

THE AUDITOR-GENERAL

ON

TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY

FOR THE YEAR ENDED 30 JUNE, 2019



TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIALYEAR ENDED

JUNE 30, 2019

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

Abbreviations

AIA - Appropriation in Aid

CEO - Chief Executive Officer

CSCEC - China State Construction Engineering Corporation

CSR - Corporate Social Responsibilities

EU - European Union

ESP - Economic Stimulus Programme

GoK - Government of Kenya

HGF - High Grand Falls

ICS - Internal Control Systems

IPSAS - International Public Sector Accounting Standards

JICA - Japan International Co-operation Agency

LPO - Local Purchase Order

LSO - Local Service Order

OECF - Overseas Economic Co-operation Fund

TARDA - Tana and Athi Rivers Development Authority

TDIP - Tana Delta Irrigation Project

| Tabl | le of Content | Page |
|-------|---|------|
| KEY | ENTITY INFORMATION AND MANAGEMENT | 3 |
| i) | THE BOARD OF DIRECTORS | 8 |
| ii) | MANAGEMENT TEAM | 11 |
| iii) | CHAIRPERSON'S STATEMENT | 15 |
| iv) | MANAGING DIRECTOR'S STATEMENT | 16 |
| v) | CORPORATE GOVERNANCE STATEMENT | 21 |
| vi) | CORPORATE SOCIAL RESPONSIBILITY STATEMENT | 26 |
| vii) | REPORT OF THE DIRECTORS | 29 |
| viii) | STATEMENT OF DIRECTORS RESPONSIBILITIES | 30 |
| ix) | REPORT OF THE INDEPENDENT AUDITORS ON TANA AND ATHI RIVERS DEVELOPING | JENT |
| AUT | HORITY | 31 |
| x) | x) STATEMENT OF FINANCIAL PERFORMANCE | 32 |
| xi) | xi) STATEMENT OF FINANCIAL POSITION | 33 |
| xii) | STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019 | 34 |
| xiii) | STATEMENT OF CASHFLOWS | 35 |
| xiv) | SOURCESAND DISBURSEMENT OF FUNDS | 36 |
| xv) | STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS | 37 |
| xvi) | NOTES TO THE FINANCIAL STATEMENTS | 39 |
| xvi) | NOTES TO THE FINANCIAL STATEMENTS | 49 |
| xvii) | PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS | 53 |

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 Communityand 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 2009census.

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 world class Regional Development Authority."

Mission

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

Mandate

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

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 Embuin 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
- 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 andmanagement 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 2019 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. J. Karanja - 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

<u>NAIROBI</u>

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

(h) Lawyers

- M Mulekyo& Co. Advocate
- WaweruGatonye and Co. Advocate
- Kibe&Kinoti Co Advocate
- MuchokiKangataNjenga& Co. Advocate
- MuthuriRiungu Company Advocate

i) THE BOARD OF DIRECTORS

| No | PASSPORT SIZE PHOTO | ACADEMIC & PROFESSIONAL QUALIFICATIONS | DATE OF BIRTH, KEY QUALIFICATIONS & WORK EXPERIENCE |
|----|--|--|---|
| 1. | Ms. Halima Shaiyah Authority Chairperson | Diploma in Marketing BA ED (Candidate) | D.o.B: 1960 D.T Dobie-10 years (1988 - 1998) Business lady from 1988 to Date Chairperson- of ASK Show 2011 to 2013 |
| 2. | | Ph.D:(Candidate) Sustainable Development | D.o.B: 1958 |
| | | M.A. Economics (Public Finance) -1984 | Lecturer – International Trade &Economics -USiU (2000 to date) Public Finance since 1984 • Economics • Public Expenditure Mgt. • Administration • Integrated Dev (Multipurpose Reservoirs, Food Security programmes) • Conservation and climate change programmes Patron- Education taskforce:Nyeri South District Patron-Mahiga Primary school |
| | Mr. Steven G. Ruimuku Managing Director | | Board Member- Mahiga Girls Sec School. |

| - | | | | |
|---|----|----------------------------------|---|--|
| | 3. | Mr. Stanley Gikandi Board member | Bachelor in Economics (UON) | - Chartered Insurance Institute (ACII London) |
| | 4. | Mr. John Nthuku Board Member | Msc in Management, BA Hons, Post Graduate Diploma in Management, CPS(K) | D.o.B: 1946 1969: Burieruri Secondary and Mikinduri Secondary School. 1972: Deputy Commissioner of Prisons. 1997 – 2005: Director Cooperative Bank. Experience of over 40 years. |
| | 5. | Mr. Michael Wawire Board Member | Bsc, Msc, PhD | D.o.B: 1976 |

| 6 | |
|----|--|
| 6. | |
| | |
| | |
| | |
| | |
| | |
| | The same of the sa |
| | The second secon |
| | |
| | |
| l | |
| | |
| | |
| | |
| | |
| | |
| | Mrs. Sarah Mugwania |

Mrs. Sarah Mugwanja Board Member

- BA- International Relations
- Association of Business
- Executives
 Advanced Diploma
 Tour Travel and
 Hospitality.

D.o.B: 1981

11 years in the airline and hospitality industries

ALTERNATE BOARD MEMBERS

| 7. Mr. Anthony Mugane | - | Alternative Director to Principal Secretary Ministry of Forestry and Wildlife |
|------------------------------|------------|--|
| 8. Eng. James Muturi | - | Alternative Director to Principal Secretary Ministry of Water and Sanitation |
| 9. Amb.(Eng.) Mahboab Maalin | n - | BoardChairman - Kenya Power |
| 10.Mr. Ronald Inyang'ala | - | National Treasury |
| 11. Eng. John K. Kibe | _ | Alternative Director to Principal Secretary |
| | | Ministry of Agr. Livestock, Fisheries and Irrigation |
| 12. Eng Alexander w. Kuria | _ | Alternative Director to the General Manager |
| | | National Irrigation Board |
| 13.Ms. FelisterNyacuru - | | Alternative Director Attorney General and Department of Justice |
| 14. Mr. William Ogolla | - | Alternative Director to Principal Secretary |
| | | Ministry of EAC & Regional Development |
| 15.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 Member-Instituteof Environmental Assessment Kenya (EIK) Hydrological Society of Kenya (HSK) | D.o.B: 1962 Chief Manager Technical Services |

| 4. | | BSc (Animal Production) - | D.o.B: 1965 |
|----|----------------|---------------------------------------|--|
| | ParmenasMukeku | 1992 | Chief Manager Athi Basin |
| 5. | | MOO leteres fire 1 | D.o.B: 1977 |
| | | MSC International Development Studies | Ag.Chief Manager Planning and |
| | | BA (Agricultural Education) | Research Development |
| | Irene Ndavi | BA (Agricultural Education) | |
| 6. | irelie idavi | BA (Social Sciences) - 1980 | D.o.B: 1957 |
| | | | Chief Manager Human Resource & Administration. |
| | Damarys Kiarie | | |

| | | | | * |
|---|------------|---------------------|---|---------------------------------|
| 7 | 7. | | BSc (Civil Engineering)- 1984 | D.o.B: 1959 |
| | | Eng. Joseph Karanja | Member - Institute of Engineers Kenya (MIEK). | Chief Manager Tana Basin |
| | 8. | | MBA (Finance Option) - | D.o.B: 1962 |
| | | | 2010 | Intowal Audit and Dial Manager |
| | | (TO) | B Com (Accounting Option) – 2006 | Internal Audit and Risk Manager |
| | | 1601 | CPA (K) -1997 | |
| | | | CPS (K) - 2007 | |
| | | James A. Osano | | |
| | 9. | , | MBA (Pro. & Supplies) - 2013 | D.o.B: 1979 |
| | <i>3</i> . | | B Com (Marketing) - 2005 | Procurement and Supplies |
| | | | Member –Kenya Institute of Supplies Management (KISM) | Manager |
| | | | | |
| | | Wycliffe Sava | | |

10.



