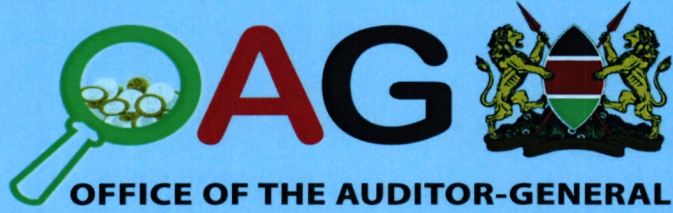



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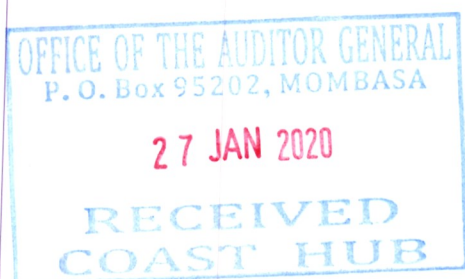
THE AUDITOR-GENERAL

ON

COAST DEVELOPMENT AUTHORITY

**FOR THE YEAR ENDED
30 JUNE, 2019**

ANNUAL REPORT & FINANCIAL STATEMENTS

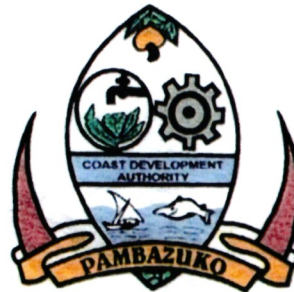


COAST DEVELOPMENT AUTHORITY

ISO 9001:2015 CERTIFIED



COAST DEVELOPMENT AUTHORITY



**ANNUAL REPORT
&
FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019**

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



Vision

To be the lead agency in implementing sustainable integrated development

Mission

To accelerate socio-economic development through innovation, planning, coordination and partnerships in implementation of integrated programs, value-addition and environmental management

Core Values

These include respect for national values, efficiency and effectiveness, transparency, accountability, integrity, professionalism, good leadership, respect, dignity, team work, empowerment, commitment.

Strategic Objectives

Promote ownership and commercial sustainable exploitation of the region's natural resources
Enhance food security in the region
Reduce poverty and improve livelihoods of the community in the region
Reduce unemployment in the region
Conserve the environment and manage the natural resources for sustainable development.
The overall objective is to improve the socio-economic well-being of the community.



Directors Statements

STATEMENT FROM THE BOARD CHAIRMAN



The **Coast Development Authority** is a State Corporation established by an Act of Parliament No. 20 of 1990 (Cap 449), revised in 1992 with the mandate to provide integrated development planning, coordination and implementation of projects and programmes within the whole of Coast region, including the southern part of Garissa County and the Kenya's Exclusive Economic Zone (EEZ) and for connected purposes. The CDA area of jurisdiction covers 103,326 km² and the EEZ (200 Nautical Miles of the Indian Ocean). The Coast region is well endowed with natural resources. The resources include the ocean, rivers, springs lakes, deltas, water catchments, hills and rangelands, marine resources (fisheries, corals), tree crops (cashew nuts, coconuts, mangoes, bias), forestry (mangroves), minerals (gemstones), wildlife and diverse cultures, CDA has been employing a participatory and integrated development approaches for sustainable utilization of the natural resources for the region's economic development.

Functions

The Authority is mandated to carry out various functions within its jurisdiction.

These include: Planning, Coordinating, Implementing, Monitoring and Evaluation of Development projects of all nature in the region with a view of ensuring relevance in project identification, equitability in planning, effectiveness in presentation and usefulness to the target community.

CDA has been working with all relevant stakeholders in the planning, formulation, implementation, monitoring and evaluation of its projects/programmes.

Governance and Board Changes

The Board is responsible for setting the right tone from the top and ensuring the governance

structure is in place to ensure the Authority is able to deliver its programmes as per the Authority's mandate and in line with the Strategic Plan. The Board operates in line with Mwongozo which outlines the Code of Conduct for the Board.

Authority's Performance and Achievements

During the year the Authority developed the Economic Blue Print for 2019-2038. The unveiling of the first Coast Regional Economic Blueprint (2019- 2038) by Coast Development Authority (CDA) is an important roadmap in spearheading the development of the Coast region. This Blueprint is a culmination of CDA's wider stakeholder consultations and efforts that address the needs and aspirations of the communities in CDA's area of jurisdiction.

Conclusion

In conclusion, we sincerely believe that the future of the Coast Development Authority currently domiciled in the Ministry of East African Community and Regional Development, State Department of East African Community. Coast Development Authority as a regional Authority plays a complimentary role in supporting development activities in all the Counties we operate in. We look forward to more support from the Parent Ministry, The National Treasury, County Governments and other development agencies so that we can serve our people even better in the future.

Appreciation

I would like to take this opportunity to thank the Cabinet Secretary, Ministry of East African Community and Regional Development and Board of Directors for their support. I commend the Management and Staff of CDA who continue to serve the coastal communities with dedication and indeed indirectly all Kenyans through successful implementation of approved projects.



Hon. Samwel Kazungu Kambi
CHAIRMAN

REPORT OF THE MANAGING DIRECTOR



Overview

In 2018/2019 FY the Authority launched the fourth Strategic Plan for 2018/19-2022/23 which aims at sustainable utilization of the natural resources for improved food security.

The Strategic Plan was a culmination of CDA's wider stakeholder consultations and efforts that addresses the needs and aspiration of the communities in the area of CDA's jurisdiction. The fourth Strategic Plan which is instrumental in guiding CDA's development agenda is in line with the Kenyan Constitution (2010), Vision 2030, Kenya Big 4 Agenda, Regional Development and the Integrated Coast Region Master Plan (ICRMP 2010-2030). The Strategic Plan will address the following broad-based: Ownership and Commercial Exploitation of Natural Resources; enhance food security, reduce poverty and improve livelihood of the communities, reduce unemployment in the region, conserve environment and manage natural resource for sustainable development. To actualize this plan, adequate and prompt funding will be necessary. The funding for the identified programmes/projects is expected to come from stakeholders including the National and County Governments, development partners and internally-generated resources. In addition, CDA will also embrace the public private partnerships approach in promoting and implementation of these projects.

