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REPORT

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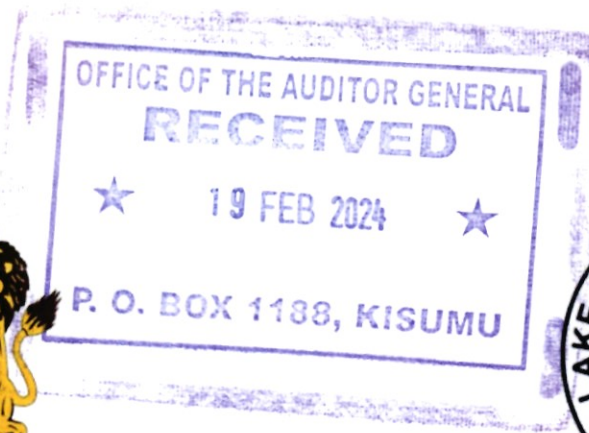
OF

THE AUDITOR-GENERAL

ON

**LAKE BASIN DEVELOPMENT
AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE, 2023**



LAKE BASIN DEVELOPMENT AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2023

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

TABLE OF CONTENTS	PAGE
1. ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS	iii
2. KEY LAKE BASIN DEVELOPMENT AUTHORITY INFORMATION AND MANAGEMENT	iv
3. THE BOARD OF DIRECTORS	vii
4. MANAGEMENT TEAM	xiv
5. CHAIRMAN'S STATEMENT	xvi
6. REPORT OF THE CHIEF EXECUTIVE OFFICER	xvii
7. STATEMENT OF LAKE BASIN DEVELOPMENT AUTHORITY PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023	xix
8. CORPORATE GOVERNANCE STATEMENT	xxii
9. MANAGEMENT DISCUSSION AND ANALYSIS	xxx
10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING	xxxiv
11. REPORT OF THE DIRECTORS	xxxix
12. STATEMENT OF DIRECTORS' RESPONSIBILITIES	xl
13. REPORT OF THE INDEPENDENT AUDITOR FOR THE FINANCIAL STATEMENTS OF LAKE BASIN DEVELOPMENT AUTHORITY	xli
14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023	1
15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023	2
16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023	3
17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023	4
18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023	5
19. NOTES TO THE FINANCIAL STATEMENTS	7
20. APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	34
21. APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES	43

1. ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS

A: Acronyms and Abbreviations

CEO	Chief Executive Officer
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
KNBS	Kenya National Bureau of Statistics
LBDA	Lake Basin Development Authority
MD	Managing Director
NT	National Treasury
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations

B: Glossary of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organization

Comparative Year- Means the prior period.

2. KEY LAKE BASIN DEVELOPMENT AUTHORITY INFORMATION AND MANAGEMENT

(a) Background information

The Lake Basin Development Authority was established by an Act of Parliament (Cap 442) on the 31st of August 1979. The Lake Basin Development Authority is domiciled in Kenya and has branches in Nzoia Basin, Yala Nyando/Sondu basin and Kuja Migori/Kibuon Tende Basin.

The organization's area of jurisdiction covers a land area of approximately 39,000 Km² with an estimated population of 16.2 million people (KNBS, 2019). This region is endowed with an immense resource base, which include Land, water and human resources, which could anchor and stimulate economic Growth in the basin area and the entire country.

(b) Principal Activities

The vision, mission and core values of Lake Basin Development Authority are as follows:

VISION

To be a leader on sustainable integrated socio-economic development in Kenya.

MISSION

To foster integrated socio-economic programmes and projects through sustainable utilization and management of natural resources with appropriate technologies for improved livelihoods of communities within the Lake Victoria basin.

CORE VALUES

The core values can be abbreviated as PICRITE and is broken down as follows:

- Passion
- Professionalism
- Integrity
- Customer focus
- Respect
- Innovation
- Teamwork
- Efficiency

(c) Key Management

The Lake Basin Development Authority day-to-day management is under the following key organs:

- Board of Directors
- Managing Director
- Management Team

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

LAKE BASIN DEVELOPMENT AUTHORITY
Annual Reports and Financial Statements
For the year ended June 30, 2023.

No.	Designation	Name
1.	Managing Director	CPA Wycliffe Ochiaga
2.	Head of Corporate Services.	CPA Christine Otieno
3.	Head of Supply Chain Management	Mr. Raymond Ndolo
4.	Head Planning, Research & Strategy	Mr. Maurice Obaso
5.	Head Agriculture & Natural Resources	Mr. Philip Oloo
6	Head Internal Audit	CPA Victor Bwire
7	Head of Engineering Services & infrastructure development	Eng. Jacob Akuno
8	Head Human Resource	Mr. Henry Makori
9	Head Administration	Mr. Edwin Olang
10	Head of Commercial Services	Ms. Beatrice Okoko
11	Head of Legal services	Mr. Michael Okuk

(e) Fiduciary Oversight Arrangements

The Authority has four committees with specific oversight responsibilities. These are:

- Human Resource Committee
- Finance & Budget Committee
- Planning Strategy & Development Committee
- Audit Committee.

(f) Lake Basin Development Authority Headquarters

P.O. Box 1516-40100
 Kanyakwar
 Kisumu - Kakamega Road
 Kisumu, KENYA

(g) Lake Basin Development Authority Contacts

Telephone : (254) 020-2023414
 Mobile : 0715-682555/0735-711933
 E-mail : info@lbda.go.ke
 Website : www.lbda.go.ke

(h) Lake Basin Development Authority Bankers

1. National Bank of Kenya Limited
 Kisumu Branch
 P.O. Box 1152-40100
 Kisumu, Kenya

2. Kenya Commercial Bank
 Kisumu Branch
 P.O Box 17 -40100
 Kisumu, Kenya

3 Cooperative Bank of Kenya
Kisumu Branch
P.O Box 1511 -40100
Kisumu, Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

3. THE BOARD OF DIRECTORS

LBDA BOARD MEMBERS

1



MR. JAMES DIANGA
(Chairman of the Board)
Independent Director

D.O.B: 24th September 1955

Professional Qualifications

- Masters Degree in Philosophy Incorporating: International Relations (major), Political Science, Economic History, Conflict Resolution and Cultural Geography.
- Bachelor of Science, Economic History, Conflict Resolution and Cultural Geography.

Work Experience

- 2004-To date- Coordinator/Director Kisumu Youth Olympic Centre
- April 2022-August 2023- County Coordinator UDA Party Siaya
- Crime prevention – City of Gothenburg, Sweden
- Social Worker - Asele kommun, Sweden
- Office Assistant – Social Democratic Party of Sweden
- Summer job - Asele kommun, Sweden
- Medical Attendant - Asele kommun, Sweden
- Legal Office Assistant – High Court of Kenya
- 1977- 1981- Fighter Control Operator - Kenya Air Force (KAF)

2



CPA WYCLIFFE OCHIAGA
(Secretary to the Board)

D.O.B: 1986

Qualifications

- Masters Business Administration
- Bachelor of Business Administration (IT)
- CPA(K)
- Member ICPAK

Work Experience

- Dec 2022-To-date: Managing Director - LBDA
- Jan 2022-Dec 2022: Director Internal Audit - LBDA
- June 2021-Dec 2022: Principal Internal Audit - LBDA
- Jan 2018-May 2021: Director Audit, Risk and Assurance-Clyde & Associates EA LLP
- Jan 2017-Dec 2017: Head of Grants Accounting-LVCT Health
- Jan 2016-Dec 2016: Senior Grants & Compliance Officer-Elizabeth Glaser Pediatric AIDS Foundation(EGPAF), TIMIZA 90 Program
- Dec 2010-Dec 2015: Senior Grants Accountant-Columbia University-International Center for AIDS Care and Treatment Program (ICAP)
- Dec 2008-Dec 2010: Accountant-Trevor and Rees Consulting

3



SARA ALIONGO
Alternate Director

D.O.B: 9th January 1987

Professional Qualifications

- Human Rights Law (LLM)
- Post Graduate Diploma in Law
- Bachelor's Degree in Law (LLB)

Work Experience

- 2021-To date- Principal State Counsel – Ministry of Agriculture & Livestock Development
- 2016-2020: Senior State Counsel - Civil Litigation Department, Office of The Attorney-General

LBDA BOARD MEMBERS

and Department of Justice-Kisumu Regional Office

- 2011-2015: State Counsel - Civil Litigation Department, Office of The Attorney-General and Department of Justice-Kisumu Regional Office

ADJUNCT/VOLUNTARY WORK

- 2021-2022 - Advocates Training Program/Bar Exam Marker-Council of Legal Education
 - 2014-2018 - Pro-Bono Lawyer-Legal Support Network, KELIN KENYA
 - 2012-2022 - Pro-Bono Lawyer-Centre for Sports Law
 - 2016-2020: Senior State Counsel - Civil Litigation Department, Office of The Attorney-General and Department of Justice-Kisumu Regional Office
-

4



WILLIS OMONDI OROWE
(Chairperson Audit Committee)

Independent Director

D.O.B: 14th May 1983

Professional Qualification

- Bachelor of Business Management (Purchasing and Supplies Management Option)
- Diploma in Customs Clearing and Forwarding

Work Experience

- 2017 to date -Managing Director Bluerange Connect Limited
 - 2010 to 2017 – Managing Director Bluerange Logistics Limited
 - 2006 to 2010-Managing Director Neptune Forwarders Limited
 - 2003 to 2004 - Import Manager Treasure Cargo Services
 - 2002 to 2003 - Declaration Officer Air maritime Kenya Limited
-

5



LAVENDER OJALLA
(Chairperson Human Resource Committee)

Independent Director

D.O.B: 27th November 1984

Professional Qualification

- 2022- PhD Candidate, University of Nairobi
- 2016- 2018 MA International Relations, USIU
- 2012- 2015 BA Political Science, University of Nairobi
- 2009- 2010 Diploma in Project Management, KeMU

Work Experience

- June 2014- Dec 2021- Benard Frank - Audit, Tax and Management firm
 - Senior Manager - Public Sector and International Policy Advisor
 - Feb 2014 - Nov 2015 Trocaire International Kenya Administrative Manager
 - 2016 - December 2020 - Great Levels CEO (K) Ltd - Nairobi, Kenya CEO
-

6



TERESA BITUTU OROO
Independent Director

D.O.B: 1st January 1959

Professional Qualification

- Teacher's Certificate in Early Childhood Education Certificate in Early Childhood Education

Work Experience

- March 2019 – March 2022 : Member of The Board of Management Itierio Girls Secondary
 - Jan 2002 – Jan 2003 : Constituency Constitutional Committee Member Constitution of Kenya Review Commission
 - Jan 2002 – Jan 2003 : Federation of Kenya Women Lawyers Civic Educational Provider
 - March 2004 – Dec 2006 : Office of The President Member of Panel of Elders for Land Dispute Tribunal Suneka Division
-

LBDA BOARD MEMBERS

2009 – to date : Manager Angelic Teachers College

7



ENG.ROBERT KIPCHIRCHIR LIMO
(Chairperson Finance and Budget Committee)
Independent Director

D.O.B: 2nd January 1984

Professional Qualification

- 2013- 2017 – Bachelor of Science in Mechanical Engineering
- January – July 2008 Kenya Armed Forces Technical College
- October 2007 – Computer Aided Design
- January 2003 – November 2005 – Diploma in Mechanical Engineering (Plant option)

Work Experience

- August- October 2004 – Kaimosi Tea Estate
- October – December 2004 – Panafric Hotel
- December 2005 – February 2006 – Stanley Hotel
- February 2006 – February 2007 – Shieffield Steel System Assistant
- February 2007 – January 2010 – Department of Defense (Army Aviation)
- January 2010 – January 2011 – Chief Engineer Baobab Beach Resort
- February 2011 – July 2013 – Emerald Hotels
- January 2014 – May 2021 – Team Director Green County Construction Ltd

8



JULIUS CHACHA GABRIEL

Independent Director

D.O.B: 4th April 1976

Professional Qualification

- 2016 – 2017 - Post graduate Diploma in legal practice
- 2014 – 2015 - Pre- Kenya School of law, Compliance Certificate
- 2007 – 2011 - Bachelor of law LLB Degree

Work Experience

- 2010 – 2013 – Lawyer at Notary Republic and Commissioner
- 2014 – 2016 – Lawyer at Paceshi
- 2018 – 2021 – Lawyer at AGAPE- Shinyanga

9



LUKE OUKO OBONG'O

Independent Director

D.O.B: 8th August 1959

Professional Qualification

- 1979 – 1980 - Nyanza Commercial College Book Keeping Accounts
- Presidential County Chief Agent Kisumu County 2022 Election
- Farming and Business County Coordinator for UDA Party Kisumu County
- Elected Member of County Assembly as a Councillor
- Self-Employment- Farming and Business
- Sales Manager at the Kenya National Assurance Company Ltd
- Alico Insurance Company Ltd – Accountant
- Account clerks at Kenya Posts and Corporation Account Clerk at Kenya Railways

LBDA BOARD MEMBERS

10



FRANCIS OKEDI OKAYE

Independent Director

D.O.B: 26th November 1972

Work Experience

- September 2009 – 2010 – Teacher at Katilu Boys High School
 - November 2006 – September 2009 – Project Manager at Watoto Walwanga
 - July 2005 – November 2006 – Project Coordinator at Watoto Walwanga
 - August 1998 – July 2005 – Centre Head at Lwanga Boys town
-

11



MAURICE OPONDO ODUOR

Alternate Director

D.O.B: 18th September 1972

Professional Qualification

- Tottori University Certificate in Appropriate Management of Land and Water Resources for Effective Utilization in Arid and Semi-Arid Lands
- Diploma in Project Management
- KIMC, PGD – Mass Communication
- ACCA Diploma in Financial Management
- Higher Diploma in Human Resource Management

Work Experience

- July 2022 – Acting Director, Irrigation Water Management
- April 2018 – Deputy Director, Irrigation Water Management
- February 2017 – April 2018 – Senior Assistant Director, Land Reclamation
- July 2014 – July 2016 – Senior Water Research Officer
- 5th November 2014 – 2017 – Assistant Director, Land Reclamation
- November 2014 to July 2014 Principal land Reclamation Officer
- November 2011 to October 2012 – Programme Officer
- November 2007 to April 2008 – Chief Land reclamation officer, Ministry of water and irrigation
- January 2005 – October 2007 – Senior Agricultural Officer Ministry of Agriculture
- October 1997 – December 2004 – Lecturer, Animal Health and Industry

July 1996 – October 1997 – Graduate Teacher 1

12



EBEL OCHIENG'

Independent Director

D.O.B: 4th August 1988

Professional Qualification

- 2018 – 2021: Bachelor of Human Resource Management
- 2014 - 2016: Diploma in Human Resource Management
- 2011: Management Studies (MIAMS)

Work Experience

- November 2020 to Date: Human Resource Manager, One Horizon Africa
 - October 2019 to August 2020: Human Resource Manager, APHRC & Amp; Beula Group
 - June 2018 to August 2019: Assistant Human Resource Manager, Asanda Global Agencies
-

