 27/1/2021..

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Tana and Athi Rivers Development Authority set out on pages 32 to 56, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, the statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Tana and Athi Rivers Development Authority as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Tana and Athi Rivers Development Authority Act, Cap. 443 of 1974 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Un-Refunded Court Deposit Security

The statement of financial position reflects a balance of Kshs.499,333,307 under trade and other receivables. The balance excludes an amount of Kshs.10,000,000 deposited by the Authority as court security in respect of case No.108 of 2001 filed in Embu High Court on 4 December, 2001 by residents of Mbondeni and Makina locations who were seeking compensation of Kshs.100,000,000 claiming that they were not adequately compensated during the construction of Masinga Dam in 1975.

Although the Authority lost the case, an appeal Ref. C.A.C. A No.253 of 2011 was filed in Nyeri High Court and ruled in favour of the Authority on 3 October, 2013 and the security deposit was released to the Authority's lawyer. However, the security deposit has not been released to the Authority despite several demand letters. Instead, the law firm is claiming a sum of Kshs.4,998,996 as legal fee which includes Kshs.1,919,389 charged for appeal and a further unexplained outstanding fee of Kshs.1,898,627 as per

their demand letter dated 16 May, 2017. The matter had not been resolved by 30 June, 2020.

Under the circumstances, the accuracy and completeness of the trade and other receivables balance of Kshs.499,333,307 could not be confirmed.

2. Lease Income from Tana Delta Investment Project

On 10 September, 2015, the Authority leased 10,000 hectares of land to an agricultural firm for a period of fifteen (15) years. According to the contract agreement, the agricultural firm was to use the land for production of rice and pay an annual fee of Kshs.30,000,000 to the Authority. However, as at the time of audit, the Company had not started the production of rice and had paid Kshs.30,000,000 instead of Kshs.150,000,000 for the five (5) years leased, resulting in under payment of Kshs.120,000,000. No explanation was provided for failure to operate within the contract guidelines.

3. Revaluation of Assets

As previously reported, the statement of financial position reflects a revaluation reserve of Kshs.19,697,833,221 as at 30 June, 2020. However, no documentary evidence was presented for audit to support the revaluation reserve. Further, the last revaluation of the Authority's assets was done in the year 2006, contrary to International Public Sector Accounting Standard No.17 which requires that revaluations be done with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

Under the circumstances, it was not possible to confirm whether the revaluation reserve balance of Kshs.19,697,833,221 as at 30 June, 2020 was fairly stated.

4. Abandoned Works at Tana Delta Irrigation Project (TDIP)

The statement of financial position reflects a balance of Kshs.260,398,843 under work in progress which, as disclosed in Note 14 to the financial statements, includes an amount of Kshs.234,152,289 relating to the Tana Delta Irrigation Project. The works related to construction of staff houses in Garsen and commenced in 1990. However, as previously reported, no documents were provided for audit verification in respect of the Project. Further, the physical condition of the works has continued to degenerate, thereby raising doubts on the value for money and the carrying amount in the financial statements.

5. Property, Plant and Equipment

5.1 Land Without Ownership Documents

The statement of financial position reflects a balance of Kshs.9,063,882,515 under property, plant and equipment which, as disclosed in Note 13 to the financial statements, includes an amount of Kshs.1,264,135,430 in respect of land. However, the land balance includes a parcel of land measuring 0.6 hectares in Kitui valued at Kshs.1,539,000 whose ownership documents were not provided for audit verification. Further, the land balance includes an amount of Kshs.21,135,600 representing the value of two parcels of land located at Kibwezi and Emali measuring 929 hectares whose leases have expired. In

addition, the balance excludes land of undetermined value measuring 5,217 hectares in Lamu.

5.2 Fully Depreciated Assets

Included in the property, plant and equipment balance of Kshs.9,063,882,515 as at 30 June, 2020 are assets whose original cost was Kshs.1,942,275,373 which are fully depreciated but are still in use. These assets have not been revalued and therefore the depreciation has been overstated over the years. Further, Management has not put in place a policy on revaluation of fully depreciated assets.

5.3 Masinga Hydro Electric Power and Kiambere Hydro Electric Power Stations

The property, plant and equipment balance of Kshs.9,063,882,515 includes Kshs.6,134,385,600 and Kshs.9,385,013,300 relating to Masinga HEP and Kiambere HEP with an accumulated depreciation of Kshs.3,220,552,440 and Kshs.4,927,131,978 respectively. However, the assets were not under the use and maintenance of the Authority. No explanation was provided for including the assets under property, plant and equipment.

5.4 Additions of Assets - Furniture Fittings

As disclosed in Note 13 to the financial statements, the Authority procured furniture and fittings of Kshs.1,845,411 during the financial year. However, no documentary evidence was provided to support the expenditure. The Management explained that the documents were lost during a fire that occurred at the Masinga dam.

Under the circumstances, the accuracy and ownership of land balance Kshs.9,063,882,515 as at 30 June, 2020 could not be confirmed.

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

Emphasis of Matter

Going Concern Uncertainty

The Authority recorded a deficit of Kshs.577,254,498 during the year under review raising the cumulative deficit to Kshs.15,196,941,944 (2018: Kshs.14,682,826,790). The deficit was attributed mainly to depreciation charges of Kshs.387,984,973 on Masinga and Kiambere Hydro power facilities and non-remittance of accrued revenue due from the Kenya Power and Lighting Company (KPLC) and the Kenya Electricity Generating Company (KenGen) following a Government directive that all revenue from hydroelectric power facilities be remitted to The National Treasury.