Maureen Nyamai

CPS (K)-**2019** Advocate-**2014** KSL .DIP **2013** LLB – **2011** D.o.B: 1989

Senior Legal Officer

SENIOR MANAGERS

11. Beth Wanyoike -

12. Lisa Njururi - Hospitality Manager

13. Jackson Muiruri - Monitoring and Evaluation Manager

Finance Manager

14. Bartholomew Kamau - Administration Manager

15. Samuel Wanyoike - ICT Manager

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.

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 socioeconomic development of our Nation.

Mandate of TARDA

The Mandate of TARDA is to undertake integrated planning and coordination of all development projects within the Tana and Athi River Basins. TARDA's area of jurisdiction is wide, covering an area of approximately 138,000km². TARDA's mandate covers 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.

The Tana and Athi Rivers Basin is endowed with an enormous resource base. However, its regional economy and social services remain undeveloped, characterized by high levels of unemployment, poverty, food shortage, and environmental degradation. TARDA 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.

Acknowledgement

The financial statements are based on the previous Board's inputs. I therefore thank the previous members of the Board for their tremendous leadership and tenacity in exercising their skills in discharging their duties. Going forward, we hope for the continued support from our stakeholders and most importantly, our employees in discharging their duties.

BOARD CHAIRMAN

iv) MANAGING DIRECTOR'S STATEMENT

I am delighted to report the 2018/19 Financial Statements of Tana and Athi Riverable Development Authority. The report highlights the operational performance, challenges arongoing projects.

During the year under review, the Authority total revenue reflect a decrease of 2.5% from Kshs.476 million in 2018 to Kshs.464 million in 2019 mainly due to persistent drought realized in the country which had negative impact on our production activities.

In the statement of changes in equity the capital fund in the year 2019 witnessed a 16% growth in capital from Kshs.3.7 billion in 2018 to Kshs.4.3 billion in 2019. This was due to development funds received in the year under review.

The overall deficit increased by 28.2% Kshs 568 million in 2018 to Kshs 728 million in 2019. This is mainly due to employee cost by honoring Collective Bargaining Agreement (CBA), development activities costs and depreciation.

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)

The Authority continues to manage the Initial 2,000ha (TDIP Phase I) under estate management. The project continues to suffer successive crop failures as the farm does not get water during low flows.

The management has been struggling to get a solution to this water problem by seeking to carry out works on the Kitere short cut channel intake to resolve water supply fluctuations to the farm. The proposed permanent solution is construction of a weir across Tana River at Kitere at a cost of approximately 400 million shillings. Availability of funds to finance this solution is a major impediment.

The management decided to seek alternative affordable solutions to fix the problem. The following solutions have been put in place;

a) Desiltation of Kitere channel.

The excavation of 15km has been done and fully completed as planned.

b) Rubber Dam Sailon Site Reservoir Desilting 1.5km

Bush clearing and Earthworks are fully completed

c) Road Work - WemaSailon

Bush clearing, heavy grading and gulley filling – 11.5 km, backfilling and reinforcement of damaged section along TDMC and restoration of steel gate and the turn out structures at F3 along TDMC are fully completed.

d) Dyke and River Brooks Repairs

The Kelona Brook, North of Bandi-Dyke, South of Bandi-Dyke, and South of Mitapani Bridge – Dyke are all complete.

e) Peponi Brook

Repair of Peponi Brook, Restoration, reinforcement and expansion of the River channel at Peponi are fully done.

f) Estate Compound Roads Bush clearing and grading

Bush clearing along the road sides and Service road grading are fully complete

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).

The Contractor has indicated availability of financing through China Development Bank to the tune of Kshs.26 billion, which could be proposed for this Project. Negotiations through Treasury are still on-going. In the year under review the Authority constructed 5 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 completed feasibility study and detailed design and 2 Small Holder Irrigation Schemes are ongoing.

4. TARDA UPPERHILL DEVELOPMENT

The project cost is estimated at Kshs.4.3 billion

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

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

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

- KNBS Kshs.1.1Bn
- NCPD Kshs.0.2Bn

TARDA is progressing as follows:

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

5. INTEGRATED SOLAR POWER DEVELOPMENT IN TARDA

TARDA offered land for Solar Energy development under a competitive bidding in a two phase process. The phase I was through RFP offering intended to select qualified developers under a selection criterion. Responsive proposals that met minimum criteria, a land use license would be offered to allow the developer access and develop rights to the parcel(s). Phase II of the RFP process would be to undertake a detailed feasibility study and a bankable proposal, confirmation of funding to secure a PPA from State Department of Energy.

Upon completion of the elements of all RFP phases, including approval of an environmental review through the Environmental Impact Assessment (EIA) process, a common lease will be offered to the developer.

6. THE HIGH GRANDFALLS MULTI-PURPOSE RESERVOIR

TARDA has formulated a proposal for the development of High Grand Falls Multi-Purpose Reservoir on River Tana. The project site is located 50 km downstream of the Kiambere Hydro Power Station along the River Tana in Kitui, Embu and TharakaNithi Counties.

The project objectives are:

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

The Expected Outputs are:

- 5.5 billion M³ Water storage
- Hydro Power generation of 500 MW
- Up to 100,000 ha irrigation potential
- Increased Food Security
- 20,000 ha land conserved
- Improved Transport

Proposed Project Implementation Model

The HGF multipurpose reservoir is planned to be an integrated project involving energy, agriculture, environment, water, fisheries, transport and tourism. Government contribution is to support resettlement action in order to make provision for the dam area. To actualize the project, the Authority has already secured Partner and/or

Consortium to jointly develop the project under the Build-Operate-Transfer (BOT) model of Public Private Partnerships (PPP).

This will involve signing a BOT Contract/Agreement between the Authority and a Private party/Consortium, in which the private party/Consortium will assume substantial financial, technical and operational risk while TARDA input will be provision of land for the project.

It is envisaged that the PPP will involve Equity and Debt financing by the parties. The cost of repaying the loans will be borne exclusively from levies to be charged on under the Power Purchase Agreement (PPA) to supply power to Kenya Power (KP&LC). The project cost is estimated at USD 1.54 Billion

7. LEASE OF LAND

Lease of approximately 12,000 ha for rice production sub divided into 2,000 ha (Phase I) and 10,000 ha (Phase II) at the Tana Delta Irrigation Project (TDIP) meant to enhance food security, youth employment and income generation as part of the Big "Four" Agenda (Big 4)

Lease of approximately 5,000 ha in Kiambere and 3,000 ha in Masinga to enhance food security, youth 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, the Ministry of East African Community and Regional 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.