LBDA BOARD MEMBERS

13



HELLEN MAKONE
Independent Director

D.O.B: 2nd May 1959

Professional Qualification

- 1979– 1981: University of Nairobi (Bachelor of Arts (Economics and Sociology)
- 2001– Henley Management College, United Kingdom (UK) (Diploma in Management)
- 2005 – Higher Diploma in Human Resource Management (IPM)
- 2012 – MBA - Finalist. (Henley Management College, UK)

Work Experience

- 2015–2018: Director, Lake Victoria South Water Services Board
- 2013– 2015: Member of UN Women Civil Society Advisory Group
- 2012–2013: Executive Director Maendeleo Ya Wanawake Organization
- 2006- 2013: Treasurer Maendeleo ya Wanawake Nyanza Province.
- 2009- 2010: Consultant for UNDP Special Unit SSC, New York
- 2001- 2005: Constitution of Kenya Review Commission (CKRC)
- 1994–1996: Project Manager (Kenya Centralization Project), the Standard Chartered Bank, Kenya, Ltd., Moi Avenue, Nairobi.
- 1991– 1992: Branch Manager - Nakuru, Standard Chartered Bank
- 1989-1991: Branch Manager - Old Mutual, Standard Chartered Bank
- 1986–1989: Operations Manager –Haile Selassie Avenue, Standard Chartered Bank
- 1985–1986: Trade Finance Department–Kenyatta Avenue, Standard Chartered Bank
- 1984–1985: Sub Accountant–Kimathi Street, Standard Chartered Bank
- 1984: Sub Accountant - Westlands, Standard Chartered Bank
- 1983 – 1984: Graduate Trainee - Kericho, Standard Chartered Bank

14



ISAAC KOGO
Independent Director

D.O.B: 16th June 1974

Professional Qualification

- 2019-Date Moi University Doctor of Philosophy in Communication Studies (ongoing)
- 2001-2004 Moi University Master of Philosophy in Communication Studies
- 2000-2001 Moi University Post Graduate Diploma in Human Resource Management
- 1994-1998 Moi University Bachelors of Education Arts

Work Experience

- 2013-2022 County Government Executive Committee Member for Education and of Trans-Nzoia ICT
- 2015-2018 County Government Executive Committee Member for Health of Trans-Nzoia
- 2009-2012 Moi University Lecturer Moi University
- 2007-2009 TSC Lecturer Eldoret Polytechnic
- 2003-2007 TSC Teacher Kapcheplanget Secondary School

15



JACKSON SWADI KEDOGO
Independent Director

D.O.B: 28th December, 1968

Professional Qualification

- 2019-2021 KCA University Bsc. Degree Public Management
- 2015-2016 KCA University Diploma County Governance
- 2012 KCA University Certificate in County Management

LBDA BOARD MEMBERS

- 2012 KNEC Examination International General Certificate of Secondary Education (IGCSE)

Work Experience

- 2017-2022 Re-elected as Member of County Assembly(MCA)Kabwareng ward, Nandi Served as chairman Public Investment Committee in Nandi County Assembly
- 2013-2017 Elected as member of County Assembly(MCA) Kabwareng ward, Nandi county Served as chairman Public Investment Committee in Nandi County Assembly
- 2007-2012 Chairman Transport and Disaster Management Nairobi City Council
- 2007-2012 Elected as councilor Mathare,Nairobi County
- 1996-2016 Mechanical Engineering,Yusuf garage-Nairobi

16



REBECCA GHATI MAROA

(Chairperson Planning, Strategy and Development Committee)

Independent Director

D.O.B: 1974

Professional Qualification

- 2016 - Date University of Nairobi PhD in Progress
- 2010- 2012- University of Nairobi Masters of Art (Linguistics)
- 2004- 2008- University of Nairobi Bachelor's degree (English Literature)
- 1996 – 1998 - St. Marks T.T.C (Kigari) P.T.E Certificate (P1)

Work Experience

- 2022 to Date Governor Candidate Migori County
- 2017 -2022 County Executive Committee Member (CECM) for Water, Energy, Environment, Natural Resources, Climate Change And Disaster Management
- 2015 - Oct 2017 County Director of Gender and Equality Migori County Government
- 2014 - 2015 Kisii University; Lecturer School of Education
- 2012 - 2013 Tarang'anya Girls Secondary School
- 2007- 2008 Tarang'anya Boys Secondary School
- 2002 - 2007 Tarang'anya primary School

17



SAMUEL GITAU

Alternate Director

D.O.B: 1965

Professional Qualification

- 2001-2003-University of Makerere - MA in Economic Policy Management
- 1999-2000-University of Botswana - Post Graduate Diploma in Population and Sustainable Development
- 1987-1990 - University of Nairobi: BA Economics

Work Experience

- December 2016 to Date - The National Treasury
- October 2013 to December 2016 - Office of the Deputy President
- May 2005 to October 2013 - Ministry of Justice, National Cohesion and Constitutional Affairs
- July 1991 - May 2005 - Ministry of Planning and National Development

18



Rose Mwangera

Alternate Director

DOB: 1972

Professional Qualification

- Present - Doctor of Philosophy (PhD.) in Development Studies Jomo Kenyatta University of Agriculture & Technology (JKUAT)
- 2012 – 2014 - Master's Degree in Project Planning and Management University of Nairobi

LBDA BOARD MEMBERS

- 2001 – 2004 - Bachelor of Arts in Education, (Home Economics and English) Kenyatta University
- 1993 - 1995 - Diploma in Education, (Home Economics and Physical Education) Kagumo Teachers College

Work Experience

- 2022-To date - Deputy Director; Regional Development Department of Regional Development - State Department for ASALs and Regional Development.
 - 2021-2022 - Deputy Director Youth for Youth Development; Policy, Research and Mainstreaming Directorate: Head of Policy and Strategy Division State Department for Youth.
 - 2019-2020 - Deputy Director Deployed as the Assistant Technical Administrator at the Office of the Cabinet Secretary Ministry of Public Service and Gender
 - 2017-2018 - Deputy Director of Youth Development: Policy, Strategy Research and Youth Mainstreaming, Division, State Department for Youth Ministry of Public Service, Youth and Gender Affairs, Head Office, Nairobi-Kenya.
 - 2016-2017 - Senior Assistant Director of Youth Development: Youth Empowerment, Participation and Social Development Division, Directorate of Youth Ministry of Public Service, Youth and Gender Affairs, Head Office, Nairobi-Kenya.
 - 2013-2015 - Principal Youth Development Officer, later Assistant Director- Ministry of Devolution and Planning (Youth Mainstreaming Division SECONDED to the Policy Planning and Healthcare Financing Directorate Ministry of Health- Headquarters) in Charge of Youth and Gender Mainstreaming.
 - 2007-2013 - Department of Youth Development and Empowerment, -Kenya Ministry of Devolution and Planning, Head Office, Nairobi
-

4. MANAGEMENT TEAM

MANAGEMENT TEAM

1



CPA WYCLIFFE OCHIAGA

**Managing Director
ICPAK Membership No.**

Qualifications

- Masters Business Administration
- Bachelor of Business Administration (IT)
- CPA(K)
- Member ICPAK

2



CPA CHRISTINE OTIENO
Director, Corporate Services
ICPAK Membership No. 10470

Qualifications

- MBA-Strategic Management
- PG Diploma in Banking
- B. Com-Accounting & Auditing
- CPA (K)
- Member ICPAK

3



MR. MAURICE OBASO
Director, Planning, Research & Strategy.

Qualifications

- Masters of Business Administration Strategic Management
- Bachelor of Arts Marketing

4



MR. PHILIP O. OLOO
Director, Agriculture & Natural Resources

Qualifications

- Masters- Project Planning & Management
- BSc. Horticulture & Agriculture

5



MS. BEATRICE OKOKO
Director, Commercial Services

Qualifications

- Masters- Project Planning & Management
- Bachelor of Business Administration - Finance
- Advanced Diploma in Business Administration
- Member of PRSK

6



ENG. JACOB AKUNO
Director, Engineering Services & Infrastructure Development

Qualifications

- Masters of Engineering in integrated Water Resource Management
- Bachelor of Science in Agricultural Engineering
- Member IEK, EBK, AEK, AWC, CIWEM, APWE

7



MR. RAYMOND NDOLO
Director, Supply Chain Management.

Qualifications

- Bachelor of Commerce – Marketing Management
- Post Graduate Diploma- Logistics Management

MANAGEMENT TEAM

- Diploma Investment Analysis & Portfolio Management
- Member KISM

8



CPA VICTOR BWIRE
Ag. Deputy Director, Internal Audit
Qualifications

- Bachelor of Business Administration
- CPA(K)
- Member of ICPAK

9



MR. ANDREW OSORO
Deputy Director, Corporate Affairs
Qualifications

- Bachelor of Arts Mass Communication
- Diploma, Mass Communication

10



MR. HENRY MAKORI
Deputy Director, Human Resource
Qualifications

- Masters in Human Resource management
- Bachelor in Human Resource Management.
- Member-IHRM

11



MR. EDWIN OLANG
Deputy Director, Administration Services
Qualifications

- Bachelor of Arts. – Development Studies

12



MR MICHAEL OKUK
Deputy Director, Legal Services
Qualifications

- Diploma in Law
- Certificate in Law
- KCE DIV III

5. CHAIRMAN'S STATEMENT




On behalf of the Lake Basin Development Authority (LBDA) Board of Directors, I am pleased to present the Financial report for Financial Year 2022/23. This was a special year where we witnessed transition to a new Government, non the less, LBDA continued executing its mandate of coordinating meaningful development in the Kenyan Portion of the Lake Victoria Basin. The Authority's Performance for the year was remarkable despite the long transition period and the drought that ravaged most parts of the Country.

The Authority had a total Budget of Kshs 1.1 billion which was funded by the Exchequer and supplemented by our internally generated revenue (Appropriation in Aid). Through this Budget, LBDA implemented a number of projects that touched the lives of the people in the region. Firstly, the Drought Mitigation Projects whereby the Authority was Drilling and Equipping Boreholes in vulnerable areas to cushion the communities against unpredictable weather changes experienced due Global warming. Another project that we implemented is the Kimira Oluch Smallholder Farm Improvement Project (KOSFIP) whose main goal is to enhance sustainable income levels for the rural households and thus help in alleviating poverty in Homa Bay County. Other projects we are currently implementing are; the Solar Irrigation Projects and the construction of Nyakoe and Amariba Markets.

Our social responsibility to the communities around us remains key. Our organization has partnered with other Government organizations and private agencies to plant tree seedlings in several counties in the region in line with Government commitment of to combat the effects of climate change hence contributing to the intended 15 Billion trees by 2032.

The year also saw my appointment to lead the new LBDA board of Director by his excellency the President and I commit to provide sound leadership and steward LBDA to prosperity in line with Government Agenda. I would like to express our gratitude to you all for your continued belief in our organization. I would also like to thank the management and staff as well as members of the Board for their diligence and commitment to the success of LBDA.


Mr. James Dianga
Chairman, LBDA

6. REPORT OF THE CHIEF EXECUTIVE OFFICER



The Lake Basin Development Authority is a premier Government agency which is one of the six Regional Development Authorities mandated to coordinate sustainable development activities on the Kenyan portion of the Lake Victoria basin. These activities are aimed at promoting rural-urban balance strategies, employment creation, household food security and hence the creation of wealth and bringing about socio-economic transformation that empowers communities. I therefore on behalf of the Management and Staff of the LBDA, I am delighted to share with you highlights and financial performance for the Financial year 2022/2023.

During the financial year, LBDA had an approved printed estimate of Kshs.1.13 Billion with Kshs. 693.3 Million and Kshs. 438.9 Million for Recurrent and Development Budgets respectively. This enabled the Authority to implement its projects and programs across the region. As highlighted by the Chairman in his statement, our financial performance in the year was affected by the Government transition period and the drought, we still remained steadfast in carrying out our mandate. The Good performance witnessed is attributed to initiatives implemented by LBDA which were geared towards improving efficiency in service delivery. Our strategies included technological interventions and collaboration with key stakeholders. The automation of LBDA processes enabled the Authority to improve services and subsequently changing lives for the better. Some of the technologies implemented during the period include the launch of the, Enterprise Resource Planning (ERP), and the Lipa na Mpesa platform.

LBDA also entrenched a performance management culture that enhanced accountability and productivity of the staff, thus driving the performance. We have also improved the welfare of LBDA staff by harmonizing their remuneration with the rest of the civil service and this was possible by enhanced Treasury releases for our recurrent Budget.

The role LBDA plays in the region is Key and our broad mandate enables us to implement multi sectoral projects as envisioned in our strategic plan which are aligned to the Government Development Agenda of the Bottom Up Economic Agenda (BETA), The vision 2030 and the vision 2063. Key projects funded by the National Treasury included; The Lichota Muhoroni and Alupe Solar Irrigation Project (Kshs. 71,9 Million), KOSFIP (Kshs. 40 Million),

Construction of Nyakoe (Kshs.13.5 Million) Market and Construction of Amariba Market (Ksh. 13.5 Million).

The Authority was only able to achieve success in performing the above activities through the support extended by its stakeholders. I wish to sincerely take this opportunity to thank the National Treasury and Planning. I would also like to extend my sincere appreciation to the various stakeholders both in Government and private sector that have made this Financial year a success.


CPA Wycliffe Ochiaga

Managing Director, LBDA

7. STATEMENT OF LAKE BASIN DEVELOPMENT AUTHORITY PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023

Lake Basin Development Authority has three strategic pillars and objectives within the current Strategic Plan for the 2018- 2023. These strategic pillars are as follows:

- People and Community
- Finance and Economic Activity
- Environmental Sustainability

Lake Basin Development Authority develops its annual work plans based on the above three pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. Lake Basin Development Authority achieved its performance targets set for the FY 2022/2023 period for its four strategic pillars, as indicated in the diagram below:

S/No	Activity / Target	Performance Indicators	Achievements in FY 2022-23
1	Improve awareness of conservation	-No of meetings held with communities. -No of Environmental Days organised in partnership with stakeholders.	-2No meetings were held with OSIEPE practical action to sensitize the community on production of commercial fodder production in Muhoroni area. - In September 2022, LBDA and other stakeholders/institutions were hosted by United Destiny Shapers (UDS)- Nyalenda CBO to conduct awareness campaigns on Environmental conservation. - In September 2022, LBDA joined other stakeholders/ institutions in marking the 6th World Bamboo Day, held in Rapogi village, West Songhor location, Kisumu county. A total of 1000 tree seedlings were planted to protect the Rapogi river banks. - In April 2023, LBDA joined other stakeholders in celebrating the 20th commemorative day of Lake Victoria in Korowa, Nyando Sub-county, Kisumu county where a total of 200 seedlings were planted and a further 300 donated to nearby schools for planting.
2	Promotion of	-No of water harvesting	-4No community water projects were

LAKE BASIN DEVELOPMENT AUTHORITY
Annual Reports and Financial Statements
For the year ended June 30, 2023.