The Management has further attributed the deficit to the transfer of assets for power generation and transmission to KPLC and KenGen in 1987/1988 without commensurate compensation to the Authority. Before the transfer of the assets, the Authority had signed

a commercial lease agreement with KPLC whereby Kshs.258,000,000 was to be paid annually for bulk power sales. However, KPLC paid Kshs.238,333,000 to the Authority for the period between 1983 and 1998/1999 leaving an outstanding balance of Kshs.3,757,667,000 before KenGen took over power generation role from KPLC.

The Authority's financial statements have therefore been prepared on a going concern basis on the assumption of continued financial support from the National Government, bankers and creditors.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.888,436,409 and Kshs.865,767,837 respectively resulting to an under-funding of Kshs.22,668,572. Similarly, the Authority's actual expenditure amounted to Kshs.633,979,932 against a budgeted expenditure of Kshs.888,436,409 resulting to an under expenditure of Kshs.254,456,478 or 29%. The underfunding and under- expenditure affected the planned activities which in turn may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Irregular Variation of Contract

The contract for gravelling of 10.25Km Ganze-Bamba Road in Ganze Constituency in Kilifi County was awarded to a construction firm at a contract sum of Kshs.9,946,141 on 21 February, 2017. However, the cost of works was varied through variation order No.1 for the supply of murrum at Kshs.4,003,200 or 44% of the original contract sum. This is contrary to Section 139(4)(e) of the Public Procurement and Asset Disposal Act, 2015 which states that contract variations should not exceeds 25% of the original contract price.

The Authority was in breach of the law.

2. Incomplete Contracts

Review of procurement records revealed that six (6) contracts with a total contract sum of Kshs.55,033,992 were awarded for the Tana Delta Irrigation Project. However, the contracts lacked critical components of a valid contract including the contract period, clearly defined technical specifications on the scope of work, approved programme of works, liquidated damages, validity of the performance bond and a termination clause.

Under the circumstances, the validity and regularity of the contracts could not be confirmed and the Authority may not have obtained value for money from the amount of Kshs.55,033,992 spent on the contracts.

3. Staff Pension Scheme Arrears

The statement of financial position reflects a balance of Kshs.364,209,377 under trade and other payables which, as disclosed in Note 24 to the financial statements, includes an amount of Kshs.223,458,769 in respect of statutory deductions and sundry creditors. The latter balance includes staff pension arrears amounting to Kshs.75,044,831 as at 30 June, 2020. However, no explanation was provided on why the amounts remained un-remitted to the relevant authorities against the requirements of Section 19(4) of the Employment Act, 2007.

The Authority was in breach of the law, to this extent.

4. Staff on Acting Positions Beyond Six Months

During the year under review, the Authority incurred an expenditure of Kshs.1,364,951 on acting allowances with some of the staff in acting position for more than six (6) months. This is contrary to Section 34(3) of the Public Service Commission Act, 2017 that states that an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding a period of six months. No explanation has been provided by Management on why the posts have not been filled or the officers confirmed to the posts.

Under the circumstances, the Authority was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on

Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Manual Accounting Records

Review of the Accounting System in place revealed that the Authority's financial records were mainly manual with ledgers maintained in excel work sheets despite the expansive operations of the Authority both in Tana and Athi River Basins. Maintenance of manual records hinders real-time monitoring of the operations and transactions are also prone to errors and manipulation or even use of non-official records especially for revenue receipts. Further, there was no evidence of independent checks of the receipt books and cashbooks maintained at the Stations. Further, excel ledgers provided for audit mainly had monthly totals but lacked individual transactions details required to validate the amounts.

Under the circumstances, the weaknesses in the internal controls system may be exploited leading to loss of public resources entrusted to the Authority.

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

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Authority's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

16 December, 2021

x) **STATEMENT OF FINANCIAL PERFORMANCE**

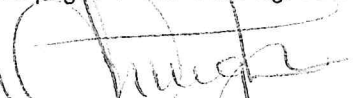
		Jun-20	Jun-19
	NOTE	KSHS	KSHS
Revenue from Non-Exchange transactions	4	345,808,409	345,808,409
Revenue From Exchange Transactions	5	<u>134,359,414</u>	<u>119,034,926</u>
TOTAL REVENUE		<u>480,167,822</u>	<u>464,843,335</u>
EXPENSES			
Cost of sales from exchange transactions	6	52,489,188	67,726,072
Operation and Maintenance	7	63,243,892	67,763,912
Administrative Expenses	8	19,037,572	25,280,391
Directors expenses	9	12,963,763	8,220,758
Development Programmes	10	106,713,985	216,343,363
Depreciation and Amortization	11	439,671,967	440,067,768
Employee costs	12	<u>363,301,953</u>	<u>368,255,407</u>
TOTAL EXPENSES		<u>1,057,422,320</u>	<u>1,193,657,671</u>
NET DEFICIT		<u>(577,254,498)</u>	<u>(728,814,336)</u>

xi) STATEMENT OF FINANCIAL POSITION

	NOTE	Jun-20 KSHS	Jun-19 KSHS
NON CURRENT ASSETS			
Property Plant and Equipment	13	9,063,882,515	9,501,709,070
Work in progress	14	260,398,843	257,273,943
Investments -Portfolio	15	24,500,000	24,500,000
		9,348,781,358	9,783,483,013
CURRENT ASSETS			
Inventories	16	21,520,886	23,600,302
Biological Assets	17	16,332,827	14,853,863
Trade and Other receivables	18	499,333,307	168,366,673
Cash and cash equivalents	19a	17,050,369	38,261,202
Bank-Climate Change	19b	14,950,255	5,151,223
		569,187,643	250,233,263
Total Assets		9,917,969,001	10,033,716,276
NON CURRENT LIABILITIES			
FUND AND LIABILITIES			
O.E.C.F (Japan)Loan	20	-	272,086,200
Capital Fund	21	5,037,889,978	4,380,203,778
Accumulated Deficit		(15,196,941,944)	(14,682,826,790)
Revaluation Reserve	22	19,697,833,221	19,697,833,221
Tourism Trust Fund	23a	28,114	28,114
Climate Change Fund	23b	14,950,255	5,151,223
		9,553,759,624	9,672,475,746
CURRENT LIABILITIES			
Trade and other Payables	24	364,209,377	361,240,530
		364,209,377	361,240,530
Total Fund Liabilities		9,917,969,001	10,033,716,276