Steven G. Ruimuku 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 15 members inclusive of a Board Chairman and the Managing Director who acts as the Secretary to the Board.

OVERVIEW

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

Good Corporate Governance is necessary in order to:

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

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

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

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

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

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

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) Directors. Five (5) are non-official members who are not members of the Government service, Eight (8) of the members are principal secretaries or alternate appointees, one (1) representative from the Inspectorate of State Corporations and the Managing Director.

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. Provides overall leadership to the board
- Conducts efficient Board meetings and guide the Board's decision –making process.
- 3. Lead the Board evaluation process
- 4. Monitor the performance of the Managing Director
- 5. Promotes a positive image of TARDA.

4. Conduct of Board's Business

The TARDA Act provides for the appointment of sub-committees whose main responsibilities are to engage management in providing detailed information and disclosure in readiness for subsequent full Board meetings. However, all decisions made by the sub-committees require confirmation and/or modifications during full Board meetings.

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

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

Roles ad Responsibility

The Board as per section 15 of the TARDA Act shall be responsible for the management of the affairs of a state corporation and shall be accountable for the moneys, the financial business and the management of a state corporation e.g. no corporation may incur expenditure for which provision was not made in an annual estimate prepared and submitted 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:

| i) Mr. Stanley Gikandi | - | Chairman |
|---------------------------|---|----------|
| ii) Ms. Sarah Mugwanja | _ | Member |
| iii) Mr. Ronald Inyangala | - | Member |
| iv) Mr. William Ogola | - | Member |
| v) Eng. John Kibe | - | Member |

The F & P committee held five (5) regular meetings in 2018/2019

2) Human Resource and Governance Sub-Committee

Roles and Responsibility:

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

| i) Ms. Sara Mugwanja <i>-</i> | Chair | person |
|--------------------------------|-------|--------|
| ii) Mr. John Nthuku | - | Member |
| iii) Mr. Anthony Mugane | - | Member |
| iv) Eng. Alexander Wainaina | - | Member |
| v) Mr. William Ogola | - | Member |

The HR Sub-Committee held five (5) regular meetings in 2018/2019.

3) Audit, Risk Management and Compliance Sub-Committees

Roles and Responsibility

An Audit committee is responsible for a thorough and detailed review of Audit matters. It enables the non-executive directors to contribute an independent judgment and play a positive role in an area for which they are particularly fitted, and offers the auditors a direct link with the non-executive directors:

| :\ Mr. Jahan Nikhaalaa | | OI: |
|------------------------------|------------|----------|
| i) Mr. John Nthuku | - | Chairman |
| ii) Mr. Anthony Mugane | - | Member |
| iii) Eng. Alexander Wainaina | ı - | Member |
| iv) Ms. FelistusNyacuru | - | Member |
| v) Dr. Wawire M. Michael | - | Member |
| vi) Mr. 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 2018/2019.

4) Planning Research and Development Sub-Committees

i) Dr. Wawire M. Michael - Chairman
 ii) Amb. (Eng.) Mahboub M. Mohamed - Member
 iii) Eng. John Kibe - Member
 iv) Ms. FelisterNyacuru - Member
 v) Mr. Stanley Gikandi - 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 four (4) regular meetings in 2018/2019.

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.

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 five (5) 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 visited Tunyai Children's Home on the 26th of June in 2019, as part of TARDA's 2018/2019 financial year corporate social responsibility. The visit was a response to the Home's leadership that had requested TARDA's management to sponsor them during the Christmas period.

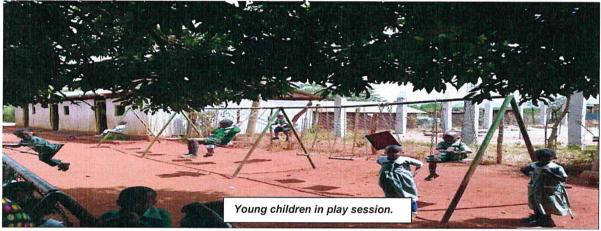


The home caters for 150 children, 50 of whom are total orphans and reside in the home, with the remaining 100 who have relatives only attending school at the home and residing with their families outside the Institution.



The community based organization aims at feeding and providing quality education to the children. It has also engaged in other activities that include fighting Female genital mutilation (FGM)in the community, offering counseling for discordant couples, promoting food security through educating and engaging the community in water harvesting programmes sponsored by different donors, as well as working towards environmental conservation through carrying

out tree planting activities in the community around them.



The management of the home requested that if possible, the Authority continues supporting them in all ways possible.



REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 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

vii)

The results of Tana and Athi Rivers Development Authority for the year ended June 30, 2019 are set out on page 1-55.

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 Secre

Date 21/September 2019

STATEMENT OF DIRECTORS RESPONSIBILITIES viii)

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, 2019. 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, 2019, and TARDA's financial position as at June 30, 2019. 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 26th Sep 2019 and signed on its behalf by."

Director Haging Director

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000 E-mail: info@oagkenya.go.ke Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

Enhancing Accountability

REPORT OF THE AUDITOR-GENERAL ON TANA AND ATHI RIVERS DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2019

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 54, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, the statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, 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, 2019, 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 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Going Concern Uncertainty

The Authority recorded a deficit of Kshs.728,814,336 during the year under review raising the cumulative deficit to Kshs.14,682,826,790 (2018: Kshs.13,954,012,453). Further, the current liabilities of Kshs.361,240,530 exceeded the current assets of Kshs.250,233,263 resulting to a negative working capital of Kshs.111,007,267. The Authority was therefore unable to meet its financial obligations as and when they fell due. 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 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 negative trend on revenue to the transfer of power generating and transmission assets 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. Based on the Commercial Agreement, a total of Kshs.3,996,000,000 should have been paid to the Authority between 1987/1988 and 1998/1999 before KenGen took over the power generation role from KPLC. However, total payments received for the same period amounted to Kshs.238,333,000 leaving an outstanding balance of Kshs.3,757,667,000.

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. The material uncertainty relating to going concern has not been disclosed in the financial statements.

2. Property, Plant and Equipment

2.1 Land Without Ownership Documents

The statement of financial position reflects property, plant and equipment balance of Kshs.9,501,709,070 which includes Kshs.90,903,600 representing the value of three (3) parcels of land located at Kibwezi, Lamu and Kitui measuring 5,392.7 hectares. However, the ownership documents for the parcels have not been provided for audit verification.

2.2 Expiry of Lease for the Emali Farm

The Authority leased Emali Farm situated in Kajiado County for livestock multiplication and breeding. Available information indicates that the lease for the land measuring one hundred and seventy (170) hectares lapsed in 2017 and had not been renewed by the County Government of Kajiado. Although the lease lapsed three years ago, the Authority has not provided evidence of progress towards renewal of the lease, casting doubt on the sustainability of the Authority's operations at the Station.

2.3 Fully Depreciated Assets

Included in the property, plant and equipment balance of Kshs.9,501,709,070 as at 30 June, 2019 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 any policy on revaluation of fully depreciated assets.