S/No	Activity / Target	Performance Indicators	Achievements in FY 2022-23
	adaptation strategies to climate change	<p>structures developed to Increase level of community resilience.</p> <p>-No of tree seedlings produced / distributed and planted</p> <p>No. of collaborations/ partnerships that promote building of resilience among livestock farmers within the lake basin region</p>	<p>developed in Uasin Gishu and Migori counties as livelihood improvement projects.</p> <p>-537,810 assorted tree seedlings were produced at the headquarters and the regions for planting and distribution.</p> <p>--3797 high yielding grafted mango and avocado seedlings were produced for distribution to the local community and other LBDA customers to increase resilience to climate change.</p> <p>Developed a partnership/collaboration with Alliance Bioversity and CIAT (International center for Tropical Agriculture) in the promotion of the cultivation of early maturing improved forages that are adaptive to different climatic conditions among livestock farmers</p>
3	Promoting environmental protection and conservation through partnerships with stakeholders	<p>-No. of Corporate Social Responsibility activities on Environment.</p> <p>-No of indigenous tree seedlings produced and planted in schools and community homesteads.</p>	<p>-LBDA supported tree planting initiatives by donating over 20,000 assorted tree seedlings to schools and communities. The seedlings were planted to increase tree cover within the lake basin region. The locations included Kitale and Cherangani Water Users in Tranzoia County, Homa Bay county, Butula Constituency in Busia County. ASK showground-Kisumu County, Kakamega forest in Shinyalu Sub-County, Muhoroni and Kajulu hills both in Kisumu county.</p>
4	Protect River banks, water bodies and catchment areas.	Length or area restored, secured and conserved in Km or Ha.)	LBDA collaborated in tree seedlings planting exercise along Auji (Wigwa) River in Nyalenda (Kisumu County) in October 2022 to commemorate the 10th anniversary of Environment & Land court existence in Kisumu.

LAKE BASIN DEVELOPMENT AUTHORITY
Annual Reports and Financial Statements
For the year ended June 30, 2023.

S/No	Activity / Target	Performance Indicators	Achievements in FY 2022-23
			A total of 1000 tree seedlings were planted. -A further 200 seedlings were donated for planting to restore the degraded areas of Kajulu hills (Ksm county) to mark the world environment day in June 2023.
5	Promote use of green energy	No of solar irrigation projects developed.	The division is in the process of operationalising the solar irrigation project in Muhoroni, where tilling of land to plant maize and vegetable crop is in progress.
6	Promote sustainable utilisation and management of natural resources.	-No of feasibility studies done -No of concept paper developed.	-2No concept papers were developed. (1) Commercial Fodder production in Muhoroni and (2) Up scaling of the conservation of Kibuon and Tende rivers Catchments in Homa Bay County. The latter was submitted to the planning division for forwarding to the African Water Facility (AWF) as a call for proposals on Climate Resilient Water & Sanitation Projects.
7	Measure to mitigate against all forms of negative effects of projects on the physical and social environment.	-No of Environmental Impact Assessment (EIA) reports reviewed and comments submitted to NEMA.	-1No EIA study report on the proposed Anyiko-Ujwanga-Kathieno irrigation project in Sihay location, Ugenya Sub- county, Siaya County, was reviewed and comments submitted to NEMA in May 2023.
8	Promote waste management initiatives.	No of waste disposal places/ equipment in place.	-Agriculture & Natural Resources division in collaboration with the Administration services division oversaw the establishment of a waste dumpsite for collection and incineration of solid wastes generated within the LBDA headquarters through the cleaning services and ground maintenance offered by two companies- namely: Starise Solutions Ltd and Ashali Cleaners Agency.

8. CORPORATE GOVERNANCE STATEMENT

At Lake Basin Development Authority (LBDA), the practice of good corporate governance ensures the delivery of sustainable value as well as meeting the needs of our stakeholders. LBDA is committed to ensuring that the needs of our customers and the expectations of our stakeholders are met while safeguarding the investments of the Government of Kenya through the adoption of ethically driven business policies, procedures and processes. We believe that our business affairs should be carried out in a fair, transparent and accountable manner. It is our integral responsibility to disclose timely and accurate information on our financial and performance as well as provide the leadership and effective governance for the Authority.

This report highlights the main corporate governance structures and practices that guide the Board.

Governance Principles and Guidelines

The Board provides oversight to the Management and ensures the employees operate within the Code of Conduct and Ethics; Public Officers and Ethics Act; Leadership and Integrity Act; and Mwongozo Code of Governance for State Corporations.

In discharging its mandate, the Board is guided by the Board Charter, Code of Conduct and Ethics, and Board Manual to effectively fulfil its corporate governance responsibility towards stakeholders. In addition, it has adopted Guidelines on Corporate Governance developed by the Mwongozo Code of Governance for State Corporations

Board Organization and Structure

Board Size, Composition and Appointment

The Composition of the Board shall be in accordance with the provisions of the LBDA Act, No. 442 of 2012 and the State Corporation Act, Chapter 446 Laws of the Republic of Kenya or any other legal framework as shall be determined by the relevant Authorities.

The Board should ensure that:

- a) Its members can act independently;
- b) Each Board member understands the broad outline of the organization's policies;
- c) Each Board member is in good standing professionally and has sufficient expertise to perform his or her role as a Board member, and
- d) At least one member is a financial expert, meaning that he or she has expertise in financial management and accounting

CORPORATE GOVERNANCE STATEMENT –Cont'd

Appointment and Removal of Board Members

- i. The relevant appointing authority shall appoint Board members in line with the provisions of the LBDA Act. No 442 of 2012 Laws of Kenya, the State Corporation Act, Cap. 446 or any other relevant law.

Every appointment shall be by name and by notice in the Kenya Gazette but shall cease if the Board member:

- a) Serves the appointing authority with a written notice of resignation; or
- b) Is absent, without the permission of the Chairperson, from three consecutive meetings; or
- c) Is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding twenty thousand shillings; or
- d) Is incapacitated by prolonged physical or mental illness from performing his duties as a member of the Board; or
- e) Conducts himself in a manner deemed by the appointing authority to be inconsistent with membership of the Board.

Any removal of a Board member under (a) above, shall be through formal revocation.

The Corporation Secretary will ensure that a record of the appointment letter, gazette notice and written acceptance by the Board member are kept in the personal file of the Board member.

Independence, Separation of Roles and Responsibilities

The primary responsibility of the Board is to provide leadership and strategic direction to the Authority to enhance value. The Board Directors are expected to exercise the highest degree of care, skill and diligence in discharging their duties.

The roles and responsibilities of the Board and the Chief Executive Officer remain distinct and separate which ensures a balance of power of authority and provides for checks and balances such that no individual has unfettered power of decision making.

The Board provides oversight to the Authority's top management and has unrestricted access to timely and relevant information.

The Chairman provides overall leadership without limiting the principles of collective responsibility for Board's decisions. The Chairman builds an effective Board and sets the Board agenda in consultation with the Secretary/ Chief Executive Officer and ensures effective communication to stakeholders.

The Chief Executive Officer is responsible to the Board and takes the overall responsibility for the day to day management of the Authority. The Chief Executive Officer recommends the strategy of the Board and implements it and makes operational decisions. In addition, as Secretary to the Board, the Chief Executive Officer ensures appropriate and timely information flows within the Board, its committees and management.

CORPORATE GOVERNANCE STATEMENT –Cont'd

The Corporation Secretary is in attendance of all Board meetings to provide guidance to the Board on their duties and responsibilities; on matters of governance; and to provide efficient secretariat services including coordinating induction and training of new members, preparation for board meetings and maintaining a record of the same, disseminating action material for management, and filing of statutory returns

Principal Board Activities

The basic responsibility of the Board members is to exercise their best judgment and to act in a manner that they reasonably believe to be in the best interest of the organization and its stakeholders. In discharging that obligation, the members should be entitled to rely on the honesty and integrity of the organization's Management, staff and its external professional advisors and auditors. In furtherance of its responsibilities, the Board will:

- i. Determine the organization's mission, vision, purpose and core values;
- ii. Review, evaluate and approve, on a regular basis, long-term plans for the organization;
- iii. Review, evaluate and approve the organization's budget and financial forecasts;
- iv. Review, evaluate and approve major resource allocations and capital investments;
- v. Ensure that the procurement process is cost-effective and delivers value for money;
- vi. Review and approve the operating and financial results of the organization;
- vii. Ensure effective, accurate, timely and transparent disclosure of pertinent information on the organization's operations and performance;
- viii. Ensure that effective processes and systems of risk management and internal controls are in place;
- ix. Review, evaluate and approve the overall organizational structure, the assignment of senior management responsibilities and plans for senior management development and succession;
- x. Review, evaluate and approve the remuneration structure of the organization;
- xi. Adopt, implement and monitor compliance with the organization's Code of Conduct and Ethics;
- xii. Review on a quarterly basis the attainment of targets and objectives set out in the agreed performance measurement framework with the Government of Kenya;
- xiii. Review periodically the organization's strategic objectives and policies relating to sustainability, social responsibility and investment;
- xiv. Protect the rights of shareholders and optimize shareholder value;
- xv. Enhance the organization's public image and ensure engagement with stakeholders through effective communication;
- xvi. Monitor compliance with the Constitution, all applicable laws, regulations and standards;
- xvii. Review, monitor and ensure that the organization is effectively and consistently delivering on its mandate

CORPORATE GOVERNANCE STATEMENT –Cont'd

Board Membership and Attendance of Meetings

The Board holds regular meeting at least once every quarter and supplementary meeting are held as and when necessary. In case of non-attendance due to other commitments, such information is communicated to the Chairman prior to the date of the scheduled meeting.

Table 1: Board attendance during the year

NO.	REMARKS	ATTENDANCE
1.	Full Board	
	107 th Full Board – 29 th March 2023	14/15
	Board Induction exercise – 12 th -14 th April 2023	13/15
	Board Inauguration- 19 th April 2023	15/15
	Special Full Board – 20 th April 2023	15/15
	Board Tour of Projects- 2 nd -4 th May 2023	13/15
	Special Full Board -15 th May 2023	14/15
	Interviews MDs Recruitment- 26 th May 2023	15/15
	108 th Full Board -27 th June 2023	15/16
2.	Finance and Budget Committee	
	118 th F&B Committee – 25 th April 2023	6/6
3.	Planning, Strategy & Dev. Comm.	
	78 th Planning, strategy & Dev. Committee – 24 th April 2023	9/10
4.	Audit Management Committee	
	39 th Audit Committee- 5 th May 2023	5/5
5.	Human Resource Committee	
	Special HR Committee- 4 th April 2023	6/7
	Recruitment of MD- 12 th -14 th May 2023	7/7

Board Committees and Responsibilities

The Board delegates certain functions to well-structured committees but without abdicating its own responsibilities. Each committee is guided by the Committee Charter/Terms of Reference, which outlines its responsibilities as mandated by the Board and is reviewed on a yearly basis. The committees are appropriately constituted drawing membership from amongst the Board members with appropriate skills and experience.

CORPORATE GOVERNANCE STATEMENT –Cont'd

The Chairman of the Board, the Management and external parties/advisors attend the committee meetings only by invitation. The committees are expected to operate transparently, ensure full disclosure to the Board and conduct themselves within the rules and procedures set out by the Board. The respective Chairman presents matters deliberated by the committees to the Board during the next board meeting. The Board has the following four (4) standing committees, which hold regular meeting four (4) times a year and supplementary meetings as and when necessary.

1. Planning, Strategy and Development Committee.

Table 2: Members Planning, Strategy & Development Committee

No.	Name	Position
1.	Rebecca Maroa	Chairperson
2.	Willis Orowe	Member
3.	Hellen Makone	Member
4.	Luke Obongo	Member
5.	Swadi kedogo	Member
6.	Francis Okedi	Member
7.	Julius Chacha	Member
8.	Isaac Kogo	Member
9.	Sara Aliongo	Member
10.	Maurice Opondo	Member

The principal objective of the Committee is to make strategic directions that will enable the Board to effectively discharge the mandate of the Corporation as provided under section 8 of the LBDA Act, No 442 of 2012 as follows:

1. Provide assurance to the Board that the Authority's strategic plan is implemented efficiently by commissioning appropriate policies and systems.
2. Advise the Board on strategic projects, programmes and public-private partnership priorities, ensuring that these are aligned to LBDA's strategic vision and objectives through properly vetted feasibility studies and due diligence.
3. Advise the Board on sound capital investment decisions and directions.
4. Advise the Board on prudent research and development initiatives in line with LBDA's strategic vision and objectives,
5. Ensure LBDA's monitoring and evaluation system is developed and engrained in sound policy and is fit for the purpose.
6. Commission analytical works as necessary on either the projects or programmes to enable the Committee to fulfil its oversight role without stalling management progress and/or operations.
7. Any other duties as may be determined from time to time by the Board

CORPORATE GOVERNANCE STATEMENT –Continued

2. Finance & Budget Committee

Table 3: Finance & Budget Committee

No.	Name	Position
1.	Eng. Robert K. Limo	Chairperson
2.	Hellen Makone	Member
3.	Lavender Ojala	Member
4.	Jackson Swadi Kedogo	Member
5.	Francis Okaye Okedi	Member
6.	Ebel Ochieng Calo	Member
7.	Maria Cheronon	Member
8.	Anne Chelagat	Member

The Finance & Budget Committee objective is to develop financial policies, goals, and budgets that support the mission and strategic goals of the Authority, as well as monitoring Authority's internal control and risk management activities as follows:

- Provide assurance to the Board that the Authority's financial; assets and legal are managed prudently by commissioning appropriate policies and systems.
 - ! Advise the Board on strategic financial/resource allocation priorities, ensuring that these are aligned to LBDA's strategic vision and objectives through a properly vetted budgetary proposal.
3. Provide assurance to the Board that the sound policies and systems have been put in place for the control and management of assets that includes but not limited to: movable and immovable property, tangible and intangible property, stores, equipment, land, buildings, animals, inventory, stock, intellectual rights vested in the Authority.
 4. Advise the Board on prudent legal decisions and directions.
 5. Ensure LBDA's financial appraisal procedures and practices are developed and engrained in sound policy and are fit for the purpose.
 6. Any other duties as may be determined from time to time by the Board.