The financial statements set out on pages 1 – 56 were signed on behalf of the Board of Directors by:


BOARD CHAIRMAN


MANAGING DIRECTOR


HEAD OF FINANCE

Date 27/01/2021

Date 27/01/2021

Date 27/01/2021

xii) STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Loan Capital	Capital Fund	Accumulated Deficit	Revaluation Reserve	Tourism Trust Fund	Climate Change	Total
As At 30th June 2018-(Restated)	<u>544,172,400</u>	<u>3,793,917,578</u>	<u>(13,954,012,453)</u>	<u>19,697,833,221</u>	<u>28,114</u>	<u>21,884,899</u>	<u>10,103,823,759</u>
Loan Repayments	(272,086,200)	272,086,200					-
Amount Received						8,946,195	8,946,195
Climate Change Expenses						(25,679,871)	(25,679,871)
GOK Capital Grants		314,200,000					314,200,000
Deficit for the year			(728,814,336)				(728,814,336)
As At 30th June 2019	<u>272,086,200</u>	<u>4,380,203,778</u>	<u>(14,682,826,790)</u>	<u>19,697,833,221</u>	<u>28,114</u>	<u>5,151,223</u>	<u>9,672,475,747</u>
Prior year adjustment No.25	-	-	63,139,344	-	-	-	63,139,344
Loan Repayments	(272,086,200)	272,086,200					-
Amount Received-Climate Change						34,177,269	34,177,269
Climate Change Expenses						(24,378,237)	(24,378,237)
GOK Capital Grants		385,600,000					385,600,000
Deficit for the year			(577,254,498)				(577,254,498)
As At 30th June 2020	=	<u>5,037,889,978</u>	<u>(15,196,941,944)</u>	<u>19,697,833,221</u>	<u>28,114</u>	<u>14,950,255</u>	<u>9,553,759,624</u>

NB: The GOK Capital grants of Kshs385.6M include an amount of Kshs 268.7M received in July 2020. Prior year adjustment relates to correction of misposting and lease charges for TDIP through collectability of the same look uncertain.

Tana and Athi Rivers Development Authority (TARDA) Reports and Financial Statements for the Year Ended June 30, 2020

xiii) STATEMENT OF CASHFLOWS

	Note	Jun-20	Jun-19
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Revenue From Non -Exchange Transactions	4	345,808,409	345,808,409
Revenue From Exchange Transactions	5	<u>134,359,414</u>	<u>119,034,926</u>
		<u>480,167,822</u>	<u>464,843,335</u>
Payments			
Cost of Sale From exchange transaction	6	52,489,188	67,726,072
Operation and Maintenance	7	63,243,892	67,763,912
Administrative Expenses	8	19,037,572	25,280,391
Directors expenses	9	12,963,763	8,220,758
Development Programmes	10	106,713,985	216,343,363
Employee costs	12	<u>363,301,953</u>	<u>368,255,407</u>
		<u>617,750,353</u>	<u>753,589,903</u>
Net cash flows from operating activities		<u>(137,582,531)</u>	<u>- 288,746,568</u>
Cash flows from investing activities			
MDR -Constructions(work in progress)	14	(3,124,900)	-
Purchase of Furniture, fittings and office Equipment	13	(1,845,411)	(1,449,760)
Decrease in inventory	16	2,079,416	(638,169)
Increase in Biological Asset	17	(1,478,964)	498,187
Increase in trade & other receivables	18	(330,966,634)	(8,667,185)
Increase in Trade Payables	24	2,968,847	18,856,126
Prior year adjustment Voucher No.25		<u>63,139,344</u>	-
Net cash flows used in investing activities		<u>(269,228,302)</u>	<u>8,599,199</u>
Cash flows from financing activities			
GOK Grants-Development Funds		385,600,000	314,200,000
Net cash flows used in financing activities		<u>385,600,000</u>	<u>314,200,000</u>
Net increase/(decrease) in cash and cash equivalents		(21,210,833)	34,052,631
Cash and cash equivalents at 30 June 2019		38,261,202	4,208,571
Cash and cash equivalents at 30 June 2020	19a	<u>17,050,369</u>	<u>38,261,202</u>
Climate Change -BANK	19b	<u>14,950,255</u>	<u>5,151,223</u>

NB: Prior year adjustment relates to lease charges for TDIP FY 2017/18 and 2018/19

Tana and Athi Rivers Development Authority (TARDA) Reports and Financial Statements for the Year Ended June 30, 2020

xiv) **SOURCES AND DISBURSEMENT OF FUNDS**

SOURCES AND DISBURSEMENT OF FUNDS				
	ANNUAL BUDGET	ACTUAL RECEIPT	BUDGET VARIANCE	% VARIANCE
BUDGETS	2019/2020	2019/2020	2019/2020	
	Kshs	Kshs	Kshs	
1. RECURRENT VOTE				
a) GoK (Normal)	345,808,409	345,808,409	0	0.00%
b) AIA KenGen	65,544,632	63,477,966	(2,066,666)	3.15%
c) AIA Upper Hill Parking	10,800,000	10,800,000	0	0.00%
d) AIA-Projects	80,655,368	27,092,774	(53,562,594)	66.41%
e) Land Lease, Asset Disposal & Miscellaneous Income		32,988,688	32,988,688	∞
Sub-total	502,808,409	480,167,837	-22,640,572	4.4%
2. DEVELOPMENT				
B/F	0	0	0	
(a) GoK (Normal)	385,628,000	385,600,000	(28,000)	0.01%
Sub-total (Dev. Vote)	385,628,000	385,600,000	(28,000)	0.01%
Total Inflows (R + D)	888,436,409	865,767,837	(22,668,572)	2.5%

NB: Under lease is Kshs.30M from TDIP though not yet collected.