2.4 Masinga Hydro Electric Power Station and Kiambere Hydro Electric Power Station

The property, plant and equipment balance of Kshs.9,501,709,070 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.3,067,192,800 and Kshs.4,692,506,645 respectively. However, the assets were not under the use and maintenance of the Authority.

From the foregoing, the ownership and accuracy of the property, plant and equipment balance of Kshs.9,501,709,070 could not be confirmed.

3. Unsupported Revaluation Reserve

As reported previously, the statement of financial position reflects a revaluation reserve of Kshs.19,697,833,221. However, no documentary evidence was presented for audit to support the revaluation reserve.

In the circumstances, it has not been possible to confirm whether the revaluation reserve balance of Kshs.19,697,833,221 as at 30 June, 2019 is fairly stated.

4. Unremitted Statutory Deductions, Taxes and Unsupported Payables

The statement of financial position reflects a balance of Kshs.361,240,530 under trade and other payables which, as disclosed in Note 24 to the financial statements, includes an amount of Kshs.212,048,366 in respect of un-remitted statutory deductions and other sundry creditors. The latter balance comprised of Kshs.79,180,200 unpaid pension, unremitted Pay As You Earn (PAYE) of Kshs.126,493,784 and other statutory accruals of Kshs.6,374,382. The Authority may incur interest and penalties for failure to remit statutory deductions and taxes on a timely basis.

Included in trade and other payables balance of Kshs.361,240,530 is also an amount of Kshs.129,028,546 relating to creditors account which includes Value Added Tax (VAT) arrears of Kshs.4,768,176 from Masinga Dam Resort, Kshs.12,047,980 being Tana Delta Irrigation Project liabilities for 2014 and earlier years, and Kshs.17,766,418 due to Economic Stimulus Programme (ESP) Contractors. However, no supporting documentation was provided for audit verification in support of the liabilities.

In the circumstances, it has not been possible to confirm the accuracy, validity and completeness of the reported trade and other payables balance of Kshs.361,240,530.

5. Trade and Other Receivables

The statement of financial position reflects a balance of Kshs.168,366,673 under trade and other receivables. However, as disclosed at Note 18 to the financial statements, the balance was net of Kshs.1,261,117,834 specific provision for bad debts relating to bulk power sales to KPLC for periods prior to April 1988. Although Management has explained that the matter was being handled by the Public Investments Committee, the dispute had not been resolved as at the time of the audit.

Further, the reported receivables balance included long outstanding receivables totalling Kshs.44,491,484 as tabulated below:

| Details | Amount (Kshs.) |
|------------------------------------|----------------|
| Ex-staff debtors | 12,574,315 |
| Tana Delta Irrigation Project | 6,093,994 |
| External Debtors | 5,693,710 |
| Staff Debtors | 1,049,519 |
| Tana Delta Resort External Debtors | 5,728,746 |
| Staff Debtors | 1,036,448 |

| , | Amount |
|----------------------------|------------|
| Details | (Kshs.) |
| Masinga Dam Resort Debtors | 8,766,107 |
| KenGen Bills | 2,865,875 |
| Individual Bills | 682,770 |
| Total | 44,491,484 |

In the circumstances, it has not been possible to confirm the accuracy, validity and full recoverability of the reported trade and other receivables balance of Kshs.168,366,673.

6. Unsupported Work In Progress

The statement of financial position reflects a balance of Kshs.257,273,943 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.

7. Short term Lease Agreement at Queensway House, Nairobi

The statement of financial performance reflects operation and maintenance expenses of Kshs.67,763,912 which, as disclosed in Note 7 to the financial statements, included rent and rates expenditure of Kshs.17,506,363. The rent related to a one-year lease for the Authority's Offices at Queensway, Nairobi. However, The Authority did not provide a fully executed lease agreement for audit verification.

In the circumstances, the accuracy and the legality of the rent and rates expenditure of Kshs.17,506,363 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 audit opinion.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Matters

As disclosed at the Progress on Follow Up of Auditor's Recommendations section of the financial statements, prior year audit matters remained unresolved as at 30 June, 2019.

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

Delayed Completion of Executive Rooms at Masinga Dam

Included in work in progress balance of Kshs.257,273,943 is also an amount of Kshs.23,121,654 in respect of Masinga Dam Resort where construction of eight (8) new executive rooms was ongoing. The works were awarded to a contractor at a contract sum of Kshs.28,476,674 in April, 2016. The works commenced in May, 2016 and were scheduled for completion in December, 2016. However, as at the time of audit, the works were 90% complete. As previously reported, no explanation was provided for the delay in the completion of the project.

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 sections 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

A 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 availed for

audit mainly had monthly totals but lacked individual transactions details required to validate the amounts.

In 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 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 Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (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 intention to either terminate the Authority or to cease its operations.

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

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

Those charged with governance are responsible for overseeing the 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 or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue as a going concern or to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the 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

Nancy Gathungu AUDITOR-GENERAL

Nairobi

19 August, 2021

x) STATEMENT OF FINANCIAL PERFORMANCE

| | | Jun-19 | Jun-18 |
|--|------|---------------|---------------|
| | | | (Restated) |
| | NOTE | KSHS | KSHS |
| Revenue from non-Exchange transactions | 4 | 345,808,409 | 345,808,409 |
| Other incomes | 5 | 119,034,926 | 130,222,079 |
| TOTAL REVENUE | | 464,843,335 | 476,030,488 |
| | | | |
| EXPENSES | | | |
| Cost of sales from exchange transactions | 6 | 67,726,072 | 70,756,775 |
| Operation and Maintenance | 7 | 67,763,912 | 56,129,791 |
| Administrative Expenses | 8 | 25,280,391 | 8,361,672 |
| Directors expenses | 9 | 8,220,758 | 6,003,007 |
| Development Programmes | 10 | 216,343,363 | 107,758,002 |
| Depreciation and Amortization | 11 | 440,067,768 | 440,460,491 |
| Employee costs | 12 | 368,255,407 | 354,920,967 |
| TOTAL EXPENSES | | 1,193,657,671 | 1,044,390,704 |
| NET DEFICIT | | (728,814,336) | (568,360,216) |

NB:

The Audited balances for statement of financial performance for the year 2017/18 have been restated to recognize GOK Recurrent Expenditure disbursement received in the year 2018/19 and reclassification of various items under expenses and adjustment under provision of depreciation.