3. Human Resource Committee

Table 4: HR Committee

No.	Name	Position
1.	Ms. Lavender Ojala	Chairperson
2.	Mrs. Teresa Bitutu Oroo	Member
3.	Mr. Luke Ouko Obongo	Member
4.	Mr. Ebel Ochieng Calo	Member
5.	Eng. Robert K. Limo	Member
6.	Mr. Maurice Opondo	Member
7.	Ms. Maria Cheronon	Member

The HR Committee is established to assist the Board in fulfilling its oversight responsibilities through the implementation of sound compensation and Human Resource policies and practices. The HR Committee's primary duties and responsibilities are to:

1. Provide leadership in the prudence of Human Resource management.
2. Advise the Board on strategic directions in matters relating to Human Resource, General Administration and Governance with a view to enabling the Corporation to effectively discharge its mandate.
 3. Provide assurance to the Board that the Authority's human resources are managed prudently by commissioning appropriate policies and systems.
 4. Ensure LBDA's human resource appraisal procedures and practices are developed and engrained in sound policy and are fit for the purpose.
 5. Advise the Board on optimum human resource capital base on LBDA's strategic vision and objectives.
 6. Any other duties as may be determined from time to time by the Board

4. Audit Committee

Table 5: Audit Committee

No.	Name	Position
1.	Mr. Willis Omondi Orowe	Chairperson
2.	Mrs. Teresa Bitutu Oroo	Member
3.	Mr. Julius Chacha Gabriel	Member
4.	Ms. Anne Chelagat	Member
5.	Ms. Rebecca Ghati Maroa	Member

The objective of the Committee shall be to assist the Board in discharging its duties relating to safeguarding of assets, the operation of adequate systems, control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards. Its duties shall include:

1. Serve as an independent, competent and objective party to monitor the integrity of the Authority's financial reporting process and internal control systems relating to finance, accounting, and operational and legal compliance.
2. Compensate, retain and oversee the work performed by the authority's external Auditors.
3. Assist the Board of Directors in fulfilling its responsibilities by reviewing the financial reports provided by the Authority to the Parliament Investment Committee (PIC) and other stakeholders.
4. Recommend, establish and monitor procedures designed to improve the quality and reliability of the authority's financial condition and results of operations.
5. Provide an avenue of communication among the external auditors, senior Management, and the Board of Directors.
6. Any other duties as may be determined from time to time by the Board

Capacity Building for the Board

Regular training and development programmes are developed to equip the Board with necessary skills for effective discharge of their mandate. Each year the Board prepares a training calendar where specific training needs are identified and scheduled. During the year, the Directors attended various capacity building programmes focusing on leadership, governance, finance and other relevant areas.

Upon appointment of a new Director, the Management guides them through a formal induction programme explaining the anatomy of the Authority, its operations and they get the opportunity to meet the key officers. They are also taken through corporate governance training so as to understand their roles and responsibilities as Directors

Board Effectiveness and Evaluation

In order to assess and improve the capacity, functionality and effectiveness of the Board and its Committees, an annual evaluation is undertaken in accordance with the widely accepted principles of corporate governance. The self-evaluation reviews the capacity, functionality and effectiveness of its performance in the achievement of its goals and objectives. It assesses the performance and independence of the Board and its Committees jointly and individual members of the Board, including the Chief Executive Officer.

CORPORATE GOVERNANCE STATEMENT –Continued

The Chief Executive Officer is assessed in her roles as the Chief Executive Officer and Secretary to the Board. The Chairman's ability to add value, his performance against what is expected of his role and function, is also assessed. The results of the evaluation form the basis on which action/work plans for the preceding year are formulated, assists to identify the training needs and it also forms the basis of re-appointment of directors.

Directors' Remuneration

During every Board meeting, present Directors are entitled to a sitting allowance, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable within government set limits for state corporations as outlined in Government circular OP/CAB.9/21/2A/41/43 of 23/11/2004.

The Chairman receives a monthly honorarium. During the year, there were no Directors' loans. Details of Directors emoluments during the year are shown in notes to the financial statements.

Ethical Standards

The Directors and employees of the Board have a fiduciary duty to act honestly and in the best interest of the Board. Business transactions with all parties must be carried out at arm's length and with integrity. The Board provides effective leadership based on ethical foundation and ensures all deliberations, decisions and actions are based on the Boards' core values underpinning good governance.

All Directors and employees are expected to avoid activities and financial interests that could undermine their responsibilities to the Authority.

The Board applies a ***Conflict of Interest policy***. A Director with an actual or potential conflict of interest in relation to a matter before the Board is required to disclose such interest and, excuse himself or herself from the Board for discussion relating to the matter in question. At the beginning of the financial year, all directors signed a Declaration of Interest Form declaring that they will disclose any interest that conflicts or possibly may conflict with the interests of the Board. At the commencement of any business to be transacted, all directors are required to declare their interest, if any

9. MANAGEMENT DISCUSSION AND ANALYSIS

In the financial year 2022/23 the Authority received Kshs. 1,132.2 Million from the National Treasury which included; Kshs. 438.9 Million for development expenditure and Kshs. 693.3 Million for recurrent. To supplement its activities LBDA was expected to raise Kshs. 76 Million through A in A.

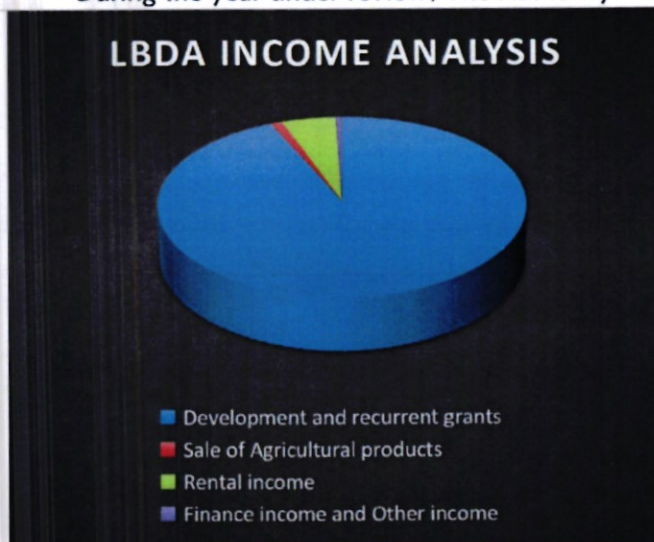
The Authority implemented four development projects during this Financial year and they included:

- Drought Mitigation (Kshs. 300 Million)
- The construction of Nyakoe Market (Kshs. 13.5 Million)
- the Lichota Muhoroni and Alupe Solar Irrigation project (Kshs. 71.9 Million)
- The construction of Amariba Market (Kshs. 13.5 Million)

The Recurrent expenditure of Kshs. 693.3 Million mainly catered for Personnel Emoluments (PE) of staff in the organization, Implementation of ERP, payment of pending bills and other operation and maintenance cost incurred.

Revenue Analysis

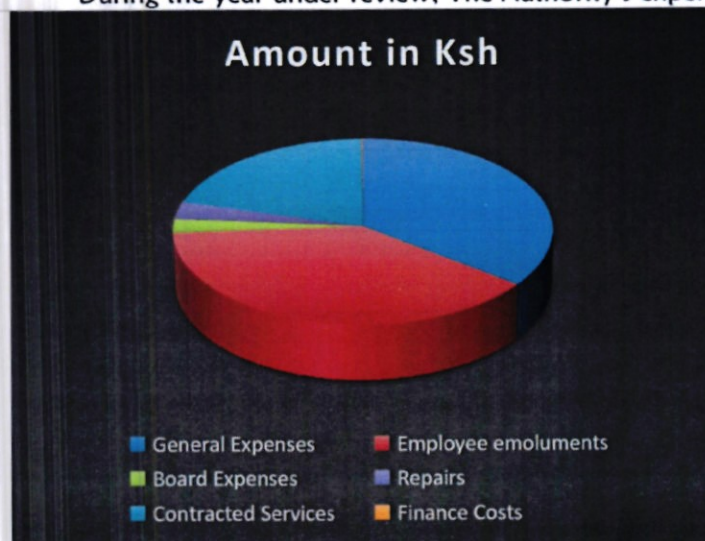
During the year under review, The Authority's revenue can be summarized as below



Particulars	Amount in Ksh
Development and recurrent grants	1,056,240,000
Sale of Agricultural products	12,221,279
Rental income	74,820,122
Finance income and Other income	3,671,141
Total	1,146,952,541

Expense Analysis

During the year under review, The Authority's expenses can be summarized as below.



Particulars	Amount in Ksh
General Expenses	416,024,215
Employee emoluments	390,872,507
Board Expenses	20,618,822
Repairs	22,211,389
Contracted Services	481,532,181
Finance Costs	561,743
Total	1,444,307,671

Status Report on ongoing projects

1. Drilling of Boreholes.

The integrated community water projects are implemented by Lake Basin Development Authority. These projects are aimed at enabling community's easy access to clean portable water for human consumption and small-scale agriculture through the use of clean sources of energy, this is to ensure sustainability of the projects. This project entails the harnessing of ground water resources using solar powered technologies majorly for domestic use across the 72 constituencies (18 Counties) covered by the Lake Basin development Authority. Each borehole is aimed at providing water to more than 10,000 residents. This is done in phases, and currently LBDA is implementing the drilling and equipping of 34 No boreholes.

Project scope;

- I. Drilling and equipping of borehole
- II. Construction of 6M high level water storage tank
- III. Construction of solar array, Pump house and associated accessories
- IV. Construction of water reticulation system
- V. Construction of 3 M high perimeter fence to secure the key infrastructure

Implementation status

The projects are spatially distributed in different locations of the 72 constituencies that are covered by Lake Basin Development Authority. Currently there are 34 community water projects that are being implemented. The projects are ongoing with each at different stages of completion.



2. Construction of Nyakoe Market

Nyakoe Market Centre is located in Kisii County on the main Kisumu Class A1 highway that connects Kenya with Tanzania. The Centre is located in an area that presents a fairly constant increase in population due to its proximity to the East African Trade corridor that links Kenya to Tanzania. This



connectivity is strategic not only for the development of Kisii County and other surrounding Counties such as Homabay, Migori, Kisumu and Nyamira but also for national growth and development.

The general objective is the construction of an ultra-modern market to stimulate trading activities in Nyakoe town thus spurring socio-economic growth in the town.

Specific objectives

- I. Stimulate trading activities at Nyakoe town
- II. Provide access to water and sanitary facilities
- III. Control flooding in the market
- IV. Conserve the nearby wetland and river

The project is completed and handed over to the Kisii County Government.



3. Alupe, Lichota & Muhoroni Solar Irrigation Projects.

The first phase of the projects practically complete at an average at 98% and handed over for use after testing and commissioning except for Muhoroni site, which is at the testing phase.



Water Tanks,

Objectives: The general objective aims to utilize the Project as in spurring adoption of modern farming technologies that will empower communities through transfer of solar powered irrigation technologies. The realization of this objective was actualized through the following project components.

- a) Drilling and equipping of 2No boreholes,
- b) Solar Installation Works,
- c) Erection of Steel tower and elevation of 8No. 24m³ uPVC
- d) Irrigation installation Work and Land preparation,
- e) Construction of a Farm House and Installation of Chain-link Fencing Works
- f) Extension of chain-link fence for Muhoroni and Lichota
- g) Construction of Dairy unit structures

The authority commenced on the first phase of the project in late 2019 as a pilot study putting 60 acres under irrigation in her 3 farms namely, Alupe, Muhoroni and Lichota Busia, Kisumu and Migori Counties respectively



3. AMARIBA MARKET

Amariba Market was conceived through the presidential directive to foster and improve the trade within the proposed location of the market. The main objective being improved trade volumes besides good and effective handling of trade commodities. The market was a twin conception with Nyakoe Market which was given a priority and is complete at the moment. The Amariba Market project just had its designs ready and is set to be implemented once finances are available.

Compliance with statutory requirements

LBDA has complied with its establishing Act. It has also complied with other legal requirements such as submission of statutory deductions to KRA and its internal policies and procedures.

There are no instances of non-compliance that would lead to financial loss in the period under review, the Authority complied with all statutory requirements and has not received any sanctions so far for non-compliance

Major Risks Facing the Authority

The Authority considers the following as its major risks:

- i. Regulatory & compliance risk
- ii. Competition – existence of competitors with their new strategies
- iii. Economic and business risk
- iv. Operational and credit risk – potential of financial loss
- v. Availability and cost of capital
- vi. Information systems security

Risk management, principal risks and uncertainties

The Board is ultimately accountable for the Authority's risk management process and system of internal control. In terms of a mandate by the Board, the Audit and Risk Committee monitors the risk management process and systems of internal control of the Authority.

Risk management

The ERM policy is subject to annual review, and any amendments are submitted to the Audit and Risk Committee for approval. The objective of risk management in the Authority is to establish an integrated and effective risk management framework where important and emerging risks are identified, quantified and managed

Material arrears in statutory and other financial obligations

In the period under review, the Authority complied with all statutory requirements and thus there are no material arrears in statutory and other financial obligations.

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The Lake Basin Development Authority exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organization's policies and activities that promote sustainability.

Lake Basin Development Authority organizational sustainability is centered on three pillars:

- People and Community
- Finance and Economic Activity
- Environmental Sustainability

1) People and Community

The Authority as an employer

Lake Basin Development Authority is committed to being a good employer, and to contribute positively to the local community through social economic initiatives.

Human Resource Policy instruments that guide the hiring process in LBDA are Organizational Structure and Staffing Policy, Approved LBDA Staff Establishment, Human Resource Policies and Procedures Manual, Career Progressions Manual and the Comprehensive Job Descriptions Manual. The hiring process is undertaken on the basis of fair competition and merit while ensuring representation of Kenya's diverse ethnic communities, equal opportunity to all gender, youth, persons with disabilities and minorities.

To ensure staff skills and competences are continually improved, LBDA has endeavoured to facilitate staff trainings and capacity building interventions as outlined in the Training Needs Assessment Survey report. The Authority has also developed Career Progression Guidelines that sets standards for training and advancement within the career structures on the basis of staff acquisition of professional qualifications and requisite competences. Performance appraisal for the Authority is conducted biannually using the GoK Staff Performance Appraisal System (SPAS) tool which in turn informs employee rewards and sanctions as appropriate. Rewards and sanctions are recommended by management as per the provisions of Rewards and Sanctions framework issued by Public Service Commission from time to time.

LBDA is committed to making a conscious effort in conserving and improving safe and healthy working conditions for all our internal and external customers in compliance with OSHA 2007. Our policy which is outlined in the Human Resource Policies and Procedures Manual, provides guidelines for the prevention and protection of officers against accidents and occupational hazards arising at the workplace.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING Cont'd

2) Finance and Economic activity

The Authority recognizes the way in which it conducts its activities financially has a bearing on those with an interest in its work. The Authority financial regulations follow the laid down Accounting Standards.

3) Environmental Sustainability



LBDA recognizes environmental sustainability as the greatest challenge of the 21st century and commits to ensuring that all of its major strategies and operations consider their environmental and ecological aspects and impacts. In this respect Authority is partnering with various County governments and other stakeholders in conservation

LBDA's main environmental impacts are the utilisation of resources, predominantly energy, through electricity consumption and water. The

Authority is fully aware of the need to use resources responsibly and is committed to minimising its environmental impacts to the extent possible.

The Authority recognises the risks that regulatory changes, environmental constraints and climate change present to its operations. Potential impacts include rising costs, reduced access to facilities, interruptions in service, and incidents of extreme weather events as a result of climate. However, the Authority also believes that using resources responsibly can be a source of strategic advantage for the Authority, allowing it to manage and contain its operating costs and to ensure ongoing access to water and energy supplies.