Donor Funded Projects

The implementation of donor funded projects namely Mwache Catchment Conservation project and the Kenya Climate Change Adaptation Projects (KCCAP) are on course. The Mwache Conservation Project will benefit residents of Kwale and Mombasa with 186,000m³ of water per day for domestic and livestock. The KCCAP project focuses mainly on rehabilitation of South Coast mangrove

forest and coral reefs. In addition the proposal for funding by the Italian Agency for Development Program for MISHDP 2 with the goal of improving the social and economic development of Malindi and Magarini sub-counties is in advanced level of appraisal.

Human Resources Development

The Authority developed human resource governance documents and was approved by State Corporations Advisory Committee (SCAC). These documents are the Human Resource Policy and Procedure Manual, Organizational Structure, Career Progression and Staff Establishment. The salaries and remuneration commission completed the job evaluation for the Authority and the results were later validated in a clinic with the Authority's top management. This was communicated to Principal Secretary for concurrence and adoption.

The Authority deployed officers to serve as County Coordinators to all 7 counties in CDA's area of jurisdiction and economic zones. These coordinators will report on Authority activities within these counties to the County Development Implementation Committee established under Executive Order No 1 of 2019. Several staff were facilitated to enhance their skills by undertaking professional short courses. The Authority has been able to provide adequate Staff Medical Insurance, Group Life Insurance And Work Injury Benefit Assurance (WIBA) in the financial year.

ISO 9001:2015 Surveillance Audit

In 2018/2019, SGS undertook Management System Certification (surveillance audit) audit for the Authority. The audit team conducted a process-based audit focusing on significant aspects/risks/objectives required by the standard(s). The audit team concluded that the organization has established and maintained its management system in line with the requirements of the standard and demonstrated the ability of the system to systematically achieve agreed requirements for products or

services within the scope, organization's policy and objectives. This resulted into continued certification of the ISO 9001:2015. The Authority is committed to maintain the quality management system.

Performance Contracting

The Authority is on performance contracting. The Board of directors for Authority signed the Performance Contract with the Ministry of East Africa Community and Regional Development and The National Treasury and Planning. This performance contract has been cascaded to all members of staff.

ASK Mombasa International Show

The Authority participated in the Mombasa International ASK Show organized by the Agricultural Society of Kenya to show-case the Authority's projects for the region in relation to the theme. CDA competed against private and public entities and emerged winner in the category of Best Organization in Social Functions and 2nd Best organization in implementing Community Projects, in line with the show theme 'Promoting Innovation and Technology in Agriculture and Trade'.

Financial Status

During the financial year 2018/2019 the Authority was allocated a total Kshs.244, 442,460 Recurrent and Kshs.264, 750,000 Development. The Authority has been able to pay salaries and all statutory payments within the stipulated deadlines. The capital budget was rationalized to ensure completion of the specific on-going projects ie. Integrated Fruit processing plant, Wananchi Cottages and Boji Irrigation Project. The new automated pulp processing plant was procured, installed and tested at the Hola Plant. Delays in disbursement

of development funding delayed completion of the auxiliary facilities ultimately resulting in delays in commencement of the operations of integrated fruit processing plant. The Authority pending bills currently stand at Ksh 144,329,910.. These debts were incurred during the financial years 2011-2014 and were forwarded to the parent ministry .

The income generating projects (Coral Block and Wananchi Cottages) have been performing dismally. This is due to poor conditions of the facilities and equipment. Effort to modernise Wananchi will turn around this trend.

Appreciation

Our major pride in 2018/2019 remains being awarded 2nd Runners up in the category of Youth Empowerment in the Africa Continental award at the African Public Service Celebrations held at the KICC from 21st -23rd June 2019. CDA innovation addressed the universal SDG- Goal 1,2, 13 and 14. I wish to thank all our staff for this effort in achieving this recognition. This positive performance is a reflection of the highly motivated staff, visionary Board and the support from the Parent Ministry. The Authority commits to ensuring that all governing regulations including statutory compliance, accounting ,procurement of good and services, are adhered to .

We look forward to another positive year ahead.

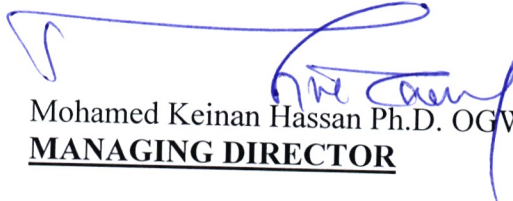

Mohamed Keinan Hassan Ph.D. OGW
MANAGING DIRECTOR

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KEY ENTITY INFORMATION

Background information

The Authority was created by an Act of Parliament Cap 449 No. 20 of the laws of Kenya on 18th January 1990. The Act which created the Authority mandated it to plan and coordinate the implementation of development projects in the whole of the Coast Province and the Exclusive Economic Zone (EEZ) and for connected purposes. The development area means the part of Coast Province within Lamu, Mombasa, Kilifi, Tana River, Kwale, Taita Taveta including the Southern part of Garissa District and the exclusive economic zone (as established and delimited by section 4 of the Maritime Zone Act, 1989). The Authority has offices in Mombasa, Kwale, Wundanyi, Lamu, Kilifi, Masalani and Hola Town.