xi) STATEMENT OF FINANCIAL POSITION

| NOTE | Jun-19 | Jun-18 |
|---------------------------------|------------------|--------------------|
| | KSHS | (Restated) KSHS |
| NON CURRENT ASSETS | | |
| Property Plant and Equipment 13 | 9,501,709,070 | 9,940,327,079 |
| Work in progress 14 | 257,273,943 | 257,273,943 |
| Investments -Portfolio 15 | 24,500,000 | 24,500,000 |
| | 9,783,483,013 | 10,222,101,022 |
| CURRENT ASSETS | - | |
| Inventories 16 | 23,600,302 | 22,962,133 |
| Biological Assets 17 | 14,853,863 | 15,352,050 |
| Trade and Other receivables 18 | 168,366,673 | 159,699,488 |
| Cash and cash equivalents 19a | 38,261,202 | 4,208,571 |
| Bank-Climate Change 19b | 5,151,223 | 21,884,899 |
| | 250,233,263 | 224,107,141 |
| Total Assets | 10,033,716,276 | 10,446,208,163 |
| NON CURRENT LIABILITIES | | |
| FUND AND LIABILITIES | | |
| O.E.C.F (Japan)Loan 20 | 272,086,200 | 544,172,400 |
| Capital Fund 21 | 4,380,203,778 | 3,793,917,578 |
| Accumulated Deficit | (14,682,826,790) | (13,954,012,453) |
| Revaluation Reserve 22 | 19,697,833,221 | 19,697,833,221 |
| Tourism Trust Fund 23a | 28,114 | 28,114 |
| Climate Change Fund 23b | 5,151,223 | 21,884,899 |
| | 9,672,475,746 | 10,103,823,759 |
| | 310. 21.1101. 10 | 10,100,020,700 |
| CURRENT LIABILITIES | | |
| Trade and other Payables 24 | 361,240,530 | 342,384,404 |
| | 361,240,530 | 342,384,404 |
| Total Fund Liabilities | 10,033,716,276 | 10,446,208,163 |

NB:

The accumulated deficit and Trade and Other Receivables balances for the year 2017/18 have been restated to recognize GOK Recurrent Expenditure disbursement received in the year 2018/19, and under provision of depreciation in 2017/18.

xii) STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

| 7 Y Y Y Y Y Y Y Y Y Y Y Y Y Y Y Y Y Y Y | Loan Capital | Capital Fund | Accumulated Deficit | Revaluation Reserve | Tourism Trust Fund | Climate Change | Total |
|---|---------------|---------------|------------------------|------------------------|-----------------------|-------------------|----------------|
| Restated | 816,258,600 | 3,521,831,378 | (13,385,652,237) | 19,697,833,221 | 28,114 | 59,468,811 | 10,709,767,920 |
| Loan Repayments | (272,086,200) | 272,086,200 | | | | | |
| Deficit for the year | 1 | | (568,360,216) | | | | (568,360,216) |
| Climate Change Expenses As At 30th June 2018- | | | | | | (37,583,945) | (37,583,945) |
| (Restated) | 544,172,400 | 3,793,917,578 | (13,954,012,453) | 19,697,833,221 | 28,114 | 21,884,899 | 10,103,823,759 |
| 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 | 272,086,200 | 4,380,203,778 | (14,682,826,790) | 19,697,833,221 | 28,114 | 5,151,223 | 9,672,475,747 |

NB: The accumulated deficit brought forward has been restated to recognize GOK Recurrent Expenditure disbursement received in the year 2018/19, and under provision of depreciation in 2017/18.

xiii) STATEMENT OF CASHFLOWS

| XIII) STATEMENT OF CASHFLOWS | | | |
|--|------|--------------------|----------------------|
| | Note | Jun-19 | Jun-18 (Restated) |
| | | Kshs | Kshs |
| Cash flows from operating activities | | | 3 83 51 8 |
| Receipts | | | |
| Revenue From Non -Exchange Transactions | 4 | 345,808,409 | 345,808,409 |
| Revenue From Exchange Transactions | 5 | 119,034,926 | 130,222,080 |
| | | 464,843,335 | 476,030,489 |
| Payments | | | |
| Cost of Sale From exchange transaction | 6 | 67,726,072 | 70,756,775 |
| Operation and Maintenance | 7 | 67,763,912 | 56,129,791 |
| Administrative Expenses | 8 | 25,280,391 | 8,361,672 |
| Directors expenses | 9 | 8,220,758 | 6,003,007 |
| Development Programmes | 10 | 216,343,363 | 107,758,002 |
| Employee costs | 12 | 368,255,407 | 354,920,967 |
| | | 753,589,903 | 603,930,214 |
| Net cash flows from operating activities | | (288,746,568) | <u>- 127,899,725</u> |
| Cash flows from investing activities | | | |
| MDR -Constructions(work in progress) | 14 | - | (3,371,675) |
| Purchase of Furniture, fittings and office Equipment | 13 | (1,449,760) | (696,698) |
| Increase in inventory | 16 | (638,169) | (1,118,836) |
| Increase/Decrease in Biological Asset | 17 | 498,187 | (991,873) |
| Increase/ Decrease in trade & other receivables | 18 | (8,667,185) | (34,788,844) |
| Increase in Creditors | 24 | <u> 18,856,126</u> | 84,816,764 |
| Net cash flows used in investing activities | | <u>8,599,199</u> | 43,848,838 |
| | | | |
| Cash flows from financing activities | | | |
| GOK Grants-Development Funds | | 314,200,000 | |
| Net cash flows used in financing activities | | 314,200,000 | |
| Net increase/(decrease) in cash and cash equivalents | | 34,052,631 | - 84,050,887 |
| Cash and cash equivalents at 30 June 2018 | | 4,208,571 | 88,259,458 |
| Cash and cash equivalents at 30 June 2019 | 19a | 38,261,202 | 4,208,571 |
| Climate Change -BANK | 19b | <u>5,151,223</u> | 21,884,899 |

Cash flows from Operating and investing activities in the year ended 30th June, 2018 have been restated to recognize GOK Recurrent Expenditure disbursement received in the year 2018/19 and reclassification of various items.

xiv) SOURCESAND DISBURSEMENT OF FUNDS

| SOURCES AND DISBURSEMENT OF FUNDS | | | | | | |
|-----------------------------------|------------------|----------------|--------------------|------------|--|--|
| | ANNUAL BUDGET | ACTUAL RECEIPT | BUDGET VARIANCE | % VARIANCE | | |
| (A) BUDGETS | 2018/2019 | 2018/2019 | 2018/2019 | | | |
| | Kshs | Kshs | Kshs | | | |
| 1. RECURRENT VOTE | | | | | | |
| a) GoK (Normal) | 345,808,409 | 345,808,409 | 0 | 0.00% | | |
| b) AIA KenGen | 65,544,632 | 65,544,632 | 0 | 0.00% | | |
| c) AIA Upper Hill Parking | 10,800,000 | 10,800,000 | 0 | 0.00% | | |
| d) AIA-Projects | 80,655,368 | 42,560,646 | -38,094,722 | | | |
| e) Miscellaneous Income | | 129,648 | 129,648 | | | |
| Sub-total | 502,808,409 | 464,843,335 | -37,965,074 | -7.55% | | |
| 2. DEVELOPMENT | | | b == | | | |
| B/F | 0 | 0 | 0 | | | |
| (a) GoK (Normal) | 314,200,000 | 314,200,000 | 0 | 0.00% | | |
| Sub-total (Dev Vote) | 314,200,000 | 314,200,000 | 0 | 0.00% | | |
| Total Inflows (R + D) | 817,008,409 | 779,043,335 | (37,965,074) | -4.65% | | |