The Authority takes its policies to reduce its impact on the environment very seriously and its facilities and services division is constantly investigating new opportunities to reduce its impact on the environment.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING Cont'd

i) Market place practices-

a) Responsible competition practice.

Competition is healthy for businesses and as government organization it encourages innovation to achieve her mandate. Authority has responsible competition practice by following these key principles, by Knowing our customers and stake holders, competitors, the difference between the authority and other agencies or organizations, our product and messages, target market, partnerships and opportunities and innovation in external environment we operate in.

Authority ensures responsible competition practices by ensuring transparency in all areas of supply chain to promote anti-corruption practices and responsible political involvement through public participation in management of public resources and choice of projects and programmes. To enhance fair competition the authority does not price her products and services lower than what the market is offering to disadvantage competitors.

b) Responsible Supply chain and supplier relations

Authority has maintained responsible supply chain and supplier relations through advertising for annual prequalified suppliers, engage them on available job opportunities and support different suppliers to deliver contracted assignments and for those dealing in authority products and services quality and customer service is maintained at all times and payment for services rendered is done as per the contract.

c) Responsible marketing and advertisement

Responsible marketing and advertisement is adhered to by ensuring product or service advertisement messages does not infringe into competitors' products in order maintain ethical marketing practices.

d) Product stewardship

On Product stewardship, Authority has always pursued quality and differentiation in the market place by ensuring we continue to innovate our products and services to achieve the authority mandate, while ensuring customer satisfaction and delight is achieved to safeguard consumer rights and interests

ii) Corporate Social Responsibility / Community Engagements

Restoration of forest cover canopy by 15 billion trees as per the Presidential directive

LBDA recognizes its role and responsibilities towards communities and environments in which it operates. As part of its commitment to Corporate Social Responsibility (CSR), we implemented several initiatives and projects to contribute to the sustainable development of the Lake Basin region.

The Authority participated in a tree planting campaign to mitigate deforestation and promote environmental conservation. Thousands of seedlings were planted in collaboration with local communities, schools, environmental and non-governmental organizations contributing to reforestation and afforestation efforts and raising awareness about climate change and the significance of preserving the region's natural resources.

This report highlights key CSR activities undertaken by LBDA during the reporting period:

On 17th May 2023, the Authority participated in a tree planting exercise in Butula Constituency in Busia County. A total of 2000 assorted tree seedlings were donated and planted in the following institutions;

- i) Bujumba Chief's Camp
- ii) Burinda Primary School
- iii) Butula Technical & Vocational Training College

On 23rd May 2023, the Authority participated in a tree planting exercise organized by the Ministry of Interior and National Administration through the Office of the County Commissioner Kisumu. A total of 1800 assorted tree seedlings were donated for planting. The Kisumu County exercise covered 5 schools, namely;

- i) Mbega Primary School
- ii) Rabuor Primary School
- iii) Ranjira Primary School
- iv) Migingo Primary School
- v) Nyakana Primary School (Nyando



Sub
-County)



On 2nd June 2023, LBDA was invited to participate in restoration of Kakamega forest in Shinyalu Sub-County. A total of 500 assorted tree seedlings were donated to Kakamega Forest Heritage Foundation for planting. This exercise was conducted in collaboration with The Ministry of Health, Kakamega County leadership, Kenya Forestry Service (KFS), NGO's and other government parastatals under the leadership of CS for Health Mrs. Susan Nakhumincha, CS for Labor Mrs. Flora Bore, Women Rep for Kakamega County, Elsie Muhanda

On 3rd June 2023, LBDA donated 600 assorted tree seedlings at the request of Agricultural Society of Kenya (ASK) Kisumu branch and participated in a tree planting exercise in conjunction with Young Farmers Association (YFA) and 4K club.



OUTPUT

1. Enhance environmental conservation through donation of tree seedlings
2. Enhance community relationship and collaborations

3. Creating mass awareness on the importance of greening and the environment

SUMMARY OF CSR ACTIVITIES

No	Date	Organization/Activity	Donated items	Number of seedlings donated/planted	Amount
1.	17/05/2023	Donation of tree seedlings in Busia County	Tree seedlings	2,000	30,000
2.	23/05/2023	Donation of tree seedlings in conjunction with office of County Commissioner Kisumu	Assorted tree seedlings	1,800	27,000
3.	02/06/2023	Donation of tree seedlings at Kakamega forest in collaboration with Ministry of Health Kakamega, Kenya Forest Service (KFS) NGOs & Parastatals	Assorted tree seedlings	500	7,500
4.	03/06/2023	Donation of tree seedlings in Kakamega forest	Assorted tree seedlings	600	9,000
TOTAL			4,900	73,500/-	

Donation of Tree Seedlings



LBDA conducted a 2,000 tree seedlings planting exercise in Busia County. The exercise done in Burinda Primary School, Chief's Camp and Butula Technical and Vocational College.

On 23rd May 2023, LBDA in conjunction with other governments and private agencies conducted a 1,800 tree seedlings. The exercise was done in Mbega Primary, Migingo Primary and Nyakakana Primary.



11. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of Lake Basin Development Authority's affairs.

i) Principal activities

The principal activities of the Authority are established under Cap 442 Laws of Kenya are: -

- (a) Integrated basin-based development planning;
- (b) Integrated basin-based development projects and programmes;
- (c) Resource studies and information sharing for basin wide planning and development
- (d) Public investment and establishment of basin resource management standards and norms;
- (e) Utilization of international waters; and
- (f) Interventions of strategic national government interest

ii) Results

The results of the Authority for the year ended June 30, 2023, are set out on page 1

iii) Directors

The members of the Board of Directors who served during the year are shown on page vii to xii. During the year, 18 directors retired and 15 were appointed.

iv) Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Lake Basin Development Authority did not make any surplus during the year (FY 2022-2023) and hence no remittance to the Consolidated Fund.

v) Auditors

The Auditor General is responsible for the statutory audit of the *Lake Basin Development Authority* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015

By Order of the Board


CPA Wycliffe Ochiaga

Secretary to the Board

12. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2023. This responsibility includes:

- a) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- b) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- c) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- d) Safeguarding the assets of the Authority;
- e) Selecting and applying appropriate accounting policies; and
- f) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012.

The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2023, and of the Authority's financial position as at that date.

The Directors further confirms the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the 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 27th September 2023 and signed on its behalf by:



Mr. James Dianga
Chairman of the Board



CPA Wycliffe Ochiaga
Accounting Officer

**REPORT OF THE AUDITOR-GENERAL ON LAKE BASIN DEVELOPMENT
AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2023**

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Lake Basin Development Authority set out on pages 1 to 43, which comprise of the statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of changes in net assets, 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 the Lake Basin Development Authority as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the Public Finance Management Act, 2012 and the Lake Basin Development Authority Act, 2012.

Basis for Qualified Opinion

1. Failure to Accrue Service Charges and Collect Revenue

The statement of financial performance and as disclosed in Note 11 to the financial statements reflects general expenses of Kshs.416,024,215 which includes management fees of Kshs.1,349,037. It was indicated that management fee was derived from 4.2% charge on total collection of lease revenue which was Kshs.32,119,932 in the year. However, supporting schedules provided for audit indicated that revenue collectable from the Lake Basin Development Authority (LBDA) Mall during the year amounted to Kshs.53,872,679 as disclosed in Note 8 to the financial statements and service charges amounting to Kshs.6,977,523, all totalling Kshs.60,850,202. However, the estate agent corrected an amount of Kshs.32,119,932 leaving an amount of Kshs.28,730,269 outstanding. In addition, the amount of Kshs.6,977,523 relating to service charges has not been accrued in these financial statements.

In the circumstances, the completeness and accuracy of the reported revenue from rent of Kshs.53,872,679 and the accompanying management fees of Kshs.1,349,037 could not be confirmed.

2. Long Outstanding Imprest and Other Receivables from Exchange Transactions

The statement of financial position reflects amounts of Kshs.5,443,854 and Kshs.77,726,730 being receivables from non-exchange transactions and receivables from exchange transactions respectively, as disclosed in Note 21a and 21b to the financial statements respectively. Review of records provided revealed that a total of Kshs.1,062,298 related to current staff debtors in respect of unsurrendered imprest issued to staff. The entity did not provide evidence to show efforts made to recover the unsurrendered imprest or details of the current status of the imprest as at the time of the audit.

Further, an amount of Kshs.4,381,554 related to debtors in respect of former staff relating to overdue imprest and credit sales. However, Management did not provide any credit sale documents or records to support how the debts were arrived at or measures on how Management intended to deal with the outstanding amounts.

In addition, included in the receivables from exchange schedule is an amount of Kshs.534,080 being provision for bad debts. There was however no supporting

schedule showing how the provisions were arrived at or a policy for the provision provided to support the amount.

In the circumstances, the accuracy and completeness of receivables from non-exchange transactions and receivables from exchanges transactions balances of Kshs.5,443,854 and Kshs.77,726,730 respectively could not be confirmed.

3. Unsupported Additions to Property, Plant and Equipment

The statement of financial position and as disclosed in Note 23 to the financial statements reflects property, plant and equipment balance of Kshs.4,956,656,245. Included in the amount are additions made during the year amounting to Kshs.88,600,303. However, included under work-in-progress additions amount of Kshs.81,228,021 are two balances totalling to Kshs.68,144,186, made up of ERP software and mill plant of Kshs.33,643,943 and Kshs.34,500,243 respectively, which were not supported by acquisition invoices and payment vouchers. Further, documentation, relating to additions to plant and equipment balance of Kshs.3,491,706, were not provided in support of the acquisition.

In the circumstances, the accuracy, validity and completeness of property, plant and equipment balance of Kshs.4,956,656,245 could not be confirmed.

4. Long Outstanding Trade Payables

The statement of financial position and as disclosed in Note 26b to the financial statements, reflects a balance of Kshs.3,201,082,934 relating to non-current trade and other payables. Included in the balance is an amount of Kshs.2,500,000,000 indicated to be owing to Cooperative Bank and has been outstanding for the last seven (7) years without any repayments. Further, included in the long outstanding trade payables are amounts totalling Kshs.68,236,606 that has been outstanding for between ten (10) and thirty-three (33) years. No reason was provided for this state of affairs. This is contrary to Regulation 150(1) of the Public Procurement and Asset Disposal Regulations, 2020 which requires that subject to availability of funds and after proper certification of goods, works or service, prompt payments are made within 60 days from date of receipt of invoice.

In the circumstances, the Company is exposed to fines and penalties as a result of delay in payment of amounts due.

5. Failure to Comply with Loan Agreement Terms

The statement of financial position and as disclosed in Note 28 to the financial statements reflects borrowings from Government balance of Kshs.2,000,000,000. The balance represents a loan from the Government of Kenya, pursuant to a loan agreement dated 29 June, 2017. The Government of Kenya and the Lake Basin Development Authority entered into a loan agreement for Kshs.1.5 billion for the mall project. An additional amount of Kshs.0.5 billion was granted on 30 November, 2017 raising the loan amount to Kshs.2.0 billion. This was a bailout to the Authority to facilitate it to settle outstanding debts in regard to Lake Basin Mall Complex project in Kisumu.

According to the loan agreement, the Authority ought to have paid the first loan instalment of Kshs.58,823,529 on 30 September, 2021, the second instalment of the same amount on 31 March, 2022, the third instalment on 30 September, 2022 and the fourth

instalment on 31 March, 2023 of the same amount. This was not repaid, and hence the Authority is in arrears of Kshs.235,294,116 in the repayment of the principal amount of Kshs.2,000,000,000 owed to the GoK as at the end of the year. The Authority was also to repay interest on the principal outstanding amount at a rate of 5% per annum on reducing balance. Further, according to the loan agreement, interest shall accrue from the respective dates of disbursement of the loan proceeds and shall be computed on the basis of a 360-days year of twelve 30-days months and interest accruing over the first year of the grace period will be capitalized on the first principal repayment date. Thereafter, interest shall be payable semi-annually on the 31st day of March and 30th day of September each year.

However, review of the financial records indicated that the Authority had not repaid any interest on the loan hence resulting in an accumulated total of Kshs.581,250,000.00 out of which Kshs.100,000,000 related to the year under review. Further, although the Authority continues to charge the interest expense in its statement of financial performance there is no corresponding accrual of the interest payable in the statement of financial position.

In the circumstances, Management was in breach of the terms of the loan agreement. Additionally, the amount borrowed from Government is understated.

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

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 Matters

In the previous year, several matters were raised under report on the financial statements and report on lawfulness and effectiveness in use of public resources. Review of the status of the same at the time of audit revealed that very few of those matters have been resolved. No reason has been provided for the failure to address the matters.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing

else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Incomplete Water Project Charged under Contracted Services

The statement of financial performance and as disclosed in Note 16 to the financial statements reflects an amount of Kshs.481,532,181 relating to contracted services. Examination of records provided for audit revealed that Management contracted a limited liability company for the drilling, equipping boreholes and construction of water supply infrastructure in the Lake Victoria Basin Region in June, 2022 at a contract sum of Kshs.66,479,810.74. The contract period was 16 weeks with expected completion date of 28 October, 2022.

The contractor had been paid a total of Kshs.34,366,547 as at the time of audit. However, verification of project sites conducted in January, 2024 revealed that one project under the Lot 1, Kitere Technical Training Institute Community Water Project was incomplete and has stalled. Management attributed the failure to complete the project to myriad of hurdles including complaints from the locals that they were not involved in the initial planning of the projects and needed to be considered in the distribution of water.

In the circumstances, Management was in breach of the law and the Public may not derive value for money from the incomplete and stalled project.

2. Unutilized Assets

The Ministry of Environment and Forestry through Lake Victoria Environmental Management Project Phase II donated a water hyacinth harvester worth Kshs.80,776,044 and two (2) tipper trucks worth Kshs.18,717,400 to Lake Basin Development Authority vide transfer certificate dated 22 January, 2021. It was noted that to date the harvester and trucks are not in use and are depreciating with time as there are no budgetary allocations made. Further, the water hyacinth harvester has not been insured of any eventuality given the high value of the asset.

In the circumstances, value for money was not achieved from the unutilized assets.

3. Non-Compliance with the Law on Ethnic Composition

The statement of financial performance and Note 12 to the financial statements reflects expenditure on employee costs of Kshs.390,872,507. Review of the staff compliment revealed that the Authority had two hundred and sixty-seven (267) employees during, out of which one hundred and forty-nine (149) or approximately fifty-six percent (56%) were from the dominant community. Further, the Authority recruited 22 new staff in the year under review, out of which 11, representing 50% of the recruitment, were from the same ethnic group. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community.

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

4. Failure to Record Details of Revenue Receipts

The statement of financial performance reflects a balance of Kshs.12,221,279 being sale of agricultural products as disclosed in Note 7 to the financial statements. However, review of records provided revealed that details on the nature and source of revenue were not disclosed in the official receipts and the cashbook. This was contrary to Section 104 (2) of the Public Finance Management Act, 2012 which states that all receipts and payments vouchers shall contain adequate narration of the particulars of the services, goods or works procured and being paid for.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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 controls 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 controls would not necessarily disclose all matters in the internal controls 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 controls 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 controls 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 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 controls.
- 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 applicable 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 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 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

22 March, 2024

LAKE BASIN DEVELOPMENT AUTHORITY
Annual Reports and Financial Statements
For the year ended June 30, 2023.