Functions of the Authority

Based on the general functions as outlined in section (8) of the CDA ACT CAP.449, the functions of the authority are:-

1. Plan for the development of the Area and initiate project activities identified from such planning in the development and through the Government generally ;
2. Develop an up to date long range development plan for the Area;
3. Initiate such studies, and carry out surveys of the Area as may be considered necessary by the Government or the Authority and to assess alternative demands within the Area on the natural resources thereof, and initiate, operate, or implement such projects as maybe necessary to exploit those natural resources including Agriculture (both irrigated and rain fed) ,forestry, wildlife and tourism industries, electric power generation, mining and fishing, and to recommend economic priorities;
4. Coordinate the various studies of schemes within the Area such that human, water, animal, land and other resources are utilized to the best advantage and to monitor the design and
5. execution of planned projects within the Area;
6. Effect a programme of both monitoring and evaluating the performance projects within the Area so as to improve such performance and establish responsibility thereof, and to improve future planning;
7. Coordinate the present abstraction and use of natural resources, especially water within the Area and to set up effective monitoring of the abstraction and usage;
8. Cause and effect the construction of any works deemed necessary for the protection and utilization of the water and soils of the Area including hydro-power development for the multipurpose utilization of water resources;
9. Ensure landowners in the Area undertake all the measures specified by the Authority to protect the water and soils of the Area;
10. Identify, collect, collate and correlate all such data related to the use of water and other resources and also economic and related activities within the Area as maybe necessary for the efficient forward planning of the Area;

KEY ENTITY INFORMATION (CONT)

11. Maintain a liaison between the Government, the private sector and other interested agencies in the matter of the development of the Area with a view to limiting the duplication of effort and ensuring the best use of the available technical resources
12. Examine the hydrological effects and the subsequent ecological changes on the development programmes and evaluate how they affect the economic activities of the persons dependent on river environment;
13. Implement development projects and programmes whose primary objective is to promote socio-economic development of the Coast Province in particular and Kenya in general;
14. Plan and liaise with the relevant authorities as necessary in exploration and development of the extensive fishing and marine activities in Kenya especially in the exclusive economic zone.

Areas of Jurisdiction

“Development area” means that part of the coast region within Lamu, Mombasa, Kilifi, Tana-River, Kwale, and Taita-Taveta Counties including the Southern half of Garissa County and the Exclusive Economic Zone.

“Exclusive Economic Zone” means the exclusive economic zone of Kenya established and delimited by section 4 of the Maritime Zones Act, 1989.

CDA’s area of jurisdiction covers Coast Region with an estimated area of 83,681 km² spanning 7 counties listed below:-

Kilifi	-	13,013km ²
Kwale	-	8,322 km ²
Taita -Taveta	-	16,556 km ²
Mombasa	-	282 km ²
Tana-River	-	38,694 km ²
Lamu	-	6,814 km ²
Ijara Town (Garissa)	-	19,465 km ²
Kenya’s Exclusive Economic Zone (EEZ)		

Entity Headquarters

Mama Ngina Drive,
Next to Uhuru na Kazi Building
Mombasa, KENYA

Entity Contacts

P.O.Box 1322-80100
Mombasa
Telephone :(254) 020 8009196
E-mail: cda@cda.go.ke
Website: www.cda.go.ke

KEY ENTITY INFORMATION (CONT)

Entity Bankers

National Bank of Kenya
Nkrumah Road Branch
P.O. Box 90363 – 80100
MOMBASA

Kenya Commercial Bank
Treasury Square
P.O. Box 90254 – 80100
MOMBASA

National Bank of Kenya
Portway House Branch
P.O. Box 87770 – 80100
MOMBASA

Kenya Commercial Bank
Kilifi Branch
P.O. Box 528 – 80108
KILIFI

Kenya Commercial Bank
Wundanyi Branch
P.O. Box 1067 – 80304
WUNDANYI

Barclays Bank
Kilifi Branch
KILIFI

Equity Bank
P.O.Box 381-80108
KILIFI

Auditors

Office of the Auditor General
Mombasa Hub
P.O. Box 95202-80104
Mombasa

Principal Legal Adviser

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

DIRECTORS AND STATUTORY INFORMATION

Name	Position	Date	Notice
Hon.Samwel Kazungu Kambi	Chairman	18 th April,2018	No. 311
Mr.Swaleh Kadara	Member	6 th June, 2018	No. 5589
Ms.Beatrice M Gambo	Member	6 th June, 2018	No. 558
Hon.Ibrahim Sane	Member	6 th June, 2018	No. 5589
Mr.George Kithi	Member	6 th June, 2018	No. 558
Mr.Omar Famau	Member	6 th June, 2018	No. 5589
Hon.Julius Ndegwa	Member	6 th June, 2018	No. 558
Ms.Amina Abdalla	Member	6 th June, 2018	No. 5589
Hon.Mshega Ruga	Member	6 th June, 2018	No. 558
Mr.Otta S. Mruttu	Member	2 nd October, 2015	No. 743
Mr.James Nyamweya	Alternate to PS State Department of Regional & Northern Corridor Development		
Ms.Theresa Wasike	Alternate to Ps Ministry of Water & Sanitation		
Mr.Timothy Ogwang	Alternate to PS Ministry of Agriculture & Livestock Development		
Mr.Joseph Kimemia	Alternate to PS The National Treasury		
Mr.John Elungata	Regional Cordinator		
Dr.Mohamed Keinan Hassan, Ph.D, OGW	Managing Director ,Board Secretary		

Board Committees

Name of Committee	Members
Finance and Establishment	<ol style="list-style-type: none"> 1. Mr. Swaleh Kadara -Chairman 2. Mr. George Kithi-Member 3. Hon. Julius Ndegwa –Member 4. Mr. John Elungata – Member 5. Mr. Joseph Kimemia -Member 6. Dr. Mohamed Keinan Hassan - Ex Officio Member
Audit Committee	<ol style="list-style-type: none"> 1. Hon Ibrahim Sane- Chairman 2. Mr. Timothy Ogwang –Member 3. Ms. Beatrice M.Gambo-Member 4. Hon. Mshenga Ruga – Member 5. Mr. Joseph Kimemia -Member
Projects and Planning Committee	<ol style="list-style-type: none"> 1. Ms. Amina Abdalla -Chairperson 2. Mr. Omar Famau -Member 3. Ms. Theresa Wasike-Member 4. Mr. James Nyamweya -Member 5. Dr. Mohamed Keinan Hassan - Ex Officio Member

DIRECTORS PROFILES



Hon. Samwel Kazungu Kambi

Chairman

Date of Birth. 12.2.1962

Appointed on 18th April 2018
Gazette Notice No. 3139

Education

Ph.D in Finance, Maseno University (on-going)
Mba. Finance & Strategic Management option ,University of Eastern Africa Baraton
BA Development Studies, University of Eastern Africa Baraton

Work Experience

Former Cabinet Secretary in the Ministry of Labour, Social Security and Service.
Asst. Minister for Medical Services
Member of Parliament, Kaloleni Constituency
Vice –chair agriculture and energy committee
Trained Public Relations Manager, Policy development, project planning and management, conflict and resolution management as Community mobilization.
Represented the Republic of Kenya in various capacities.
Experienced in project distribution, cultural and environment resource management and youth Empowerment.