Tana and Athi Rivers Development Authority (TARDA) Reports and Financial Statements for the Year Ended June 30, 2020

xv) STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

VOTE R HEAD 1222	DETAILS	APPROVED BUDGET	ACTUAL EXPENDITURE	VARIANCE	VARIANCE %
YEAR		FY 2019/2020	30/06/2020	30/06/2020	30/06/2020
VOTE R -Salaries & Wages					
211010100	Staff Salaries	340,000,000	336,459,504	3,540,496	1%
211010101	N.S.S.F	1,000,000	918,400	81,600	8%
212010202	Pension & Gratuity	21,000,000	20,461,049	538,951	3%
211010202	Medical Insurance	19,000,000	5,463,000	13,537,000	71%
	Sub - Total	381,000,000	363,301,953	17,698,047	5%
VOTE R -O & M Activities					
2210800	Staff Welfare	2,000,000	1,794,126	205,874	10%
2211200	Motor Running	3,400,000	2,983,566	416,434	12%
2210701	Travelling & Accommodation	20,000,000	18,994,296	1,005,704	5%
2211317	Postage & Telegram	50,000	18,970	31,030	62%
2210201	Telephone & Internet	2,000,000	1,416,771	583,229	29%
2210809	Official Entertainment	1,000,000	291,218	708,782	71%
2210800	Board Expenses	20,000,000	12,963,763	7,036,237	35%
2211319	Electricity & Water Exp	1,000,000	883,158	116,842	12%
2211320	Printing & Publishing	200,000	77,507	122,493	61%
2211321	Motor vehicle maintenance	3,300,000	2,578,370	721,630	22%
2211322	Uniform and clothing	300,000	-	300,000	100%
2211323	Security Expenses	1,000,000	930,863	69,137	7%
2211324	Library Expenses	100,000	-	100,000	100%
2211100	Stationery Expenses	1,500,000	1,307,576	192,424	13%
2211101	Computer Expenses	700,000	483,250	216,750	31%
2211322	Advertisement & Publicity	900,000	518,040	381,960	42%
2211323	Office Rent	18,400,000	19,168,320	(768,320)	-4%
2211324	Land Rates	2,000,000	2,005,317	(5,317)	0%
2210604	Hire of Transport	1,000,000	948,582	51,418	5%
2211308	Legal Fees & Commission	10,000,000	6,801,096	3,198,904	32%
2210700	Staff Training	2,000,000	418,560	1,581,440	79%
2211309	Audit Fees & Expenses.	700,000	696,000	4,000	1%
2210900	Insurance Expenses	3,200,000	2,876,333	323,667	10%
2210901	Casual wages	16,000,000	14,527,846	1,472,154	9%
2220202	Maintenance of office Equipment	600,000	357,970	242,030	40%
2220205	Maintenance of Station	1,700,000	893,907	806,093	47%
3111005	Purchases of Office Computers	600,000	-	600,000	100%
3111001	Furniture & Fittings	1,200,000	1,113,979	86,021	7%
3111006	Purchase of office Equipment	200,000	180,632	19,368	10%
3111009	Stock Taking exercise	1,000,000	662,400	337,600	34%
3111010	Bank Charges	652,609	647,422	5,187	1%
3111011	Formulation of strategic plan (2019-2023FY)	2,200,000	2,145,721	54,279	2%
	Sub - Total	118,902,609	98,685,557	20,217,052	17%
	Total - Vote R	499,902,609	461,987,510	37,915,099	8%
VOTE D-PC Activities					
1102000401	(a) Redemption of Debts (Financial Stewardship)	12,000,000	12,704,876	(704,876)	-6%
1102000404	(b)Strategic Objectives & Other Development activities	48,750,000	52,573,560	(3,823,560)	-8%

Tana and Athi Rivers Development Authority (TARDA) Reports and Financial Statements for the Year Ended June 30, 2020

	Sub - Total	60,750,000	65,278,436	(4,528,436)	-7%
VOTE D-Development Programmes					
1102000411	(e) Kieni Integrated Project	113,815,000	29,909,042	83,905,958	74%
1102000412	(f) Muranga Integrated Project	85,000,000	23,151,692	61,848,308	73%
1102000413	(g) Tana Delta Irrigation Project	128,968,800	53,653,251	75,315,549	58%
	Sub - Totals Development Programmes	327,783,800	106,713,985	221,069,815	67%
	Sub - Total Vote - D	388,533,800	171,992,421	216,541,379	56%
	Grand - Total	888,436,409	633,979,932	254,456,478	29%

MATERIAL VARIANCE EXPLANATIONS

Sources of Funds

AIA Projects

The Authority's **Appropriations in Aid** are gross proceeds from commercial Projects. This item had an adverse variance of **Ksh.54M** as a result of Production challenges at the Tana Delta Irrigation project occasioned by delayed disbursement of funds meant for rehabilitation of irrigation infrastructure.