14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2022-2023	2021-2022
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments – gifts and services-in-	6	1,056,240,000	770,465,302
		1,056,240,000	770,465,302
Revenue from exchange transactions			
Sale of Agricultural Produce	7	12,221,279	18,498,225
Rental revenue from facilities and equipment	8	74,820,122	63,849,472
Finance income - external investments	9	1,827,488	1,796,697
Other income	10	1,843,653	1,153,105
		90,712,541	85,297,499
Total revenue		1,146,952,541	855,762,801
Expenses			
General Expenses	11	416,024,215	280,143,101
Employee costs	12	390,872,507	299,025,236
Remuneration of directors	13	20,618,822	18,488,040
Depreciation and amortization expense	14	112,486,814	118,219,701
Repairs and maintenance	15	22,211,389	24,108,721
Contracted services	16	481,532,181	159,303,791
Finance costs	17	561,743	877,454
Total expenses		1,444,307,671	900,166,044
Other gains/(losses)			
Gain/loss on sale of assets	18		(3,621,000)
Gain/ loss on biological Assets	19	5,820,270	(405,275)
Unearned Revenue			33,918,404
Surplus for the year		(291,534,860)	(14,511,113)

The notes set out on pages 7 to 44 form an integral part of these Financial Statements.

The Financial Statements set out on pages i to 44 were signed on behalf of the Board of Directors by:



CPA Wycliffe Ochiaga
Accounting Officer

Date: 29/09/2023



CPA Christine Otieno
Head of Finance
ICPAK M.No. 10470

Date: 29/09/2023



Mr. James Dianga
Chairman of the Board

Date: 29/09/2023

LAKE BASIN DEVELOPMENT AUTHORITY
Annual Reports and Financial Statements
For the year ended June 30, 2023.

15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023


	Notes	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	20	277,098,655	192,075,742
Receivables from non-exchange transactions	21a	5,443,854	78,915,855
Receivables from exchange transactions	21b	77,726,730	-
Inventories	22	20,038,564	24,524,090
		380,307,802	295,515,687
Non-current assets			
Property, plant and equipment	23	4,956,656,245	4,979,343,234
Biological Assets	24	15,288,617	9,468,347
Intangible assets	25	4,798,088	5,997,610
		4,976,742,949	4,994,809,191
Total assets		5,357,050,751	5,290,324,877
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	26a	191,924,679	100,382,168
		191,924,679	100,382,168
Non-current liabilities			
Borrowings from Government		2,000,000,000	2,000,000,000
Trade and other payables from exchange transactions	26b	3,201,082,934	2,942,718,536
		5,201,082,934	4,942,718,536
Total liabilities		5,393,007,613	5,043,100,704
Net assets			
Reserves		401,948,509	401,948,509
Accumulated surplus/Deficit		(1,260,100,499)	(968,565,639)
Capital Fund		822,195,128	813,841,303
Total net assets		(35,956,862)	247,224,173
Total net assets and liabilities		5,357,050,751	5,290,324,877

The Financial Statements set out on pages i to 44 were signed on behalf of the Board of Directors by:


CPA Wycliffe Ochiaga
Accounting Officer

Date: 29/09/2023


CPA Christine Otieno
Head of Finance
ICPAK M.No.10470
Date: 29/09/2023


Mr. James Dianga
Chairman of the Board

Date: 29/09/2023

16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/ Development Grants/Fund	Total
At July 1, 2021	401,948,509	-272,375,443	-674,044,198	754,620,659	210,149,527
Total comprehensive income		0	-14,511,113	70,000,000	55,488,887
Transferred depreciation			10,779,357	-10,779,357	0
Prior year Adjustment		-18,414,241			-18,414,241
At June 30, 2022	401,948,509	-290,789,684	-677,775,955	813,841,303	247,224,173
					0
At July 1, 2022	401,948,509	-290,789,684	-677,775,955	813,841,303	247,224,173
Total comprehensive income			-291,534,860	8,353,825	-283,181,035
Transferred depreciation					0
Prior year Adjustment					0
At June 30, 2023	401,948,509	-290,789,684	-969,310,815	822,195,128	-35,956,862

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LAKE BASIN DEVELOPMENT AUTHORITY
Annual Reports and Financial Statements
For the year ended June 30, 2023.

17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2022-2023	2021-2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Government grants and subsidies	6	1,056,240,000	770,465,302
Sale of Agricultural Products	7	12,221,279	18,498,225
Finance income	9	1,827,488	1,796,697
Other income.	10	1,843,653	1,153,105
Rental income	8	74,820,122	63,849,472
Total Receipts		1,146,952,541	855,762,801
Payments			
Employee costs	12	390,872,507	299,025,236
Remuneration of directors	13	20,618,822	18,488,040
Repairs and maintenance	15	22,211,389	24,108,721
Contracted services	16	481,532,181	159,303,791
General expenses	11	416,024,215	280,143,101
Finance Cost	17	561,743	877,454
Total Payments		1,331,820,857	781,946,343
Net cash flows from operating activities		(184,868,316)	73,816,459
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	23	(88,600,304)	(81,728,103)
Decrease/Increase in Inventory	22	4,485,526	740,148
Decrease, Increase in current receivables	21	(4,254,729)	(2,747,117)
Decrease/Increase in Payables	26	349,906,909	49,163,425
Net cash flows used in investing activities		261,537,403	(34,571,647)
Cash flows from financing activities			
Increase in capital fund		8,353,826	85,504,163
Net cash flows used in financing activities		8,353,826	85,504,163
Net increase/(decrease) in cash and cash equivalents		85,022,913	124,748,975
Cash and cash equivalents at 1 JULY	20	192,075,742	67,326,767
Cash and cash equivalents at 30 June	20	277,098,655	192,075,742

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

	Budget	Adjustments	Final Budget	Actual	Performance	% of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	a	b	c=(a+b)	d	e=(c-d)	f=d/c *100
Revenue						
Government grants and subsidies						
Recurrent	314,910,000	-	314,910,000	314,910,000	-	100.00%
Pending Bills	156,430,000	-	156,430,000	156,430,000	-	100.00%
Salary Arrears	96,000,000	-	96,000,000	96,000,000	-	100.00%
ERP	50,000,000		50,000,000	50,000,000	-	100.00%
Development	318,300,000	120,602,093	438,902,093	438,900,000	2,093	100.00%
Total Grants	935,640,000	120,602,093	1,056,242,093	1,056,240,000	2,093	100.00%
Sale of Agricultural Products	22,703,206	-	22,703,206	12,221,279	10,481,927	53.83%
Rental Income	40,051,223	-	40,051,223	46,089,853	(6,038,630)	115.08%
Finance Income	10,892,400	-	10,892,400	1,827,488	9,064,912	16.78%
Other Income	2,353,171	-	2,353,171	1,843,653	509,518	78.35%
Total A-in-A	76,000,000		76,000,000	61,982,272	14,017,728	81.56%
TOTAL INCOME	1,011,640,000	120,602,093	1,132,242,093	1,118,222,272	14,019,821	98.76%
EXPENSES						
Employee costs	293,696,000	93,034,000	386,730,000	345,244,048	41,485,952	89.27%
Pending Bills	156,430,000		156,430,000	138,980,962	17,449,038	88.85%
Remuneration of Directors	24,180,000		24,180,000	20,618,822	3,561,178	85.27%
Repairs and maintenance	27,095,000		27,095,000	22,211,389	4,883,611	81.98%
Contracted services	292,527,000	27,568,093	320,095,093	375,958,428	(55,863,335)	117.45%
General expenses	166,712,000		166,712,000	177,043,253	(10,331,253)	106.20%
Finance Cost	1,000,000		1,000,000	561,743	438,257	56.17%
Capital Expenditure	50,000,000		50,000,000	35,513,111	14,486,889	71.03%
Total expenditure	1,011,640,000	120,602,093	1,132,242,093	1,116,131,755	16,110,338	98.58%
Surplus for the period	-	0	0	2,090,518	(2,090,517)	

Budget notes.

1. Sale of Agricultural goods

The reduction in revenue is attributed to temporary stoppage of milling operations due installation of a new milling machine.

2. Rental Income

From the budget, Kshs. 28,730,268.68 has been deducted from the actual rental income amount being accrued mall income.

3. Finance Income

The marginal variance is attributed to a reduction in the amounts invested in call and fixed deposit accounts held by the Authority.

4. Employee Costs

From the budget, Kshs. 45,628,459.08 has been deducted from the actual employee costs amount being accrued salaries arrears.

5. Contracted Services

From the budget, Kshs. 99,979,795.75 and Kshs. 5,593,958.10 have been deducted from the actual contracted services amount being accrued borehole costs and accrued security expenses respectively.

6. General Expenses

From the budget, Kshs. 100,000,000 has been deducted from the general expenses amount being accrued GOK loan interest

7. Capital Expenditure

From the budget, Kshs. 11,214,666.49 has been deducted from the capital expenditure amount being accrued ERP.

19. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Lake Basin Development Authority is established by and derives its authority and accountability from (Cap 442) Act. The Lake Basin Development Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. The Lake Basin Development Authority’s principal activity is to provide an avenue for a quicker, more meaningful and co-coordinated development in the Kenyan portion of the Lake Victoria basin.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Authority accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Authority.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of the authority’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of

Standard	Effective date and impact:
	<p>the asset's cash flows and the objective for which the asset is held;</p> <ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued. d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS.

LAKE BASIN DEVELOPMENT AUTHORITY
 Annual Reports and Financial Statements
 For the year ended June 30, 2023.

Standard	Effective date and impact:
	<ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of the authority.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

iii. *Early adoption of standards*

The Lake Basin Development Authority did not early – adopt any new or amended standards in year 2022/2023.

4. Summary of Significant Accounting Policies

- a) Revenue recognition
- i) Revenue from non-exchange transactions

Fees, taxes and fines

The Authority recognizes revenues from fees and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

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 (cash, goods, services and property) 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. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the 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.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Summary of Significant Accounting Policies (Continued)

ii) Revenue from exchange transactions

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) **Budget information**

The original budget for FY 2022-2023 was approved by the National Assembly on 7th April 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The Authority's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 12 of these financial statements.

Summary of Significant Accounting Policies (Continued)

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Summary of Significant Accounting Policies (Continued)

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- ii) When receivables and payables are stated with the amount of sales tax included
 The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation on PPE is calculated using reducing balance method and the rates used are:

a) Tractors	37.5%
b) Motor Vehicles/Cycles	25.0%
c) Farm Implements	12.5%
d) Buildings.....	2.0%
e) Loose Tools & Equipment	12.5%
f) Furniture, Fittings & Fixtures	12.5%
g) Office Machines & Equipment	12.5%
h) Computer & Other Class II Equipment	30.0%
i) Plant & Equipment.....	12.5%
j) Computer Software.....	20.0%
k) Hyacinth Harvester.....	10.0%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

h) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

Summary of Significant Accounting Policies (Continued)

i) Financial instruments

a) Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity.

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Authority assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- i) The debtors or an entity of debtors are experiencing significant financial difficulty.
- ii) Default or delinquency in interest or principal payments
- iii) The probability that debtors will enter bankruptcy or other financial reorganization.
- iv) Observable data indicates a measurable decrease in estimated future cash flows (e.g., changes in arrears or economic conditions that correlate with defaults)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

j) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- a) Raw materials: purchase cost using the weighted average cost method.
- b) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

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, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Authority.

k) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Summary of Significant Accounting Policies (Continued)

l) Contingent liabilities

Lake Basin Development Authority does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

- In respect to the Government loan of Ksh 2,000,000,000, given to the Authority, this was a bailout to assist the organization offset/settle the outstanding debt owed to M/S Erderman Property Ltd; the appropriate records will be maintained and interest charged accordingly as there is evidence of a loan agreement between the Government and Lake Basin Development Authority (LBDA)
- Currently the Authority has no contractual agreement signed directly with Co-operative bank of Kenya. The borrower of the loan was M/S Erderman Property Ltd who is the contractor for the Mall. However we have initiated the process of taking over the Loan by writing to the Ministry and the National Treasury for approval. Co-operative Bank of Kenya has further written an offer letter requesting the Authority to take over the liability.
- The Authority has an accumulated loan interest provision of Kshs. 581.25 Million for Government of Kenya Loan.
- LBDA has various legal cases which are under litigation pending court rulings which if adjudicated and finalized can crystallize into future financial liabilities of approximately 400M. Additionally, the increase in legal charges in the financial year 2022/2023 of Kshs. 99 million was as a result of court awards from previous litigation.
- During the FY 2022/2023 the Authority took over KOSFIP project with liabilities of Kshs. 738,774,372 which has not been recognized in our books pending budgetary provision by the National Treasury.

m) Contingent assets

The Lake Basin Development Authority does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

n) Nature and purpose of reserves

The Lake Basin Development Authority creates and maintains reserves in terms of specific requirements. Lake Basin Development Authority maintains Revaluation reserves.

o) Changes in accounting policies and estimates

The Lake Basin Development Authority recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

p) Employee benefits

Retirement benefit plans

The Lake Basin Development Authority provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

Salaries and Allowances

The salaries and allowances increase in financial year 2022/2023 of Kshs. 77 million arose as a result of approved SRC basic salary structure for LBDA to implement in the financial year 2017/2018 and 2018/2019 but due to the financial constraints the Authority was unable to implement the same. However, the Authority implemented it in the financial year 2019/2020 and proceeded to sought allocation from the National Treasury for the pending two years. The National Treasury allocated the money in the financial year 2022/2023 as per the printed estimates.

q) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

r) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

s) Related parties

The Lake Basin Development Authority regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

t) Service concession arrangements

The Lake Basin Development Authority analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

u) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

v) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

w) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Authority's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made:

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

The condition of the asset based on the assessment of experts employed by the Entity.

The nature of the asset, its susceptibility and adaptability to changes in technology and processes.

The nature of the processes in which the asset is deployed.

Availability of funding to replace the asset.

Changes in the market in relation to the asset.