xv) STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

| VOTE R HEAD 1222 | DETAILS | APPROVED BUDGET | ACTUAL EXPENDITURE | VARIANCE | % VARIANCE |
|---------------------|---------------------------------|--------------------|-----------------------|-------------|---------------|
| YEAR | | 2018/19FY | 2018/19FY | 2018/19FY | |
| Personnel Emolu | ments -Vote R | | | | |
| 211010100 | Staff Salaries | 317,835,184 | 323,168,880 | (5,333,696) | -2% |
| 211010101 | N.S.S.F | 1,015,200 | 916,600 | 98,600 | 10% |
| 212010202 | Pension | 20,000,000 | 20,455,493 | (455,493) | -2% |
| 2210901 | Medical Insurance | 23,000,000 | 23,714,435 | (714,435) | -3% |
| | Sub - Total | 361,850,384 | 368,255,408 | (6,405,024) | -2% |
| O & M Activities- | Vote R | | | | |
| 2210800 | Staff Welfare | 3,350,000 | 3,396,326 | (46,326) | -1% |
| 2211200 | Motor Running | 3,600,000 | 3,554,100 | 45,900 | 1% |
| 2210701 | Travelling & Accommodation | 16,000,000 | 15,637,517 | 362,483 | 2% |
| 2211317 | Postage & Telegram | 20,000 | 19,681 | 319 | 2% |
| 2210201 | Telephone & Internet | 1,250,000 | 1,249,031 | 969 | 0% |
| 2210809 | Official Entertainment | 850,000 | 821,864 | 28,136 | 3% |
| 2210800 | Board Expenses | 8,500,000 | 8,220,758 | 279,242 | 3% |
| 2211319 | Electricity & Water Exp | 930,000 | 932,229 | (2,229) | 0% |
| 2211320 | Printing & Publishing | 250,000 | 266,597 | (16,597) | -7% |
| 2211321 | Motor vehicle maintenance | 3,700,000 | 3,739,318 | (39,318) | -1% |
| 2211322 | Uniform and clothing | 90,000 | 85,756 | 4,244 | 5% |
| 2211323 | Security Expenses | 1,080,000 | 1,054,210 | 25,790 | 2% |
| 2211324 | Library Expenses | 35,000 | 34,544 | 456 | 1% |
| 2211100 | Stationery Expenses | 1,400,000 | 1,472,037 | (72,037) | -5% |
| 2211101 | Computer Expenses | 650,000 | 656,690 | (6,690) | -1% |
| 2211322 | Advertisement & Publicity | 1,100,000 | 1,097,100 | 2,900 | 0% |
| 2211323 | Office Rent | 16,500,000 | 16,707,454 | (207,454) | -1% |
| 2211324 | Land Rates | 800,000 | 798,909 | 1,091 | 0% |
| 2210604 | Hire of Transport | 1,100,000 | 1,113,711 | (13,711) | -1% |
| 2211308 | Legal Fees & Subscriptions | 5,900,000 | 11,798,291 | (5,898,291) | -100% |
| 2210700 | Staff Training | 2,400,000 | 2,347,393 | 52,607 | 2% |
| | Audit Expenses | 700,000 | 696,000 | 4,000 | 1% |
| 2210900 | Insurance Expenses | 2,700,000 | 2,876,413 | (176,413) | -7% |
| 211010202 | Casual wages | 16,000,000 | 16,229,512 | (229,512) | -1% |
| 2220202 | Maintenance of office Equipment | 570,000 | 583,763 | (13,763) | -2% |
| 2220205 | Maintenance of Station | 4,100,000 | 4,172,317 | (72,317) | -2% |

| 3111005 | Purchases of Office Computers | 440,000 | 440,800 | (800) | 0% |
|------------------|--|-------------|-------------|--------------|-----|
| 3111001 | Furniture & Fittings | 1,000,000 | 978,960 | 21,040 | 2% |
| 3111006 | Purchase of office Equipment | 250,000 | 30,000 | 220,000 | 88% |
| 3111009 | Stock Taking exercise | 950,000 | 940,000 | 10,000 | 1% |
| 3111010 | Bank Charges | 773,025 | 763,540 | 9,485 | 1% |
| 3111011 | Formulation of strategic plan (2019-2023FY) | 4,300,000 | 4,600,073 | (300,073) | -7% |
| | Sub - Total | 101,288,025 | 107,314,894 | (6,026,869) | -6% |
| | Total - Vote R | 463,138,409 | 475,570,302 | (12,431,893) | -3% |
| PC Activities-VO | TE D | | | | |
| 1102000401 | (a) Redemption of Debts (Financial Stewardship) | 16,000,000 | 15,872,395 | 127,605 | 1% |
| 1102000404 | (b)Strategic Objectives & Development activities | 70,800,000 | 63,126,001 | 7,673,999 | 11% |
| | Sub - Total | 86,800,000 | 78,998,396 | 7,801,604 | 9% |
| Development Pro | grammes - VOTE D | | 13 151 7 | | |
| 1102000411 | (e) Kieni Integrated Project | 113,815,000 | 102,916,401 | 10,898,599 | 10% |
| 1102000412 | (f) Muranga Integrated Project | 85,000,000 | 56,793,226 | 28,206,774 | 33% |
| 1102000413 | (q) Tana Delta Irrigation Project | 68,255,000 | 56,633,737 | 11,621,263 | 17% |
| | Sub - Totals Non PC | 267,070,000 | 216,343,363 | 50,726,637 | 19% |
| | Sub - Total Vote - D | 353,870,000 | 295,341,759 | 58,528,241 | 17% |
| | Grand - Total | 817,008,409 | 770,912,061 | 46,096,348 | 6% |

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.38M** as a result of Production challenges at the Tana Delta Irrigation project occasioned by delayed disbursement of funds meant for rehabilitation of irrigation infrastructure.

Statement of Budget and Actual Amounts

Legal Fees

The Authority recorded an adverse variance in the legal fees expense amounting to **Kshs5.9M**. This was brought about by a court ruling against TARDA to compensate a former employee.

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 derecognized 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 2018/19 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.

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.

i) 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.

| | 2019 | 2018 |
|-------------------------------------|------------|------------|
| Directors Allowances | 8,220758 | 6,003,007 |
| CEO and senior Management salaries | 42,938,115 | 34,147,446 |
| Senior Management outstanding Debts | 50,000 | 737,952 |

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-19 | Jun-18 |
|---|-----------------|-----------------|
| | | (Restated) |
| Total debtors | 1,429,695,507 | 1,420,817,322 |
| 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 | 168,577,673 | 159,699,834 |
| Cash at Bank | 38,261,202 | 4,208,571 |
| Cash at Bank – Climate Change Programme | 5,151,223 | 21,884,898 |

NB:

Debtors account balances brought forward has been restated to recognize GoK Recurrent Expenditure disbursement received in the year 2018/19.

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 2018-2019 | FY 2017-2018 |
|---------------|--------------|--------------|
| | | (Restated) |
| Over 30 days | 40,150,000 | 33,022,524 |
| Over 60 days | 23,450,920 | 26,154,123 |
| Over 90 days | 65,632,157 | 62,132,157 |
| Over 120 days | 39,344,596 | 38,390,684 |
| Total | 168,577,673 | 159,699,488 |

NB:

Debtors account has been restated to recognize GoK Recurrent Expenditure disbursement received in the year 2018/19.