Summary of Budget Performance

STAFF SALARIES

This item has registered a favorable variance of 1%. This is mainly due to natural attrition of staff membership.

NSSF

This item has registered a favorable variance of 8%. This is mainly due to natural attrition of staff membership

MEDICAL INSURANCE

This item has recorded a favorable variance of 71%. This is because the staff medical scheme lapsed on the 31st of October 2019 and was not renewed for the rest of the financial year.

UNIFORM & CLOTHING

This item has registered a favorable variance of 100% due funding constraints

MINOR ALTERATIONS

This item has registered a favorable variance of 100% due funding constraints

PURCHASE OF OFFICE COMPUTERS

This item has registered a favorable variance of 100% due funding constraints

The restriction of movement enforced by the GOK, early in second half of the financial year **2019/2020** led to a slowdown in expenditure for the following items.

TELEPHONE AND INTERNET- Favorable variance 29%.

OFFICIAL ENTERTAINMENT- Favorable variance 71%

MOTOR VEHICLE MAINTENANCE- Favorable variance 22%.

MOTOR RUNNING EXPENSES- Favorable variance 12%

STAFF WELFARE- Favorable variance 10%.

TRAVELLING & ACCOMODATION- Favorable variance 5%

STAFF TRAINING- Favorable variance 79%.

LEGAL FEES, COMMISSIONS & SUBSCRIPTIONS-This item recorded a favourable variance of 32%.

ADVERTISEMENT & PUBLICITY-This item recorded a favourable variance of 42%

MAINTENANCE OF OFFICE STATION -This item recorded a favourable variance of 47%

Items in the Development vote registered a combined favorable variance of 68% due to delayed disbursement of funds from the Exchequer which delayed planned activities.

KIENI INTEGRATED IRRIGATION PROJECT –*Favourable variance 74%.*

MURANGA INTEGRATED IRRIGATION PROJECT- *Favourable Variance 73%.*

TANA DELTA IRRIGATION PROJECT-*Favourable Variance 58%.*

xvi) **NOTES TO THE FINANCIAL STATEMENTS**

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

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

2. Statement of compliance and basis of preparation

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

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

3. Summary of significant Accounting Policies

a) Revenue Recognition

i) Revenue from non-exchange transactions

Transfers from other Government Entities

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

ii) Revenue from exchange transactions

Sale of goods

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

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

Rendering of services

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

Exchange transactions

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

Other Revenue

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

b) Financial instruments

Equity

TARDA's equity comprises of cash funding from the government, grants etc.

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

c) Budget information

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

d) Property Plant and Equipment

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

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

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

e) Intangible assets

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

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

f) Inventory

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

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale. The annual physical stocktaking is conducted at every end of financial year. Any obsolete stock values are deducted from the inventory total since they have a zero value.

g) Provisions

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

Contingent Liabilities

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

Contingent Asset

At the end of the financial year 2019/20 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 El-Nino Rains. However the last loan repayment period was march 2020.

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. GoK disbursement in respect of development outlay is also captured under the fund.

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 has since been wound up.

Climate Change Adaptation Programme

The National Government through MWENR, NEMA and TARDA is implementing the Climate Change Adaptation programme.

i) Employee Benefits

TARDA employs staff under three categories:

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

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

Salary Advance

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

Pension Obligation

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

A defined contribution is a pension plan under which fixed contributions are paid into a separate pension and entity fund. The contributions are recognized as employee benefit expense when they are due. TARDA also has short term employee benefits such as wages and salaries, leave allowance, sick offs, and medical allowance.

j) Cash and Cash equivalents

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

k) Related Parties

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

	2020	2019
Directors Allowances	12,963,763	8,220,758
CEO and senior Management salaries	54,250,560	42,938,115
Senior Management outstanding Debts	-	50,000

I) Financial Risk Management Disclosures

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

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

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

	Jun-20	Jun-19
Total debtors	1,760,451,141	1,429,484,507
Amount due from KPLC(1988)	1,179,215,376	1,179,215,376
Provision for bad debts	(1,261,117,834)	(1,261,117,834)
Net Debtors	499,333,307	168,366,673
Cash at Bank	17,050,369	38,261,202
Cash at Bank – Climate Change Programme	14,950,255	5,151,223

NB:

Debtors account balances include GOK Capital disbursement of Kshs 268.7M. received in July 2020.

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 2019- 2020	FY 2018-2019
Over 30 days	268,700,000	40,150,000
Over 60 days	25,800,000	23,450,920
Over 90 days	14,526,000	65,632,157
Over 120 days	190,307,307	39,133,596
Total	<u>499,333,307</u>	<u>168,366,673</u>

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.

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

Assets	Rates (%)
i Masinga Dam & Kiambere Power Station	
a) Civil Engineering Works	2.50
b) Electro-Mechanical Works	12.50
ii Motor Vehicles	
a) Saloons and Light Trucks	25.00
b) Lorries and Tractors	33.30
iii Equipment	10.00
iv Computers and intangibles	20.00
v Furniture and Fittings	7.50
vi Buildings	2.50
Vii Intangible	33.0

Biological Assets

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

Inventory

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

n) Subsequent events

~~There have been no events subsequent to the financial year end with significant impact on the financial statements for the year ended June 30, 2020~~

4	REVENUE FROM NON EXCHANGE TRANSACTIONS	Jun-20	Jun-19
		kshs	Kshs
	Gok Grants-Recurrent	345,808,409	345,808,409
		<u>345,808,409</u>	<u>345,808,409</u>

Tana and Athi Rivers Development Authority (TARDA) Reports and Financial Statements for the Year Ended June 30, 2020

5 REVENUE FROM EXCHANGE TRANSACTIONS	Jun-20	Jun-19
External AIA-KenGen	59,933,334	62,000,000
Sale of produce	3,750,775	10,035,901
Sale of tree seedlings	3,454,496	4,128,289
Sale of sand & honey	6,947,709	5,776,311
Other incomes	47,333,306	14,507,577
Rendering of Services	<u>12,939,794</u>	<u>22,586,848</u>
	<u>134,359,414</u>	<u>119,034,926</u>

Transactions relate to AIA from KenGen for conservation, sale of produce relates to milk in Emali, Honey in Kiambere bufferzone, tree seedlings in upper Athi and Tana Region, Masinga Resort and Kiambere, Guest house and rental and lease income from housing in Kiambere and Upperhill respectively.