Provisions

In the Financial year under review there were no Provisions raised and management determined an estimate based on the information available.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Transfers from Other Government Entities

Description	2022-2023	2021-2022
	KShs	KShs
Unconditional grants		
Recurrent grant	617,340,000	272,210,000
Development grants	438,900,000	485,000,000
Special projects		13,255,302
Total government grants	1,056,240,000	770,465,302

Funds received for recurrent expenditure i.e salaries and personal emoluments & Development expenditure as stated in the printed estimate.

b) Transfers from Ministries, Departments and Agencies (MDAs)

Name of the entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount recognised In capital fund.	Total grant income during the year	2021-2022
	KShs	KShs	KShs	KShs
State Department for Regional and Northern Corridor Development	1,056,240,000	-	1,056,240,000.00	827,210,000
Other Entities (KRCS, NEMA)			-	13,255,302
Total	1,056,240,000	-	1,056,240,000.00	840,465,302

7. Sale of Agricultural Products

Description	2022-2023	2021-2022
	KShs	KShs
Sale of rice	23,900	5,500,067
Sale of Sugar cane	158,682	1,090,141
Sale of Bricks	-	617,500
Sale of Milk	6,816,473	5,933,948
Sale of animals and Steers	296,000	104,000
Sale of Seedlings	3,493,392	2,014,805
Sales of Vegetables and fruits	90,960	95,198
Sale of Beans	-	29,985
Sale of Honey	562,200	517,750
Sale of Fingerlings and table size fish	773,082	2,376,904
Sale of Fish/Chicken feeds	1,600	125,600
Sale of bran meal, colored rice	30	87,827
Sale of Nappier	4,960	4,500
Total revenue from the sale of goods	12,221,279	18,498,225

8. Rental Revenue from Facilities and Equipment

Description	2022-2023	2021-2022
	KShs	KShs
Economic Rent (Staff Houses)	2,973,230	3,072,560
Service Charge	6,977,523	6,433,593
Commercial Rent (LBDA MALL)	53,872,679	45,538,837
Lease rentals (LBDC)	10,996,690	8,153,954
Hire of Tractors & Excavator	-	650,528
Total rentals	74,820,122	63,849,472

9. Finance Income

Description	2022-2023	2021-2022
	KShs	KShs
Cash investments and fixed deposits	1,827,488	1,796,697
Total finance income – external investments	1,827,488	1,796,697

10. Other Income

Description	2022-2023	2021-2022
	KShs	KShs
Boarded Stores	850	-
Hire of Grounds/Equipment	340,900	257,200
Milling/Airing Charges	-	203,535
Weighbridge	791,478	547,200
Surcharge Service	205,200	119,670
Tour Fees	15,150	25,500
Hire of Tractors & Excavator	175,175	-
Sale of Bricks	314,900	-
Total other income	1,843,653	1,153,105

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. General Expenses

Description	2022-2023	2021-2022
	KShs	KShs
Animal Feeds	1,528,184	2,303,210
ASK/Project Promotion	8,000	
Communication cost	1,463,243	1,614,289
Computer supplies and accessories	561,391	208,288
Compound Maintenance	3,809,990	4,863,959
Daily subsistence allowance	53,667,345	37,730,729
Dairy Expenses	88,600	-
Donation	70,000	350,645
Drugs and Chemicals	1,032,782	1,901,671
Electricity	1,562,860	2,775,197
General Hardware	8,303,091	3,157,880
General Office supplies	6,466,351	2,957,922
Hire of plant and Machinery	3,813,030	2,960,041
Hire of Transport	937,000	593,927
Horticulture	229,600	301,151
Fuel and oil	8,327,927	23,273
Increase in provision for bad debts	-	534,080
Insurance of Assets	17,419,895	16,423,715
Legal Charges	138,980,962	39,506,470
Local Travel (Air Ticket)	4,807,573	3,569,638
Purchase of Newspapers, Magazines and Periodicals	288,345	353,004
Maintain. Water & Sewerage & Sanitation	3,435,979	7,790,867
Management Fee	1,349,037	1,388,506
Official Entertainment	32,876,991	20,617,080
Interest on GoK Loan	100,000,000	100,000,000
Ploughing	3,750	-
Packaging materials	40,150	1,313,422
Printing and Advertising	17,300,837	16,371,158
Purchase of Firewood and Used Oil	26,570	
Purchase of raw materials	366,400	1,755,529
Postage and Stamps	250,720	329,340
Purchase of seeds and seedlings	735,450	2,484,329
Rents and rates Non- Residential	248,800	1,339,272
Sales and Marketing expenses	-	36,730
Staff welfare	938,380	303,200
Training	1,559,374	2,375,778
Subscription to professional bodies	641,462	638,105
Tax Penalty/WHT	2,514,149	1,071,766
Uniform and Clothing	95,492	7,828
Veterinary expenses	274,505	191,100
Total general expenses	416,024,215	280,143,101

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Employee Costs

Description	2022-2023	2021-2022
	KShs	KShs
Ex-Gratia Payments		352,387
Staff Medical Insurance	29,455,634	24,755,830
Contribution to Pension Scheme	33,980,732	28,468,536
Service Gratuity	2,350,672	4,531,766
Salaries and Allowances	318,626,515	240,872,341
Terminal Dues	6,458,954	44,375
Employee costs	390,872,507	299,025,236

13. Board Expenses

Description	2022-2023	2021-2022
	KShs	KShs
Sitting Allowances & Accommodation	14,185,153	10,048,400
Travelling (Air tickets)	2,054,554	5,192,343
Entertainment	2,966,115	1,802,250
Others	1,263,000	808,083
Chairman,s Honoraria	150,000	636,964
Total Board Expenses	20,618,822	18,488,040

14. Depreciation and Amortization Expense

Description	2022-2023	2021-2022
	KShs	KShs
Property, plant and equipment	111,287,292	116,720,299
Intangible assets	1,199,522	1,499,402
Total depreciation and amortization	112,486,814	118,219,701

15. Repairs and Maintenance

Description	2022-2023	2021-2022
	KShs	KShs
Building Repair for Non- Residential	8,511,153	7,588,057
Plant and machinery Repairs	520,069	3,705,844
Repair of Office equipment	3,501,260	661,822
Motor Vehicle Running	9,678,907	12,152,998
Total repairs and maintenance	22,211,389	24,108,721

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Contracted Services

Description	2022-2023	2021-2022
	KShs	KShs
Audit Fees	488,388	1,740,000
Cleaning Services	5,291,420	5,496,556
Construction of Market	-	19,497,375
Consulting Fee	369,566	4,245,472
Farm Maintenance & Milling Expenses	10,125,167	7,754,856
Drilling and Equipping of Bore Holes	446,262,565	95,565,815
Security Expenses	18,995,076	25,003,718
Total contracted services	481,532,181	159,303,791

The drilling and equipping of boreholes increase in the financial year 2022/2023 of Kshs.350 million was as a result of the allocation of funds by the National Treasury to implement the projects.

17. Finance Costs

Description	2022-2023	2021-2022
	KShs	KShs
Bank Charges (Commission and Ledger fee)	561,743	877,454
Total finance costs	561,743	877,454

18. Gain on Sale of Assets

Description	2022-2023	2021-2022
	KShs	KShs
Revaluation/cost	-	3,621,000
Less: Accumulated Depreciation	-	-
Net Book Value	-	3,621,000
Cash Proceeds		
Total gain/loss on sale of assets	-	(3,621,000)

19. Gain/Loss on Biological Assets

Description	2022-2023	2021-2022	Gain/Loss 2022/2023	Gain/Loss 2021/2022
	KShs	KShs	Kshs	Kshs
Bulls	102,000	116,250	(14,250.00)	44,250
Lactating/Dry Cows	3,290,250	2,115,750	1,174,500.00	(705,750)
Heifers	2,302,875	3,089,250	(786,375.00)	1,272,750
Local Breeds		-	-	(33,750)
Fish/ Poultry	577,374	452,547	124,826.70	39,751
Crops WIP	9,016,118	3,694,550	5,321,568.00	(1,022,526)
Total gain/Loss	15,288,617	9,468,346.80	5,820,269.70	(405,275)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. (a) Detailed Analysis of the Cash and Cash Equivalents

		2022-2023	2021-2022
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank	1107824532	1,632,537.48	1,080,922.60
Kenya Commercial bank	1104028352	426,670.00	1,443,975.00
Cooperative Bank of Kenya	01120014333100	82,715.63	1,975.13
Cooperative Bank of Kenya	01692614041400	24,617,548.26	34,357,537.17
Cooperative Bank of Kenya	01150014333100	59,574.14	59,491.00
National Bank of Kenya	01001023637000	95,677,200.20	78,163,923.63
National Bank of Kenya	01001023507900	3,940,231.84	5,398,020.71
National Bank of Kenya	01001033897700	546,642.59	320,474.86
National Bank of Kenya	01003023624000	6,288.00	1,119,201.00
Sub- total		126,989,408.14	121,945,521.10
b) On - call deposits			
National Bank of Kenya	01001023637000		50,000,000.00
National Bank of Kenya	0100123507900		20,000,000.00
Cooperative Bank of Kenya	0112014333100	150,000,000.00	-
National Bank of Kenya	01003023624000		-
Sub- total		150,000,000.00	70,000,000.00
c) Others(specify)			
cash in hand		291.00	24,900.00
Mpesa		108,956.00	105,321.00
Sub- total		109,247.00	130,221.00
Grand total		277,098,655.14	192,075,742.10

21. (a) Receivables from Non-Exchange Transactions

Description	2022-2023	2021-2022
	KShs	KShs
Current receivables		
Ex- board debtors		30,112
Ex- Staff debtors	4,381,555	6,899,695
Staff Debtors	1,062,299	857,471
Trade Debtors		71,662,657
Less: Provision for bad debts		(534,080)
Total current receivables	5,443,854	78,915,855

21. (b) Receivables from Exchange Transactions

Description	2022-2023	2021-2022
	KShs	KShs
Current receivables		
Ex- board debtors	30,112	-
Trade Debtors	78,230,698	-
Less: Provision for bad debts	(534,080)	-
Total current receivables	77,726,730	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The provision for bad debts of Kshs. 534,080 relates to debts over 20years old whose chances of recovery are remote. The expected loss is estimated using default experience and analysis of the debtor's status some of whom were deceased at the reporting date.

22. Inventories

Description	2022-2023	2021-2022
	KShs	KShs
General hardware	-	3,044,430
Automotive spares	-	687,762
Drugs and chemicals	-	16,750
Animal Feeds		1,175
Uniform and Clothing	-	10,172
Cleaning Items	-	-
Stationaries	-	1,439,604
Seeds/Seedlings	2,447,688	2,020,674
Bricks	109,635	117,900
Raw materials	15,425,869	15,189,509
Packaging Materials	1,925,822	1,986,214
Finished Products	129,550	9,900
Total inventories at the lower of cost and net realizable value	20,038,564	24,524,090

LAKE BASIN DEVELOPMENT AUTHORITY
Annual Reports and Financial Statements
For the year ended June 30, 2023.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Property, Plant and Equipment

	Land	Buildings	Plant & equipment	Work in Progress	Furniture & Fixtu	Computer & Othe	Motor Vehicle	Tractors	Harvester	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 30th June 2021	62,674,333	5,023,545,184	297,567,847	272,719,715	17,892,917	27,288,250	64,467,070	10,165,000	80,776,044	5,857,096,360
Additions		721,802	27,490	75,907,856	325,955	4,745,000				81,728,103
Disposals										-
Transfer/adjustments	(3,621,000)									(3,621,000)
Revaluation										-
At 30th June 2022	59,053,333	5,024,266,986	297,595,337	348,627,570	18,218,872	32,033,250	64,467,070	10,165,000	80,776,044	5,935,203,463
Additions			3,491,706	81,228,021	807,794	2,722,358	350,423			88,600,303
Disposals										-
Transfer/adjustments										-
Revaluation										-
At 30th June 2023	59,053,333	5,024,266,986	301,087,044	429,855,591	19,026,666	34,755,609	64,817,493	10,165,000	80,776,044	6,023,803,765
Depreciation and impairment										
At 30th June 2021	-	504,194,299	255,737,579	-	14,525,508	25,159,702	25,250,940	6,194,297	8,077,604	839,139,930
Depreciation		90,401,454	5,232,220		461,670	2,062,064	9,804,032	1,489,014	7,269,844	116,720,299
Disposals										-
Transfer/adjustment										-
At 30th June 2022	-	594,595,753	260,969,799	-	14,987,179	27,221,767	35,054,972	7,683,310	15,347,448	955,860,229
Depreciation		88,593,425	5,014,656		504,936	2,260,153	7,440,630	930,634	6,542,860	111,287,292
Disposals										-
Transfer/adjustment										-
At 30th June 2023	-	683,189,178	265,984,455	-	15,492,115	29,481,919	42,495,602	8,613,944	21,890,308	1,067,147,521
Net book values										
At 30th June 2023	59,053,333	4,341,077,808	35,102,589	429,855,591	3,534,551	5,273,689	22,321,891	1,551,056	58,885,736	4,956,656,245
At 30th June 2022	59,053,333	4,429,671,233	36,625,538	348,627,570	3,231,693	4,811,484	29,412,097	2,481,689	65,428,596	4,979,343,234

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. Biological Assets

Description	2022-2023	2021-2022
	KShs	KShs
Bulls	102,000	116,250
Lactating/Dry cows	3,290,250	2,115,750
Heifers	2,302,875	3,089,250
Fish/Poultry	577,374	452,547
Crops Wip	9,016,118	3,694,550
Total Biological	15,288,617	9,468,347

25. Intangible Assets

Description	KShs
Cost	
At 30th June 2021	14,458,222
Additions-	-
At 30th June 2022	14,458,222
Additions-	-
At 30th June 2023	14,458,222
Amortization and impairment	
At 30th June 2021	6,961,210
Amortization	1,499,402
At 30th June 2022	8,460,612
Amortization	1,199,522
At 30th June 2023	9,660,134
NBV	
At 30th June 2023	4,798,088
At 30th June 2022	5,997,610

26. (a) Trade and Other Payables (Current)

Description	2022-2023	2021-2022
	KShs	KShs
Staff Claims (workmen compensation)	57,424,436	-
Trade suppliers	134,500,243	100,382,168
Total trade and other payables (Current)	191,924,679	100,382,168

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 (b) Trade and Other Payables (Non-Current)

Description	2022-2023	2021-2022
	KShs	KShs
Contractors Claims	2,631,858,372.00	2,500,022,499.00
Gratuity & Terminal Dues	183,116.60	11,642,070.60
Inter – Ministerial Dues	28,176,641.32	28,176,641.32
Legal Claims	2,836,761.00	1,481,476.00
Service and utilities	1,564,148.50	-
Staff Claims (workmen compensation)	151,605.00	14,999.00
Unremitted payroll deductions	499,130.00	180,750.00
Trade suppliers	535,813,159.42	401,200,100.17
Total trade and other payables (Non-current)	3,201,082,934	2,942,718,536

Included in the trade payables above is Kshs. 2.5 Billion loan owed to Cooperative Bank/Erdemann Ltd for which Authority Land title LR NO. 15239 (IR. NO 1504430) is provided and charged as a collateral

26 (a&b) Trade and Other Payables

Description	2022-2023	2021-2022
	KShs	KShs
Trade and other payables (Current)	191,924,679	100,382,168
Trade and other payables (Non-current)	3,201,082,934	2,942,718,536
Total trade and other payables	3,393,007,613	3,043,100,704

27. Employee Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2022-2023	2021-2022
	KShs	KShs	KShs	KShs	KShs
Current benefit obligation	33,980,732	-	-	33,980,732	28,468,536
Total employee benefits obligation	33,980,732	-	-	33,980,732	28,468,536