Mohamed Keinan Hassan, Ph.D, OGW Managing Director

Education and Professional Qualifications

Doctor of Philosophy (PhD) and Msc. from Jomo Kenyatta University of Agriculture and Technology
Post Graduate Certificate- Enhancing Food Security in Africa, Murdoch University/West Australia
B. in Vet Medicine, University of Nairobi
Accounting Officers Course – KSG
Strategic Leadership development Program- Kenya School of Government, Kabete
Senior Management Course- Kenya School of Government, Kabete.
A trainer of Community Managed Disaster

Work Experience

Managing Director Coast Development Authority since 2016.

Before his current appointment, he worked with the Ministry of Devolution and Planning. Served in the Civil Service for over 30 years in different capacities and Ministries namely: Ministry of Livestock and later in the office of the President Special Programmes in the Arid Lands Resource Management Project (a food security project jointly funded by World Bank and GOK).
Awarded Order of Grand Warrior of Kenya, OGW by the President of Kenya in December, 2011. The award was in recognition of his approach to service delivery i.e. participatory methodology which empowered community to successfully identify, implement and sustain priority projects that address food security and reduce livelihood vulnerability.



Swaleh Kadara
Independent Director
Chairperson Finance and
Establishment Committee

Date of Birth. 23.11.1969

Appointed on 6th June 2018
Gazette Notice No. 5589

Education

BA in Sociology and Arabic
language,

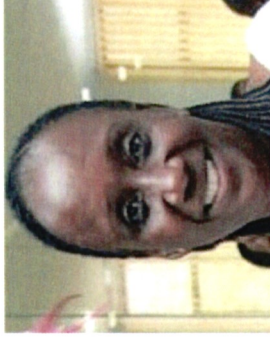
MA from the University of
Nairobi

Ph.D from the University of
Nairobi/University of Cape Town.

Work Experience

Lecturer at Pwani University
in the Department of
Philosophy and Religious
studies.

Director of Political Affairs
for Jubilee Party in the office
of the Secretary General.



Beatrice Mbodze Gambo
Independent Director

Date of Birth. 1.6.1976

Appointed on 6th June 2018
Gazette Notice No. 5589

Education

Bsc. Zoology, Botany and
Chemistry, Punjab University,
India.

French Level 1, Alliance

Francaise, Mombasa

Project Management, Center
for Project Management and

Finance Nairobi

Project Risk Management,

Kampala

Alumni, International Visitors

Leadership Program

Work experience

CEO at Pwani Projects
Development Consultants Ltd
Consultant DANIDA (Danish
International Development
Agency)



Hon Ibrahim Sane
Independent Director
Chairperson Audit
Committee

Date of Birth. 1.1.1974

Appointed on 6th June 2018
Gazette Notice No. 5589

Education

B.A International Relations
and Diplomacy, University of
Atlanta, Georgia USA.

Work Experience

Member of Parliament
(National Assembly) between
2013-2017.

Vast experience of over years
in different fields to draw up
plans and strategies for
community development to
deliver a sense of quality that
sets the stage for long term
success and partnerships in
development.

Experience in project
management, advocacy and
Community Economic
Development.
Initiated Income based projects
for Girl Child in Kilifi County
Developed the Kilifi County
Coconut Bill in 2014
Gender Advisor (Strategy &
Delivery Unit) Office of the
Prime Minister
Senior Agronomist, USAID,
Kenya Horticultural
Development Program
Palm Products Promoter, Palm
International.



George Kithi
Independent Director

Date of Birth .1.1.1976

Appointed on 6th June 2018
Gazette Notice No. 5589

Education
L.L.B from the University of Nairobi, Postgraduate Diploma ,Kenya School of Law LLM (Intellectual property) , University of Nairobi.(Ongoing)

Work experience
Managing Partner at Kithi & Company Advocates.
Advocate of the High Court of Kenya
Advocate Mungatana & Company Advocates, Madzayo Mrima & Company Advocates



Omar Famau

Independent Director

Date of Birth .2.3.1965

Appointed on 6th June 2018
Gazette Notice No. 5589

Education
Post Graduate Diploma in Project Management and Evaluation ,Cambridge University

Work Experience
CEO and Chairman, Tawasal Foundation Trust Fund
Chairman of Lamu County Council from 2004 - 2007.
Wide experience in creating awareness for the Swahili Speaking people of the Kenya Coast and the modes of cultural heritage.



Hon. Julius Ndegwa
Independent Director
Date of Birth .1973

Appointed on 6th June 2018
Gazette Notice No. 5589

Education
Diploma in Cooperative Audit , Cooperative College CPA Part II.
Bachelor of Commerce at Mt. Kenya University.(Ongoing)

Work Experience
Established Businessman
Member of Parliament for Lamu West in 2013
Councilor for Lamu County Council.
Business Development Officer ,Kenya Women Finance Trust



Amina Abdalla
Independent Director
Chairperson Projects and Planning Committee
Date of Birth .1973

Appointed on 6th June 2018
Gazette Notice No. 5589

Education
Diploma ,Beauty Therapy

Work Experience
Founder and Chairperson, Fight Against Drugs Women Organization (FADWO).
Member Coast Regional Peace Committee
Member, Drug demand and supply reduction committee, Mombasa County
Organizing Secretary Jubilee Party, Mombasa County.



Hon. Mshenga Ruga
Independent Director

Date of Birth: 1.1.1970

Appointed on 6th June 2018
Gazette Notice No. 5589

Education

Diploma, County Governance.
Bachelors Degree in
Community Development
Mount Kenya
University.(Ongoing)
Diploma in Plant mechanics,
NYS.