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 predetermined 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, 2019.

| 4 | REVENUE FROM NON EXCHANGE TRANSACTIONS | Jun-19 | Jun-18 |
|---|--|--------------------|--------------------|
| | | | (Restated) |
| | | Kshs | Kshs |
| | Gok Grants-Recurrent | 345,808,409 | 345,808,409 |
| | | <u>345,808,409</u> | <u>345,808,409</u> |

<u>NB:</u> GoK Grants – Recurrent for the year 2017/18 restated to recognize disbursement received in the year 2018/19

| 5 | REVENUE FROM EXCHANGE TRANSACTIONS | Jun-19 | Jun-18 |
|---|------------------------------------|-------------|-------------|
| | External AIA-Kengen | 62,000,000 | 62,000,006 |
| | Sale of produce | 10,035,901 | 11,922,021 |
| | Sale of tree seedlings | 4,128,289 | 7,705,533 |
| | Sale of sand & honey | 5,776,311 | 8,145,840 |
| | Miscellaneous income | 14,507,577 | 20,895,264 |
| | Rendering of Services | 22,586,848 | 19,553,415 |
| | | 119,034,926 | 130,222,079 |

External AIA KenGen relates to the compensation for transfer of Generation and Transmission assets by TARDA to KenGen. Sale of Farm Produce relates to Sale of milk and cows in Emali, Sale of Rice in TDIP, Sale of Honey in Kitui, sale of Mangoes, tomatoes in Kibwezi, Kiambere Farm and Masinga Farm and rental income from housing in Kiambere.

)

| COST OF SALES Tana Delta Irrigation Farm Tana Delta Resort Kibwezi farm Emali Farm Kiambere Farm Masinga Dam Resort Lower Athi Region Kitui Honey Refinery and Guest House Buffer zone Conservation-Sand Harvesting Tana Region Upper Athi Region | Jun-19 6,784,741 2,144,994 4,828,495 5,607,505 592,637 17,951,571 3,100,237 956,050 4,256,316 536,460 2,722,630 | Jun-18 3,225,150 3,528,063 3,113,019 7,959,413 537,562 17,876,577 4,886,740 259,755 9,586,450 682,366 1,569,988 |
|---|--|---|
| Masinga Irrigation Project Masinga Afforestation Tana Bridge Machakos Tree Nursery Wote Tree Nursery Strategic Objectives-Other development Activities | 1,150,695 686,303 263,540 909,113 198,429 15,036,357 67,726,072 | 4,119,005 814,742 352,080 448,950 329,776 11,467,139 70,756,775 |
| Computer Expenses General Insurances Legal fees, Licenses and Subscriptions Motor Maintenance Motor Running Office Equipment maintenance Maintenance of Building and Stations Rent and Rates Water and Electricity Security Expenses Stationery Expenses Printing and Publishing Advertising and Publicity Telephone and Internet Postage Expenses Hire of Transport Subsistence and Accommodation Library Expenses | Jun-19 656,690 2,876,413 11,798,291 3,739,318 3,554,100 583,763 4,172,317 17,506,363 932,229 1,054,210 1,472,037 266,597 1,097,100 1,249,031 19,681 1,113,711 15,637,517 34,544 67,763,912 | Jun-18 1,202,212 3,216,537 3,720,678 1,341,710 2,559,702 492,330 921,154 17,934,012 637,060 653,660 1,431,892 109,796 2,389,469 1,443,158 46,722 784,780 17,244,919 ——————————————————————————————————— |

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 Uniform and clothing Training Official Entertainment Stock Taking Bank Charges Audit Fees Casual Wages Staff Welfare | Jun-19 85,756 2,347,393 821,864 940,000 763,540 696,000 16,229,512 3,396,326 25,280,391 | Jun-18 - 1,009,446 443,774 760,100 593,017 696,000 2,521,254 2,338,081 8,361,672 |
|----|--|---|---|
| 9 | DIRECTORS EXPENSES Sitting Allowance Travelling and Accommodation Mileage | Jun-19 4,720,000 1,460,150 575,619 | Jun-18 3,647,800 810,800 524,780 |
| | Printing and Stationery Medical Allowance Training Honoraria | 308,694 665,956 240,000 250,339 8,220,758 | 513,990 505,637 - - - - - - - - - - - - - - - - - - - |
| 10 | DEVELOPMENT PROGRAMMES Murang'a Integrated Projects Expenses Kieni Integrated Projects Expenses GOK-Special Programmes TDIP- Project Expenses | Jun-19 56,793,226 102,916,400 - 56,633,737 216,343,363 | Jun-18 - 2,788,598 100,764,434 4,204,970 107,758,002 |
| 11 | DEPRECIATION AND AMORTIZATION Property Plant and Equipment Computer Software | Jun-19 440,067,768 440,067,768 | Jun-18 440,228,491 232,000 440,460,491 |
| 12 | EMPLOYEE COSTS Medical Expenses Leave Allowance Salaries Workman Compensation Pension and Gratuity | Jun-19 23,714,435 2,386,000 321,447,191 252,288 20,455,493 368,255,407 | Jun-18 12,319,275 2,262,000 307,421,838 - 32,917,854 354,920,967 |

3

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 2017(Restated) | 335,528,349 | 1,926,207,085 | 69,546,890 | 1,264,135,430 | 1,779,406,458 | 25,101,925 | 6,134,385,600 | 9,385,013,300 | 20,919,325,037 |
| Additions For the Year | •1 | | 869'969 | | | | | | 869'969 |
| As At 30th June 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 |
| Depreciation as at 1st July 2017 | 317,170,409 | 1,918,429,015 | 64,330,994 | ř | 1,231,890,806 | 23,915,445 | 2,760,473,520 | 4,223,255,979 | 10,539,466,168 |
| Charge for the Year – Restated Accumulated Depreciation At 30th | 5,699,773 | 906,431 | 528,205 | 1 | 44,485,161 | 623,949 | 153,359,640 | 234,625,333 | 440,228,491 |
| June 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 | 10,979,694,659 |
| Net Book Value As At 30th June 2018 | 12,658,167 | 6,871,639 | 5,384,392 | 1,264,135,430 | 503,030,491 | 562,531 | 3,220,552,440 | 4,927,131,989 | 9,940,327,079 |
| 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 | ı | 30,000 | 978,960 | I | | 440,800 | | i | 1,449,760 |
| As At 30th June 2019 | 335,528,349 | 1,926,237,085 | 71,222,548 | 1,264,135,430 | 1,779,406,458 | 25,542,725 | 6,134,385,600 | 9,385,013,300 | 20,921,471,495 |
| Depreciation as at 1st July 2018 | 322,870,182 | 1,919,335,446 | 64,859,199 | ı | 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 |
| 30th June 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 |
| Net Book Value As At 30th June 2019 | 6,958,397 | 5,992,208 | 5,749,976 | 1,264,135,430 | 458,545,330 | 628,274 | 3,067,192,800 | 4,692,506,655 | 9,501,709,070 |
| Net Book Value As At 30th June 2018 | 12,658,167 | 6,871,639 | 5,384,392 | 1,264,135,430 | 503,030,491 | 562,531 | 3,220,552,440 | 4,927,131,989 | 9,940,327,079 |