6 COST OF SALES	Jun-20	Jun-19
Tana Delta Irrigation Farm	4,424,118	6,784,741
Tana Delta Resort	884,149	2,144,994
Kibwezi farm	1,116,275	4,828,495
Emali Farm	2,778,593	5,607,505
Kiambere Farm	1,275,406	592,637
Masinga Dam Resort	11,718,692	17,951,571
Lower Athi Region	1,470,352	3,100,237
Kitui Honey Refinery and Guest House	636,712	956,050
Buffer zone Conservation-Sand Harvesting	4,895,451	4,256,316
Tana Region	195,804	536,460
UpperAthi Region	1,502,915	2,722,630
Masinga Irrigation Project	1,347,604	1,150,695
Masinga Afforestation	590,792	686,303
Tana Bridge	173,690	263,540
Machakos Tree Nursery	622,384	909,113
Wote Tree Nursery	156,336	198,429
Strategic Objective Activities	<u>18,699,915</u>	<u>15,036,357</u>
	<u>52,489,188</u>	<u>67,726,072</u>

7 OPERATION AND MAINTENANCE	Jun-20	Jun-19
Computer Expenses	483,250	656,690
General Insurances	2,876,333	2,876,413
Legal fees, Licenses and Subscriptions	6,801,096	11,798,291
Motor Maintenance	2,578,370	3,739,318
Motor Running	2,983,566	3,554,100

Tana and Athi Rivers Development Authority (TARDA) Reports and Financial Statements for the Year Ended June 30, 2020

Office Equipment maintenance	357,970	583,763
Maintenance of Building and Stations	893,907	4,172,317
Rent and Rates	21,173,637	17,506,363
Water and Electricity	883,158	932,229
Security Expenses	930,863	1,054,210
Stationery Expenses	1,307,576	1,472,037
Printing and Publishing	77,507	266,597
Advertising and Publicity	518,040	1,097,100
Telephone and Internet	1,416,771	1,249,031
Postage Expenses	18,970	19,681
Hire of Transport	948,582	1,113,711
Subsistence and Accommodation	18,994,296	15,637,517
Library Expenses	-	34,544
	<u>63,243,892</u>	<u>67,763,912</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 two years. 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 project.

8	ADMINISTRATION EXPENSES	Jun-20	Jun-19
	Uniform and clothing	-	85,756
	Training	418,560	2,347,393
	Official Entertainment	291,218	821,864
	Stock Taking	662,400	940,000
	Bank Charges	647,422	763,540
	Audit Fees	696,000	696,000
	Casual Wages	14,527,846	16,229,512
	Staff Welfare	1,794,126	3,396,326
		<u>19,037,572</u>	<u>25,280,391</u>

9	DIRECTORS EXPENSES	Jun-20	Jun-19
	Sitting Allowance	4,500,000	4,720,000
	Travelling and Accommodation	5,415,261	1,460,150
	Mileage	1,134,410	575,619
	Printing and Stationery	194,464	308,694
	Medical Allowance	162,796	665,956
	Training	473,560	240,000
	Honoraria	1,083,272	250,339
		<u>12,963,763</u>	<u>8,220,758</u>

Tana and Athi Rivers Development Authority (TARDA) Reports and Financial Statements for the Year Ended June 30, 2020

10	DEVELOPMENT PROGRAMMES	Jun-20	Jun-19
	Muranga Integrated Projects Expenses	23,151,692	56,793,226
	Kieni Integrated Projects Expenses	29,909,042	102,916,400
	TDIP- Project Expenses	53,653,251	56,633,737
		<u>106,713,985</u>	<u>216,343,363</u>
11	DEPRECIATION AND AMORTIZATION	Jun-20	Jun-19
	Property Plant and Equipment	439,671,967	440,067,768
		<u>439,671,967</u>	<u>440,067,768</u>
12	EMPLOYEE COSTS	Jun-20	Jun-19
	Medical Expenses	5,463,000	23,714,435
	Leave Allowance	2,468,000	2,386,000
	Salaries	334,909,904	321,447,191
	Workman Compensation	-	252,288
	Pension and Gratuity	20,461,049	20,455,493
		<u>363,301,953</u>	<u>368,255,407</u>

Tana and Athi Rivers Development Authority (TARDA) Reports and Financial Statements for the Year Ended June 30, 2020