Work Experience

Councilor and Mayor. Kwale
County Council.
Board of Director of Kenya Ferry
services



Otto Sauka Mruttu
Independent Director

Date of Birth: 11.7.1974

Appointed on 2nd October
2015 Gazette Notice No. 7431
Term expired in September
2018

Education:

Royal Institute of British
Architects, South Bank
University, London, UK
B.Arch(Hons) Architecture
Canterbury School of
Architecture, UK
Lenana School, Nairobi

Work Experience

Managing Director, Otto
Mruttu + Partner Architects.
Corporate Member
Architectural Association of
Kenya
Corporate member, Royal
Institute of British Architects.
Member, Taita Taveta County
Land Management Board

Alternate Directors

Mr. James Nyamweya Mageto

Ms. Theresa Wasike

Mr. Timothy Ogwang

Mr. Joseph Kimemia

Mr. John Elungata

SENIOR MANGEMENT



Mohamed Keinan Hassan, Ph.D, OGW Managing Director

Education and Professional Qualifications

Doctor of Philosophy (PhD) and Msc. from Jomo Kenyatta University of Agriculture and Technology
 Post Graduate Certificate- Enhancing Food Security in Africa, Murdoch University/West Australia
 B. in Vet Medicine, University of Nairobi
 Accounting Officers Course – KSG
 Strategic Leadership development Program- Kenya School of Government, Kabete
 Senior Management Course- Kenya School of Government, Kabete. A trainer of Community Managed Disaster

Work Experience

Managing Director Coast Development Authority since 2016.
 Before current appointment, he worked with the Ministry of Devolution and Planning. Served in the Civil Service for over 30 years in different capacities and Ministries namely: Ministry of Livestock and later in the office of the President Special Programmes in the Arid Lands Resource Management Project (a food security project jointly funded by World Bank and GOK).
 Awarded Order of Grand Warrior of Kenya, OGW by the President of Kenya in December, 2011. The award was in recognition of his approach to service delivery i.e. participatory methodology which empowered community to successfully identify, implement and sustain priority projects that address food security and reduce livelihood vulnerability.



Mr. Ahmed Bashir Abdi Manager, Human Resources

Education:
 MBA, Governance and Ethics, Mount Kenya University
 Bachelor's Degree (Hons) Public Administration, Kampala University
 Diploma in Human Resources Management, University of Nairobi
 Certificate in Guidance and Counselling, University of Nairobi
 Higher National Diploma, Human Resources Management, NEP Technical Training Institute
 Member of Institute of Human Resource Management –HIRPC



Ms. Pamela Maghema Ngure Manager, Finance and Accounts

Education
 B.Com (Accounting) University of Nairobi
 MBA Public Policy and Administration (.on-going)
 Member Association of Chartered Certified Accountants
 IPSAS Reporting -Public Sector Accounting, Deloitte & Touché /National Treasury, Kenya School of Government, Nairobi Kenya
 Corruption Prevention and Good Adaptation, Transparency International Kenya
 ISO 19011: IFS System Certified Trainer , APM Terminals, Mombasa
 Kenya Tax Risk Management, KPMG, SAP R/3 Systems
 Certified Trainer, A.P. Moller – Maersk, Cape Town South Africa



Ms. Mwanasiti Mohamed Bendera
Manager Research & Planning
Education
Ph.D Chemistry (Ecology) on going
M.Sc Chemistry –Natural Products
B.Sc General Chemistry
Environmental Impact Assessment and Audit
Training, Technical University of Mombasa
Public Procurement Regulations and Procedures, KMFRI, Mombasa
Environmental and Social Management Framework
Public Complaints Committee, Mombasa
Implementation of ISO 9001:2000



Mr. J. Wainaina Mburu
Manager Civil Engineering
Education
M.Sc Hydraulic Engineering, International Institute for Infrastructural, Hydraulic and Environmental Engineering, Netherlands
B.Sc Civil Engineering, University of Nairobi
International Seminar on Integrated Coastal Management, Xieman, China
Advanced International Training Programme on Management and Good Governance Phase 2, Dar Es Salaam, Tanzania
Advanced International Training Programme on Management and Good Governance Phase 1, Malmo, Sweden
International Training Workshop on Coastal Zone



Mr. William Fondo
Manager Mechanical Services
Education
B.Sc Control and Instrumentation, Jomo Kenyatta University of Agriculture and Technology
Diploma in Agriculture
Engineering-Farm Power Machinery, Egerton University
Higher Diploma Mechanical Engineering, Mombasa Polytechnic



Ms Angelina V. Mwashumbe
Manager Public Relations
Education
M.A Politics of Alternative Development Studies, Institute of Social Studies, Netherlands
B.A Arabic Language & Literature & Post Graduate Diploma in Mass Communication, School of Journalism, University of Nairobi
Public Relations Course, Daystar University
Project Management Certificate, Crown Agents International Training Center, UK
Public Relations Course, Public Relations Society of Kenya
Intercultural Communication Course, Goteburg University, Sweden
Multimedia Journalism, Apri k Centre de Formation et de Perfectionnement de Journaliste, Paris, France



Ms. Violet Indiazzi
Manager Procurement and Supplies
Education
M.A Human Resources Management, Jomo Kenyatta University of Agriculture and Technology
B.A Purchasing and Supplies Management, Jomo Kenyatta University of Agriculture and Technology
Diploma in Supplies Management, Railway Institute Member Kenya Institute of Supplies Management