NB: Depreciation charge for motor vehicle (2017/18 has been restated to recognize under provision

xvi) NOTES TO THE FINANCIAL STATEMENTS

| Jun-18 | Jun-19 | WORK IN PROGRESS | 14 |
|--------------------|--------------------|-------------------------------|----|
| 234,152,289 | 234,152,289 | Tana Delta Irrigation Project | |
| 23,121,654 | 23,121,654 | Masinga Dam Resort | |
| <u>257,273,943</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-19 | Jun-18 |
|----|--|-------------------|------------|
| | 265,000 Ordinary Shares@ 20.00 each | 5,300,000 | 5,300,000 |
| | 960,000 4% Preference Shares @20.00 each | 19,200,000 | 19,200,000 |
| | | <u>24,500,000</u> | 24,500,000 |

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-19 | Jun-18 |
|----|-------------------------------------|------------|------------|
| | Stationery | 998,378 | 830,159 |
| | Household Goods | 27,055 | 12,190 |
| | Fertilizers | 3,349,000 | 3,406,800 |
| | Spare Parts | 10,444,850 | 9,030,798 |
| | Construction Materials | 4,072,195 | 4,723,865 |
| | Refreshment and Beverages | 328,117 | 152,525 |
| | Farm inputs-Chemicals, seeds, drugs | 3,380,705 | 3,535,490 |
| | Fuel and Lubricants | 571,190 | 623,520 |
| | Seeds | 1,750 | 111,700 |
| | Honey | 287,300 | 133,000 |
| | Food | 139,762 | 153,082 |
| | Packaging Materials | - | 69,004 |
| | Hay | <u>-</u> | 180,000 |
| | · | 23,600,302 | 22,962,133 |

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

| 17 | BIOLOGICAL ASSETS | Jun-19 | Jun-18 |
|----|----------------------------------|-----------------|-------------------|
| | Emali/Kiambere/Masinga Livestock | 5,307,600 | 6,679,250 |
| | Seedlings/Farm Produce | 9,546,263 | 8,672,800 |
| | | 14,853,863 | <u>15,352,050</u> |
| 18 | TRADE AND OTHER RECEIVABLES | Jun-19 | Jun-18 |
| | | | (Restated) |
| | Staff Advances | 1,308,935 | 2,973,238 |
| | Trade Receivables | 1,377,760,572 | 1,378,761,716 |
| | Other Receivables | 50,415,000 | 39,082,368 |
| | | 1,429,484,507 | 1,420,817,322 |
| | Provision for bad debts | (1,261,117,834) | (1,261,117,834) |
| | | 168.366.673 | 159.699.488 |

Nature of KPLC debt

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

Court Guarantee of Kshs.10 million relate to money deposited with the Court in relation to Masinga compensation case. Our lawyers are due to receive the money from the Judiciary.

Financial Risk management disclosures

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

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

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

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

| | June 2019 | June 2018 (Restated) |
|-------------------------|---------------|-------------------------|
| Amounts due from KPLC | 1,179,215,376 | 1,179,215,376 |
| Other receivables – Net | 168,577,673 | 159,699,488 |

Liquidity Risk

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

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

| | June 2019 | June 2018 |
|-----------------------------|-------------|-------------|
| | (Restated) | |
| Trade and other Receivables | 168,577,673 | 159,699,488 |

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-19 | Jun-18 |
|-----|-------------------------------|---------------|---------------|
| | Cash at Hand | 87,075 | 277,563 |
| | Cash at Bank | 38,174,127 | 3,931,008 |
| | | 38,261,202 | 4,208,571 |
| 19b | Climate Change Programme-BANK | 5,151,223 | 21,884,899 |
| | | | |
| 20 | LOANS | Jun-19 | Jun-18 |
| | O.E.C.F.(Japan) B/F | 544,172,400 | 816,258,600 |
| | Loan Repayments | (272,086,200) | (272,086,200) |
| | | 272,086,200 | 544,172,400 |
| | | | |
| 21 | CAPITAL FUND | Jun-19 | Jun-18 |
| | Capital Fund b/f | 3,793,917,578 | 3,521,831,378 |
| | GOK Grants for the year | 314,200,000 | - |
| | Loan Repayment | 272,086,200 | 272,086,200 |
| | | 4,380,203,778 | 3,793,917,578 |
| | 5 | 1 | |

| 22 | REVALUATION RESERVE FUND | Jun-19 | Jun-18 |
|----|---|------------------|----------------|
| | Balance B/F | 19,697,833,221 | 19,697,833,221 |
| | | 19,697,833,221 | 19,697,833,221 |
| | | | |
| 23 | TOURISM TRUST FUND | Jun-19 | Jun-18 |
| | Balance c/f | 28,114 | 28,114 |
| | | 28,114 | 28,114 |
| | Climate Change Fund | <u>5,151,223</u> | 21,884,899 |
| | | | |
| 24 | TRADE AND OTHER PAYABLES | Jun-19 | Jun-18 |
| | Creditors Account | 129,028,546 | 121,078,134 |
| | Statutory Deductions & other Sundry Creditors | 212,048,366 | 197,292,497 |
| | | 341,076,912 | 318,370,631 |
| | Retention Account | 16,683,618 | 21,229,773 |
| | Audit fees Provision | 3,480,000 | 2,784,000 |
| | | 361,240,530 | 342,384,404 |

xvii) 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. | Steven Ruimuku MD | Not resolved | Continuous |
| 2 | Property Plant and Equipment | The acquisition of the title deeds for Kibwezi, Emali and Kitui projects is in process. | Steven Ruimuku MD | Not resolved | June 2020 |
| 3 | Capital work in progress TDIP Houses (234,152,289) | Plans are underway to rehabilitate some of these houses and convert them into guest houses. | Steven Ruimuku MD | Not resolved | Continuous |
| 4 | Trade and other receivables | KPLC payment of Kshs.1,179,215,376.30 debt as at 30 th June 2014 ended up in Parliamentary Investment Committee (PIC) where it remains un determined to date. | Steven Ruimuku MD | Not resolved | Continuous |
| 5 | Trade and other payables Un-remitted | These are statutory deductions comprising of outstanding VAT, Pension, and PAYE. The amount will | Steven Ruimuku MD | Not resolved | June 2020 |

| oference 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) |
|---|---|---|--|--|---|
| | Statutory Deductions | be paid once the financial position of the Authority improves. (A payment plan is already in place on how to clear the balances) | | | ., e445. 1 5 ge - 8 |
| 6 | Assets held by former Managing Directors | The Management undertakes to pursue the concerned former Managing Directors with a view of recovering the Authority's assets in their possession. | Steven Ruimuku MD | Not Resolved | Continuous |
| 7 | Biological Assets | The Management will incorporate the revaluation of the biological assets in the plan revaluation of assets in the next financial year | Steven Ruimuku MD | Not Resolved | Continuous |
| 8 | Lease Income | The Management will develop the pricing policy as the Lessee has shown commitment in the execution of the lease agreement | Steven Ruimuku MD | Not Resolved | Continuous |
| 9 | Loss Making Services | This is attributed to inadequate funding from the exchequer and some of the projects are social based so not for profit making | Steven Ruimuku MD | Not Resolved | Continuous |
| 10 | Revaluation Reserve | The Management is planning to undertake revaluation of its Assets in the next financial year | Steven Ruimuku MD | Not Resolved | Continuous |

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;

(iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

BOARD CHAIRMAN

MANAGING DIRECTOR

HEAD OF FINANCE

Date 26 9 19

4

Da