NOTE 13: PROPERTY PLANT AND EQUIPMENT

DETAILS	MOTOR VEHICLES	PLANT & EQUIP.	FURN. & FITTINGS	LAND	BUILDINGS	COMPUTERS	MASINGA HEP	KIAMBERE HEP	TOTAL
As At 1st July 2018	335,528,349	1,926,207,085	70,243,588	1,264,135,430	1,779,406,458	25,101,925	6,134,385,600	9,385,013,300	20,920,021,735
Additions For the Year	-	30,000	978,960	-	440,800	-	-	-	1,449,760
As At 30th June 2019	<u>335,528,349</u>	<u>1,926,237,085</u>	<u>71,222,548</u>	<u>1,264,135,430</u>	<u>1,779,406,458</u>	<u>25,542,725</u>	<u>6,134,385,600</u>	<u>9,385,013,300</u>	<u>20,921,471,495</u>
Depreciation as at 1st July 2018	322,870,182	1,919,335,446	64,859,199	-	1,276,375,967	24,539,394	2,913,833,160	4,457,881,312	10,979,694,660
Charge for the Year	5,699,773	909,431	613,373	-	44,485,161	375,057	153,359,640	234,625,333	440,067,768
Accumulated Depreciation As At 30th June 2019	<u>328,569,955</u>	<u>1,920,244,877</u>	<u>65,472,572</u>	<u>-</u>	<u>1,320,861,128</u>	<u>24,914,451</u>	<u>3,067,192,800</u>	<u>4,692,506,645</u>	<u>11,419,762,428</u>
As At 1st July 2019	<u>335,528,349</u>	<u>1,926,237,085</u>	<u>71,222,548</u>	<u>1,264,135,430</u>	<u>1,779,406,458</u>	<u>25,542,725</u>	<u>6,134,385,600</u>	<u>9,385,013,300</u>	<u>20,921,471,495</u>
Additions For the Year	-	-	1,845,411	-	-	-	-	-	1,845,411
Disposals For the Year	-	(12,020,980)	-	-	-	-	-	-	(12,020,980)
As At 30th June 2020	<u>335,528,349</u>	<u>1,914,216,105</u>	<u>73,067,959</u>	<u>1,264,135,430</u>	<u>1,779,406,458</u>	<u>25,542,725</u>	<u>6,134,385,600</u>	<u>9,385,013,300</u>	<u>20,911,295,926</u>
Depreciation As At 1st July 2019	328,569,955	1,920,244,877	65,472,572	-	1,320,861,128	24,914,451	3,067,192,800	4,692,506,645	11,419,762,428
Charge for the Year	5,381,519	909,431	654,126	-	44,485,161	256,757	153,359,640	234,625,333	439,671,967
Provision for Depreciation on Disposal	-	(12,020,980)	-	-	-	-	-	-	(12,020,980)
Accumulated Depreciation As At 30th June 2020	<u>333,951,474</u>	<u>1,909,133,328</u>	<u>66,126,698</u>	<u>-</u>	<u>1,365,346,289</u>	<u>25,171,208</u>	<u>3,220,552,440</u>	<u>4,927,131,978</u>	<u>11,847,413,411</u>
Net Book Value As At 30th June 2020	1,576,875	5,082,777	6,941,261	1,264,135,430	414,060,169	371,517	2,913,833,160	4,457,881,322	9,063,882,515
Net Book Value As At 30th June 2019	<u>6,958,397</u>	<u>5,992,208</u>	<u>5,749,976</u>	<u>1,264,135,430</u>	<u>458,545,330</u>	<u>628,274</u>	<u>3,067,192,800</u>	<u>4,692,506,655</u>	<u>9,501,709,070</u>

Tana and Athi Rivers Development Authority (TARDA) Reports and Financial Statements for the Year Ended June 30, 2020

xvii) **NOTES TO THE FINANCIAL STATEMENTS**

14	WORK IN PROGRESS	Jun-20	Jun-19
	Tana Delta Irrigation Project	234,152,289	234,152,289
	Masinga Dam Resort	<u>26,246,554</u>	<u>23,121,654</u>
		<u>260,398,843</u>	<u>257,273,943</u>

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

15	INVESTMENTS	Jun-20	Jun-19
	265,000 Ordinary Shares@ 20.00 each	5,300,000	5,300,000
	960,000 4% Preference Shares @20.00 each	<u>19,200,000</u>	<u>19,200,000</u>
		<u>24,500,000</u>	<u>24,500,000</u>

These shares are held at Consolidated Bank and do not earn dividends, however listing of the bank at Nairobi Stock Exchange is at advanced stage.

16	INVENTORIES	Jun-20	Jun-19
	Stationery	852,432	998,378
	Household Goods	-	27,055
	Fertilizers	3,349,650	3,349,000
	Spare Parts	9,164,410	10,444,850
	Construction Materials	4,073,015	4,072,195
	Refreshment and Beverages	216,129	328,117
	Farm inputs-Chemicals, seeds, drugs	3,368,170	3,380,705
	Fuel and Lubricants	-	571,190
	Seeds-Greengrams, Pumpkin, Maize	40,550	1,750
	Honey	276,530	287,300
	Food	-	139,762
	Bran & Hay	<u>180,000</u>	<u>-</u>
		<u>21,520,886</u>	<u>23,600,302</u>

The stock represents machinery/motor vehicle spare parts, stores and farm produce.

Tana and Athi Rivers Development Authority (TARDA) Reports and Financial Statements for the Year Ended June 30, 2020

17	BIOLOGICAL ASSETS	Jun-20	Jun-19
	Emali/Kiambere/Masinga Livestock	7,079,100	5,307,600
	Seedlings/Farm Produce	9,253,727	9,546,263
		<u>16,332,827</u>	<u>14,853,863</u>
18	TRADE AND OTHER RECEIVABLES	Jun-20	Jun-19
	Staff Advances	305,606	1,308,935
	Trade Receivables	1,481,180,535	1,377,760,572
	Other Receivables	278,965,000	50,415,000
		<u>1,760,451,141</u>	<u>1,429,484,507</u>
	Provision for bad debts	(1,261,117,834)	(1,261,117,834)
		<u>499,333,307</u>	<u>168,366,673</u>

NB:

Debtors account balances include GOK Capital disbursement of Kshs 268.7M. received in July 2020.