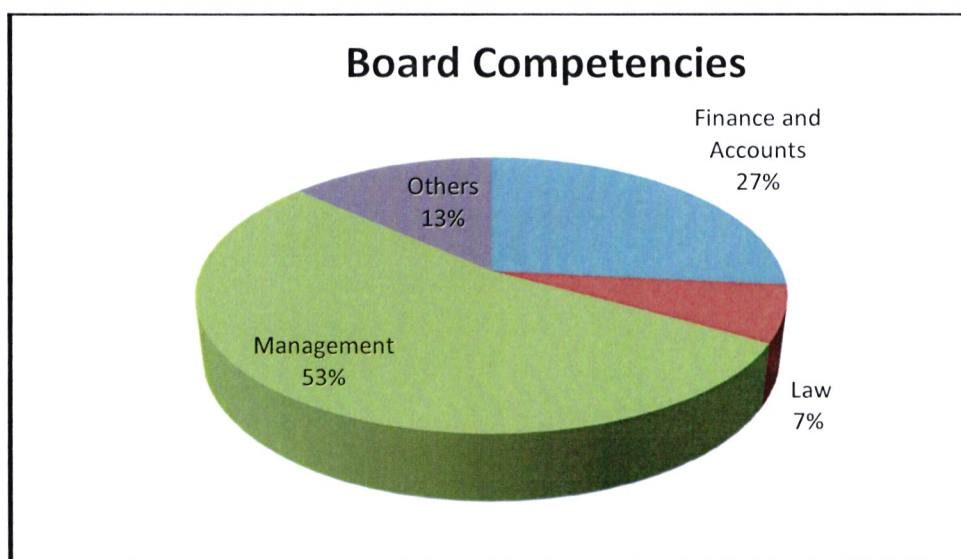


Ms. Susan Mulewa
Manager Business Development & Investment Promotion
Education
M.SC International Business Management, University of Bedfordshire, UK
B.A Economics and Business Studies, Kenyatta University
Diploma in Business Management, Kenya Institute of Management
Monitoring an Evaluation Certification, Kenya Institute of Management
French Beginners Level, Alliance Francaise de Mombasa

CORPORATE GOVERNANCE STATEMENT

The Authority's Board comprises the Chairman and nine (9) independent, non-executive members. The Board also includes the Principal Secretaries to The National Treasury, East Africa Community and Regional Development, Ministry of Agriculture and Livestock Development, Ministry of Water and Sanitation and Regional County Commissioner. The Managing Director is an ex-officio member and Secretary to the Board. The Board brings together members with vast experience from different professional backgrounds with diverse skills.

Figure 1: Board Competencies



The Board is responsible and accountable to the Government through the National Treasury and Planning and adheres to the highest standards of corporate governance and ethics as well as ensuring compliance with all applicable laws. It is committed to ensuring that the Authority's obligations, roles and responsibilities to its various stakeholders are fulfilled through its corporate governance practices. The Members and Management perform their duties with impartiality, honesty, transparency and accountability, professionalism, integrity, care and due diligence and act in good faith to the best interests of the public. Further, the Board is committed to ensuring that ethics and integrity remain at the core of the Authority's operations. It recognizes that ethical management is key to the Authority's sustainability and is therefore, continuously putting in place practices, systems and processes to integrate ethics in all its operations. All new Members and staff equally undergo mandatory induction training that includes ethical conduct and are required to sign the Code of Ethics and to adhere to its principles and provisions.

Role of the Chairman of the Board

The Chairman provides leadership and governance of the Board and creates conditions for overall Board and individual Director's effectiveness by ensuring that all key and appropriate issues are discussed by the Board in a timely manner. He ensures that the Board plays a full and constructive part in the development and determination of the Authority's strategies and policies. He also ensures that the Board is supplied with timely and sufficient information to enable it to discharge its duties effectively. In furtherance of the above, the Chairman ensures adherence to good corporate governance practices and procedures, and continuously promotes the highest standards of integrity, probity and corporate governance throughout the Authority and particularly at Board level.

Role of the Board

The Board is responsible for overall strategic direction and operational guidance of the Authority. In this regard, the responsibilities of the Board include:

Establishing short and long-term goals of the Authority and develop strategies to achieve these goals;

Monitoring the Authority's performance against these set goals;

Overseeing the preparation of annual financial statements and reports;

Approving annual budgets;

Ensuring that the Authority has adequate systems of internal controls together with appropriate monitoring of compliance activities to ensure business continuity.

The Board's key achievements during the FY 2018/19 were:-

- Developed and launched the 2018/19-2022/23 Strategic Plan;
- Approved and continually monitored the implementation of the Authority's Annual operating Plans and Budget;
- Implemented the Authority's Performance Contract with The National Treasury and Planning;
- Filled the vacancies for Managers;
- Reviewed and approved the Authority's Human Resource Instruments, revised organizational structure

Board Membership and Attendance

The Board meets at least once every quarter depending on the exigencies of the business.

The Board has established three (3) standing committees to assist in the execution of its responsibilities:

Finance and Establishment, Projects and Planning and Audit.

a) Finance and Establishment Committee

The Finance and Establishment comprises of 6 members namely; Mr.Swaleh Kadara, Mr.George Kithi, Hon. Julius Ndegwa, Mr. John Elungata and Dr Mohamed Keinan. It is chaired by Mr.Swaleh Kadara. The committee is responsible for reviewing budgeting process and oversight of financial reporting.

This Committee is mandated to review Human Resource policies and succession planning aspects of the Authority, review of Human Resources compliance with national legislation, organize the structuring and performance evaluation of Senior Staff, oversee and advise the Board on recruitment and promotion of staff. The committee met eight times during the year. The Managing Director, Dr Mohamed Keinan sits on the committee as an ex-officio member.

b) Projects and Planning Committee

The Projects and planning committee comprises of 5 members namely: Mr.Omar Famau,Ms Theresa Wasike,Mr. James Nyamweya, Ms. Amina Abdalla and Dr. Mohamed Keinan. It is chaired by Ms. Amina Abdalla. The mandate of the committee is to guide on strategic planning and related technical aspects of the operational performance of the Authority. This involves review of the Strategic Plan, Annual Development Budget, monitoring of projects under implementation and operation strategies. The committee met four times during the year. The Managing Director, Dr Mohamed Keinan sits on the committee as an ex-officio member.

c) **Audit Committee**

The Audit committee is comprised of 5 members namely Hon.Ibrahim Sane, Ms.Beatrice Mbodze Gambo, Mr. Mshenga Ruga and Mr. Joseph Kimemia and Mr. Timothy Ogwang. It is chaired by Hon Ibrahim Sane.