Retirement benefit Asset/ Liability

The Lake Basin Development Authority also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Authority's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 1,080 per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by LBDA Pension Fund. Employees contribute 10% while employers contribute 20% of basic salary. Employer contributions are recognised as expenses in the statement of financial performance within the period they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. Borrowings

Description	2022-2023	2021-2022
	KShs	KShs
Domestic borrowings	2,000,000,000.00	2,000,000,000.00
Balance at end of the period	2,000,000,000	2,000,000,000

The analyses of both external and domestic borrowings are as follows:

	2022-2023	2021-2022
	KShs	KShs
Domestic Borrowings		
Kenya Shilling loan from The National Treasury	2,000,000,000.00	2,000,000,000
Total balance at end of the year	2,000,000,000	2,000,000,000

29. Cash Generated from Operations

	2022-2023	2021-2022
	KShs	KShs
Surplus for the year before tax	(291,534,860.34)	(14,511,112.97)
Adjusted for:		
Depreciation	112,486,813.97	118,219,700.98
Gains and losses on disposal of assets	5,820,269.70	(4,026,275.00)
Adjustment		(18,414,241.00)
Working Capital adjustments		
Decrease/Increase in inventory	4,485,526.28	740,147.60
Decrease/Increase in receivables	(4,254,728.84)	(2,747,116.74)
Decrease/Increase in payables	349,906,908.90	49,163,424.83
Net cash flow from operating activities	176,909,929.67	128,424,527.71

30. Financial Risk Management

The Authority's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The entity's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The entity does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Authority's financial risk management objectives and policies are detailed below:

i) Credit risk

The Authority has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management continued

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts

The board of directors sets the Authority's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Authority's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Authority under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

iii) Market risk

The Authority has put in place an internal audit function to assist it in assessing the risk faced by the Authority on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Authority's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

31. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of Lake Basin Development Authority, holding 100% of the Authority's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

Other related parties include:

- i) The National Government;
- ii) The Parent Ministry;
- iii) Key Management
- iv) Board of Directors

31. Related Party Disclosures continued

Nature of related party relationships

	2022-2023	2021-2022
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from National Govt	1,056,240,000	840,465,302
Government Loan		
Total	1,056,240,000	840,465,302
b) Key management compensation		
Directors' emoluments	20,618,822	18,488,040
Compensation to the CEO	6,360,000	6,554,085
Total	26,978,822	25,042,125

32. Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year.

Lake Basin Development Authority did not make any surplus during the year (FY 2022/2023 Nil) and hence no remittance to the Consolidated Fund.

33. Events after the Reporting Period

There were no material adjusting and non- adjusting events after the reporting period.

34. Ultimate And Holding Lake Basin Development Authority

The Lake Basin Development Authority is a State Corporation under the Ministry of East African Community and Regional Development. Its ultimate parent is the Government of Kenya.

35. Currency

The financial statements are presented in Kenya Shillings (Kshs).

20. APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:	Timeframe:
1.0	Unsupported Transfers from Other Government Entities	<ul style="list-style-type: none"> It is true that the total transfers from government entity was Ksh. 840,465,302. This included funding from NEMA, Red Cross and Parent Ministry on behalf of KOSFIP amounting to Ksh. 13,255,302. However, the statement of financial performance reflects an amount of Ksh.770,465,302 since Ksh. 70,000,000 for Solar irrigation project was capitalized as according to IAS 20 and also indicated in Note 6(b) and in the statement of changes in Net assets, under capital grants/fund. The Authority received Ksh. 115,000,000 of development funds for FY 2021/2022 which was released towards the end of the financial year. This was the last tranche of development funds for drilling & equipping of boreholes. The same was posted in the development cash book on 30th June 2022 and full commitment done. The Ksh. 7,982,577 relates to a refund from state Department for Regional Development being expenditure incurred by the Authority on behalf of KOSFIP. This was at the time when the project was transferred to LBDA without the corresponding funding. Since the funds were relate to FY 2021/2022, the same 	Managing Director.	On-going.	Expected to be resolved by 30 th June 2022/2023

LAKE BASIN DEVELOPMENT AUTHORITY
Annual Reports and Financial Statements
For the year ended June 30, 2023.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:	Timeframe:
		<p>was receipted in the respective financial year.</p> <ul style="list-style-type: none"> The management is committed towards adherence of its budget to ensure compliance and achievement of set Strategic Objectives. 			
2.0	Unsupported General Expenses	<p>i) Although the daily subsistence allowance paid to the three staff exceeded Ksh. 2,000,000 per each staff, this amount was not meant for an individual officer. This is normally an imprest taken by one staff member on behalf of other officers especially those going for the same official duty. This is meant to avoid the need of each officer filling his/her own imprest which is costly in terms of paper work and other incidental bank costs.</p> <p>However, each officer will procedurally fill the necessary documents and submit the necessary receipts to account for the imprest taken only that the payment voucher shall be in the name of the officer who took the imprest.</p> <p>ii) All the relevant legal files and related matter files were presented to the auditors as requested including a schedule of all cases and their status. These comprise of old cases which have been going on for a long time. None of these cases relate to the financial year under review. The increase of legal fees by ksh 24,800,000 is due to crystallization of cases.</p> <p>The legal professionals were identified through the necessary procurement process and prequalified as legal professionals.</p>	Director Corporate Services.	On-going	Expected to be resolved by 30 th June 2022/2023

LAKE BASIN DEVELOPMENT AUTHORITY
Annual Reports and Financial Statements
For the year ended June 30, 2023.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (<i>Name and designation</i>)	Status:	Timeframe:
		<p>The interest on bank loan of Ksh. 100,000,000 is Computed based on Article IV of the loan agreement between LBDA and GOK. The provision for interest expense was to be charged at 5% on reducing balance for a period of 30 years with 3 years grace period all inclusive. It is to be computed on the basis of 360 day months and the interest accrued over the first year of the grace period. The interest rate on loan has not changed since such changes are promptly communicated by the National Treasury.</p> <p>iii) It is true the Authority incurred Ksh 10,872,741 more for the insurance of assets, compared to the previous year. This relates to the insurance of the mall. The insurer was procured through quotations. The same are hereby attached for your audit review together with insurance policy document.</p>			
3.0	Unsupported Loss on Sale of Assets	The amount of Ksh. 3,621,000 comprise of parcels of lands which no longer owned by the Authority as indicated below.	Managing Director	On-going.	Expected to be resolved by 30 th June 2022/2023
4.0	Unsupported Unearned Revenue.	The Ksh. 33,918,404 comprise of Creditors earlier proposed for write-off. Owing to pending approval by the National Treasury, the Write offs of Ksh. 33,918,404 has been reinstated and financial statements adjusted accordingly.	Managing Director	Resolved	
5.0	Unsupported Expenditure on Board of	It is true that during the year under review a total of Ksh. 18,488,040 was incurred under board of Directors remuneration. An analysis of the meetings, purpose of meeting & allowance paid of Ksh. 10,048,400 is	Managing Director	Resolved	

LAKE BASIN DEVELOPMENT AUTHORITY
Annual Reports and Financial Statements
For the year ended June 30, 2023.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:	Timeframe:
	Directors Allowances	hereby attached. Also attached for your audit review are beneficiaries of the air tickets of Ksh. 5,192,343.			
6.0	Unsupported Contracted Services	During the financial year 2021/2022, thirty one boreholes were drilled, installed & equipped and two were rehabilitated. One market was also constructed. The details of the projects are hereby attached for your audit review.			
7.0	Land Without Ownership Documents and Unsupported Valuation	<ul style="list-style-type: none"> The 2 parcels of land –Kokwanyo & Lugari LMC reverted back to the community and were removed from the assets register.The parcel of land at kapsabet Bricks plant was declared riparian and also removed from the assets register with its original cost. The five pieces of land: Yala swamp, Sangalo ittc, Ndhiwa, Rongo ittc, Lunyu/Kwanza Integrated have been valued and is awaiting the final report and adoption of the same in the financial statements. It is true the tittle for lower Kanyakwar was not in the custody of the Authority at the time of conducting the audit. However the approvals of the same were done at the board of Directors level. It is true that some of the Authority lands are not fenced. However, the management has made a budgetary provision for carrying out the said activity in the next financial year 2023/2024 	Managing Director		
8.0	Un-transferred Motor Vehicles	<ul style="list-style-type: none"> The Vehicles listed as per the asset register were given to the Authority by the then Ministry of East African Community 	Managing Director	Not Resolved.	5 years

LAKE BASIN DEVELOPMENT AUTHORITY
 Annual Reports and Financial Statements
 For the year ended June 30, 2023.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (<i>Name and designation</i>)	Status:	Timeframe:
		<p>Regional Development and Northern Corridor and the process of following up with the Log books and later conversion of this vehicles from Government of Kenya to Blue number plates has been initiated. The two Tippers were transferred to the Authority by Lake Victoria Environmental Management Programme (LVEMP) in January 2021 for use in removal of water hyacinth in Lake Victoria. The management has already communicated to LVEMP to transfer the respective logbooks to the Authority.</p> <ul style="list-style-type: none"> • However we take note of your observation and shall engage the Chief Engineer Public works to conduct valuation and adjust our assets accordingly. 			
9.0	Stalled Work in Progress	We take note of your audit observation. The assets have been valued and once the final report is submitted by the professional valuer, the impairment will be determined and amortized accordingly.	Manager Procurement	Resolved	
10.0	Long Outstanding Receivables from Non-Exchange Transactions	<p>i) The management takes note of your observation that the amount outstanding from ex-board members and ex-staff totaling to Ksh. 30,112 and 6,899,695 respectively have been outstanding for over twenty years and that their collectivity is remote. The Authority will therefore continue making provision for write-offs in the subsequent years in line with IPSAS 19.</p> <p>ii) The amount of Ksh. 534,080 relate to debts held by deceased staff whose recoverability is remote as per the schedule attached.</p>	Human Resources Manager	Not Resolved	

LAKE BASIN DEVELOPMENT AUTHORITY
 Annual Reports and Financial Statements
 For the year ended June 30, 2023.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:	Timeframe:
		<p>iii) The Authority has developed a financial policy & Procedures manual where credit policy procedures & related matters have been addressed. The same shall be adopted and implemented once the board of Directors approves the same.</p> <p>iv) We have done ageing analysis for all our receivables and the same is attached for your audit review.</p>			
11.0	Non-Current Liabilities.	<p>i) It's true that most of these liabilities are old claims dating back to earlier financial years. The management has made concerted efforts of pursuing funding from the National Treasury through Supplementary budgetary requests on account of Pending bills, to enable them offset the liabilities, as a majority of the bills are historical in nature. However, due to inadequate funds, the debts still remain outstanding</p> <p>ii) The amount of tax arrears of Ksh. 21,684,885 comprises of interest and penalties on Corporation tax of which the Authority paid and cleared the principal sum of Ksh. 23,049,922 and subsequently made an appeal for waiver of interest and penalty levied. However, the waiver has not been granted and the Authority is still pursuing the same. The relevant waiver request is hereby attached Annex 15 – Letter to KRA on Waiver of interest</p> <p>iii) Management takes note of your observation on GOK Loan repayment. So far there have been several correspondences and interactions between the Authority, Parent Ministry and the National</p>	Managing Director	Not Resolved	

LAKE BASIN DEVELOPMENT AUTHORITY
 Annual Reports and Financial Statements
 For the year ended June 30, 2023.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:	Timeframe:
		<p>Treasury to have the Authority take over the loan. However, due approvals have not been obtained as the matter is awaiting due process. Attached please find correspondences between LBDA, National Treasury and the then Ministry of East African Community, Regional Development & Northern Corridor. The Authority continues to hope for good will from the Government to take over the loan.</p> <p>iv) There was an increase in Trade payables which is attributed to accrued loan interest of ksh 100,000,000. Also affecting the creditors figure was ksh 33,918,404 proposed write-off which has since been reinstated to the creditors list. Creditors amounting to ksh 4,484,583 was paid during the year to Appkings, Best Western, Dunga, Goundforce, Outdays, Pridekings, Wigot and Vesna.</p>			
12.0	Unsupported Increase in the Capital Fund	It's true that during the year under review, capital fund increased by Ksh. 70,000,000 being solar irrigation capital grant, less Ksh. 10,779,357 depreciation for the two tippers and hyacinth harvester donated to the Authority by Ministry of Environment & Natural Resources. Hence giving a net figure of Ksh. 59,220,644.	Managing Director	Not Resolved	
Key Audit Matters					
1.0	Failure to	Management takes note of your observation on GOK Loan repayment.	Managing	On-going.	

LAKE BASIN DEVELOPMENT AUTHORITY
Annual Reports and Financial Statements
For the year ended June 30, 2023.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:	Timeframe:
	Comply with Loan Agreement Terms	<p>The challenge has been the cash flow on the revenues generated from the Mall. Currently the Mall occupancy is at 40%.The revenues from the few tenants is not adequate to pay the utilities and the loan interest.</p> <p>Like any other entity, the operations of the Mall were disrupted by the COVID-19 pandemic. Further, the delay in completion of Migosi junction –Mamboleo interchange has also impeded potential customers from taking up space.</p> <p>With the economy opening up, management has embarked on engagement with various businesses, government agencies, and NGOs to take up available space at the Mall.</p> <p>This will in the long run generate adequate cash inflows for the repayment of the loan.</p>	Director		
2.0	Non-Compliance with the Law on Ethnic Composition	<p>The high concentration of one ethnic group among LBDA employees is not by design, but rather is largely determined by the location of the LBDA headquarters and the majority of its regional offices.</p> <p>However, management is committed to ensuring fairness in balancing staff by ethnicity as guided by the Constitution of Kenya and applicable legislations.</p>	Managing Director	Resolved	
Basis for Conclusion					
1.0	Lack of Approved Information Technology	<ul style="list-style-type: none"> The Authority has an ICT Policy in place which was presented to the board of Directors for approval. However the board recommended that the same be reviewed by an external entity. The same has been done and will be presented to the same board 	Director Corporate Services	Resolved	

LAKE BASIN DEVELOPMENT AUTHORITY
 Annual Reports and Financial Statements
 For the year ended June 30, 2023.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:	Timeframe:
	Security Policy.	<p>for approval, adoption and implementation.</p> <ul style="list-style-type: none"> In the meantime the ICT department is being guided by the government ICT policy and departmental Standard operating procedures. 			
2.0	Lack of Risk Management Policy and Strategy	<p>The Authority has established a risk management policy that was approved in July 2020. Further the Authority has a risk register which was developed in 2019 and last reviewed in 2020.</p> <p>The Audit committee of the board sitting on 5th May 2023 approved the reviewed risk policy and register and recommended for full board approval.</p>			


 Managing Director

Date: 29/09/2023


 Member of the Board

Date: 29/09/2023

21. APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of East African Community, ASALs & Regional Development	Jun-23	Recurrent	617,340,000	-	-	-	-	-	-
Ministry of East African Community, ASALs & Regional Development	Jun-23	Development	438,900,000	-	-	-	-	-	-
Total			1,056,240,000	-	-	-	-	-	-