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. The Authority is yet to receive the money from our lawyers

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 2020	June 2019
Amounts due from KPLC	1,179,215,376	1,179,215,376
Other receivables – Net	499,333,307	168,366,673

Tana and Athi Rivers Development Authority (TARDA) Reports and Financial Statements for the Year Ended June 30, 2020

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.

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

19a	CASH AND CASH EQUIVALENTS	Jun-20	Jun-19
	Cash at Hand	6,194	87,075
	Cash at Bank	<u>17,044,175</u>	<u>38,174,127</u>
		<u>17,050,369</u>	<u>38,261,202</u>
19b	Climate Change Programme-BANK	<u>14,950,255</u>	<u>5,151,223</u>
20	LOANS	Jun-20	Jun-19
	O.E.C.F.(Japan) B/F	272,086,200	544,172,400
	Loan Repayments	<u>(272,086,200)</u>	<u>(272,086,200)</u>
		-	<u>272,086,200</u>
21	CAPITAL FUND	Jun-20	Jun-19
	Capital Fund b/f	4,380,203,778	3,793,917,578
	GOK Grants for the year	385,600,000	314,200,000
	Loan Repayment	<u>272,086,200</u>	<u>272,086,200</u>
		<u>5,037,889,978</u>	<u>4,380,203,778</u>
22	REVALUATION RESERVE FUND	Jun-20	Jun-19
	Balance B/F	<u>19,697,833,221</u>	<u>19,697,833,221</u>
		<u>19,697,833,221</u>	<u>19,697,833,221</u>
23	TOURISM TRUST FUND	Jun-20	Jun-19
	Balance c/f	28,114	28,114
		<u>28,114</u>	<u>28,114</u>
	Climate Change Fund	<u>14,950,255</u>	<u>5,151,223</u>

Tana and Athi Rivers Development Authority (TARDA) Reports and Financial Statements for the Year Ended June 30, 2020

24	TRADE AND OTHER PAYABLES	Jun-20	Jun-19
	Creditors Account	123,811,428	129,028,546
	Statutory Deductions&other Sundry Creditors	<u>223,458,769</u>	<u>212,048,366</u>
		<u>347,270,197</u>	<u>341,076,912</u>
	Retention account	12,763,180	16,683,618
	Audit fees Provision	<u>4,176,000</u>	<u>3,480,000</u>
		<u>364,209,377</u>	<u>361,240,530</u>

xvi) PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Going Concern	TARDA has been insolvent since the day the generating and transmission assets were transferred to KENGEN and unless the claims are honoured, the going concern and balance sheet accounting of the Authority will continue to be negative and recurring year after year.	MD	Not resolved	Continuous
2	Property Plant and Equipment	The acquisition of the title deeds for Kibwezi, Emali and Kitui projects is in process.	MD	Not resolved	June 2022
3	Capital work in progress TDIP Houses (234,152,289)	Plans are underway to rehabilitate some of these houses and convert them into guest houses.	MD	Not resolved	Continuous
4	Trade and other receivables	KPLC payment of Kshs.1,179,215,376.30 debt as at 30 th June 2014 ended up in Parliamentary Investment Committee (PIC) where it remains undetermined to date.	MD	Not resolved	Continuous
5	Trade and other payables Un-remitted Statutory Deductions	These are statutory deductions comprising of outstanding VAT, Pension, and PAYE. The amount will be paid once the financial position of the Authority	MD	Not resolved	June 2022

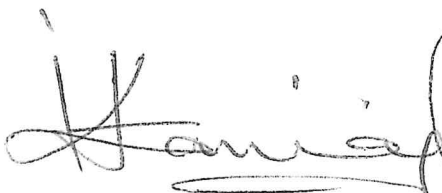
*Tana and Athi Rivers Development Authority (TARDA) Reports and Financial Statements
for the Year Ended June 30, 2020*

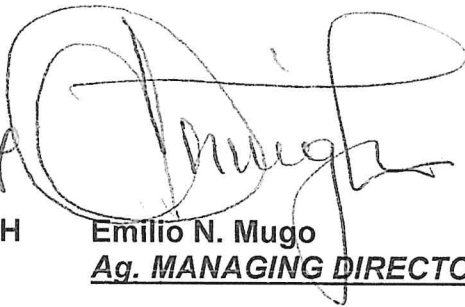
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		improves. (A payment plan is already in place on how to clear the balances)			
6	Assets held by former Managing Directors	The Management undertakes to pursue the concerned former Managing Directors with a view of recovering the Authority's assets in their possession.	MD	Not Resolved	Continuous
7	Biological Assets	The Management will incorporate the revaluation of the biological assets in the plan revaluation of assets in the next financial year	MD	Not Resolved	Continuous
8	Lease Income	The Management will develop the pricing policy as the Lessee has shown commitment in the execution of the lease agreement	MD	Not Resolved	Continuous
9	Loss Making Services	This is attributed to inadequate funding from the exchequer and some of the projects are social based so not for profit making	MD	Not Resolved	Continuous
10	Revaluation Reserve	The Management is planning to undertake revaluation of its Assets in the next financial year	MD	Not Resolved	Continuous

*Tana and Athi Rivers Development Authority (TARDA) Reports and Financial Statements
for the Year Ended June 30, 2020*

Guidance Notes:

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


Hon. Jamleck Kamau, EGH
BOARD CHAIRMAN


Emilio N. Mugo
Ag. MANAGING DIRECTOR


David Kimaiyo
HEAD OF FINANCE

Date.....27/1/2021

Date.....27/1/2021

Date.....27/02/2021