This Committee is mandated to periodically review the Authority's financial statements in liaison with the External Auditors, review the financial statutory and non-statutory reporting obligations, advice on risk identification and mitigation measures and check on effectiveness and robustness of internal control measures. The Authority's internal auditor attends all meetings of the committee.

Capacity Building for the Board

Training and development programs were organized to equip the Board with the necessary skills for effective discharge of their mandate. During the year, members also attended various capacity building programs focusing on Corporate Governance, Internal Audit, Leadership and Public Finance.

Board Evaluation

Board evaluation is key in assessing the performance, efficiency and effectiveness of an organization. The Authority undertakes regular annual performance evaluation of its Board to enable it review its strategies to ensure continuous growth and sustainability. The evaluation exercise was not done as the Board was newly appointed.

Board Remuneration

Members are entitled to a sitting allowance for every meeting attended, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable. This is done within the limits set by the Government for State Corporations. In addition, the Chairman is paid a monthly honorarium and airtime.

Code of Conduct

The Authority has continued to observe and implement the provisions of the Code of Conduct .The Code binds both the Board Members and staff who commit to its requirements upon joining the Authority.

The Board held sixteen (16) meetings and one induction. The number of meetings held for the Board and Committees are as shown in the table below:

Board Member	Gender	Classification	Designation	Research & Planning Committee (Total no of meetings held 4)	Finance & Establishment Committee (Total no of meetings held 8)	Audit Committee (Total no of meetings held 4)	Full Board Meeting (Total no of meetings held 6)
Hon. Samwel Kazungu Kambi	M	Independent Member	Board Chairman	n/a	n/a	n/a	6
Swaleh Kadara	M	Independent Member	Chairperson Finance & Establishment Committee	n/a	7	n/a	5
Ibrahim Sane	M	Independent Member	Chairperson Audit Committee	n/a	n/a	4	6
Amina Abdalla	F	Independent Member	Chairperson Projects and Planning Committee	4	n/a	n/a	6
Ms. Beatrice Mbodze Gambo	F	Independent Member	Member	n/a	n/a	4	6
George Kithi	M	Independent Member	Member	n/a	8	n/a	6
Omar Famau	M	Independent Member	Member	4	n/a	n/a	6
Hon. Julius Ndegwa	M	Independent Member	Member	n/a	8	n/a	6
Hon. Mshenga Ruga	M	Independent Member	Member	n/a	n/a	4	6
Otto Sauka Mruttu*	M	Independent Member	Member	n/a	1	n/a	6

Board Member	Gender	Classification	Designation	Research & Planning Committee	Finance & Establishment Committee	Audit Committee	Full Board Meeting
				(Total no of meetings held 4)	(Total no of meetings held 8)	(Total no of meetings held 4)	(Total no of meetings held 6)
James Nyamweya Mageto	M	Representing the PS East Africa Community and Regional Development	Member	4	n/a	n/a	6
Theresa Wasike	F	Representing the PS—Ministry of Water and Sanitation	Member	4	n/a	n/a	6
Timothy Ogwang	M	Representing the PS - Ministry of Agriculture and Livestock Development.	Member	n/a	n/a	4	6
Joseph Kimemia	M	Representing PS The National Treasury	Member	n/a	n/a	1	6
John Elungata	M	Representing the Regional County Commissioner	Member		4	n/a	6
Mohamed Keinan Hassan, Ph.D, OGW	M	Ex Officio Member	Secretary to the Board	4	4	n/a	6

Internal Audit and Assurance

As the third line of defence, the Authority's Internal Audit function's main objective is to provide assurance of the Authority's risk management, internal controls and governance processes. Its aim is to deepen good governance practices and support the achievement of effective internal controls through monitoring and follow up. The Authority's system of internal controls has been defined by approved policies and procedures which contain operational and financial controls that ensure that assets are safeguarded, transactions authorized and accurately recorded. Further, they ensure that material errors and irregularities are either prevented or detected within a reasonable time. The objectivity and independence of the Internal Audit function was enhanced through governance support from the Board Audit Committee. Quarterly audit reviews were carried out during the financial year to appraise the compliance levels to the approved policies and relevant legislations as well as adequacy, design and operational effectiveness of internal controls. The Office of the Auditor General provided external assurance through a system and financial audit on the various expenditure cycles and business processes of the Authority

Corruption Prevention

The Authority has a zero tolerance policy towards corruption. It undertook various sensitization and training initiatives to educate staff members on the phenomenon of corruption, obligations of State and Public Officers under the Leadership and Integrity Act, 2012 and the Bribery Act, 2016, as well as enlightening members on ways of fostering good governance in the Authority. This promotes a culture of integrity, ethical conduct and professionalism in the organization. Corruption Risk Assessments were carried out in all functional areas to ensure robust mitigation plans were in place and obtain an update of the implementation status. It also ensured that corruption risks were adequately updated. There were zero cases of corruption reported during the financial year.

Risk Management

Risk management is a strategic function of the Authority's business and is applied in the day to day operations across all departments. This ensures that all risks are managed optimally and comply with the approved policies and tenets of good corporate governance. In the year under review, the Authority continued to implement the various mitigation strategies to ensure that the risk levels are minimized. The Authority's Risk Policy, Procedures and Registers were reviewed and aligned to the current strategic themes and objectives. The Board, Management and Staff were also trained on risk management practices. Risk Champions were appointed and a Risk Management Committee established to spearhead the risk implementation process. The Authority's risk framework was updated and the mitigation strategies are continually being implemented.

MANAGEMENT DISCUSSION AND ANALYSIS

Operational Performance

During the financial year 2018-2019 the approved projects for implementation under the Gok funding were Integrated Fruit Processing Plant automation, Boji Farmers Irrigation Scheme Rehabilitation, and Wananchi Cottages and Conference Facility up grading with an approved budget of Kshs.124.012 million, Kshs.128.750 and Kshs.13 million respectively.

The objectives of each of these projects are:

Project	Objective
Integrated Fruit Processing Plant automation in Hola	To improve on the living standards of small scale farmers through provision of ready market for fruit growing farmers for employment creation, increased income from good prices from their produce. The project will contribute towards Economic, Macro and social pillars of Vision 2030 likewise manufacturing, industrialization of Kenya Big 4 agenda. Further, operationalization of the plant will enhance CDA financial base
Boji Farmers Irrigation Scheme Rehabilitation	This is an integrated project involving irrigation production & environmental conservation envisaged to contribute to food security, employment creation, increased income earnings among 250 households. The project is designed to support transfer of technology of modern farming methods for improved and efficiency in food production and ensure concerns of required standard of high value crops production fetch market in wider markets.
Wananchi Cottages and Conference Facility	To provide modern and state of art conference facility that will support capacity building, conferences and seminars geared towards enhancing manufacturing and agro-processing besides enhancing CDA financial base. The project will contribute towards Economic & Macro and Socio pillars of vision 2030. In turn, the project will support manufacturing, industrialization and agro-processing of the Kenya Big 4 agenda.

Project Implementation Status

Project	PC Target	Achievement (30 06 2019)
Integrated Fruit Processing Plant	100%	90%
Boji Farmers Irrigation Scheme	100%	90%
Mwache Dam Multipurpose Development Project	100%	114.3%
Upgraded Wananchi Cottages and Conference Facility	100%	95%
Kenya Climate Change Adaptation Program (KCCAP)	100%	0%



Boji farmers' irrigation project division chambers rehabilitation & furrows development ongoing



Installation of the new automated fruit processing plant at Hola



Human Resource and Administration

Towards enhancing capacity and managing succession, the Authority reviewed human policy instruments.

The following policy instruments were presented for adoption by the board

- i) Human Resource Policy and Procedure Manual
- ii) Career Guidelines Manual
- iii) Organizational Structure and Functions
- iv) Staff Establishment

The multi-sectional task force comprised of Coast Development Authority Management and Ministry of East African Cooperation and Regional Development proposed a additional positions in the Organization Structure. The corrections will be forwarded to SCAC for incorporation once completed

Salaries and Remuneration Commission (SRC) Grading

The management met with the Salaries and Remuneration Commission on 11th June 2019 to discuss the appeal submitted by the Authority following the job evaluation exercise conducted in 2017. SRC had graded the institution as E1 while other RDA's were graded as E2. The proposed grading of the Authority was reviewed to E2. The revised grading result will be presented before it is officially communicated to CDA. The grading to E2 enables the institution to attract good talent. A salary structure will be developed and presented to the next Board

Staff Training

In order to enhance staff skills, knowledge and abilities the Authority sponsored staff members to attend various trainings, workshops and conferences. These included both individual and group trainings aimed at enhancing technical and behavioural competencies. The Authority also sponsored leadership trainings and Continuous Professional Development geared towards succession planning and management, career and professional development. In line with the mandate of the Authority, staff were exposed to various workshops and conferences with the aim of learning best practices in various fields.

Vacant Position of Senior Procurement

Following the demise of Mr. Peter Wale Silas, who was the Senior Procurement Officer, the department requires additional staff Snr. Procurement Officer (CDA 5) for effectiveness of the department's magnitude of duties.

Staff Welfare

In its effort to enhance employees' welfare, the Authority promotes employee well-being at the workplace by providing services and benefits that not only motivate them but also enhance their productivity. These include the provision of a staff medical scheme, Group Personal Accident -24 hours and Group life –sum assured. Additionally, it operates a Defined Contribution Retirement Benefits Scheme for its employees on Permanent and Pensionable terms of employment, the assets of which are held, managed and administered in a separate trustee scheme. It also pays service gratuity for employees on contract under their terms of employment.

In compliance with statutory requirements and enhancing employee welfare, the Authority maintained operations of the various statutory committees including Occupational, Health and Safety, Alcohol and Drug abuse, HIV and Aids, Disability Mainstreaming, Gender mainstreaming and Environmental sustainability.

Financial Management

The Authority continues to prudently apply its resources towards the achievement of its strategic objectives and approved annual work plans. To this end and within the confines of the Public Finance Management Act of 2012 and regulations of 2015, the Authority mobilizes resources mainly from the Exchequer, Development Partners and approved internal sources.

During this period, Exchequer funding increased to Ksh 509,192,460 while internally generated revenue (A-I-A) amounted KES 17,208,184.

The Authority will continue to ensure proper use of its financial resources by prioritizing its activities and strengthening its internal controls while at the same time ensuring transparency and accountability in its processes. Engagements with both The National Treasury and Planning and Development Partners will be sustained to ensure adequate funding for planned activities. This will be supplemented by internally generated revenues. It is important to note that expenditure in the Authority is duly guided by internally approved Finance Policies, Government Circulars and other relevant laws. Details of the Authority's financial transactions are provided in the Financial Statements as presented in the subsequent pages of this report.

stipulated deadlines

Statutory Compliance

The Authority has submitted filed all statutory returns and made all the payments within the stipulated deadlines and hence has no arrears pending.

Procurement Function

The Procurement function is mandated to manage the procurement and asset disposal processes as per the Public Procurement & Asset Disposal Act, 2015 (PPAD). During the FY 2018/19, the Authority complied with the PPAD Act, 2015 on preference and reservations group.

In compliance with the PPAD Act, 2015, sensitization workshops were held. This was geared towards creating awareness to the preference and reservations groups on procurement requirements and documentation for prequalification, access to 30% allocation, E-procurement and overview of the Procurement law. This contributed to reduced turnaround time for all purchases. The procurement processes have been automated in compliance with the Presidential Directive that all public entities automate their procurement modules by January, 2019. This is expected to enhance effectiveness, transparency and sustainability of the procurement processes.

Quality Management System

The Authority attained ISO 9001:2015 certification. The Quality Management System (QMS) has been maintained through regular Internal Audits and Surveillance Audits. Through the implementation of the QMS requirements, the Authority has achieved enhanced efficiency and effectiveness in its operations and at the same time meeting and exceeding customer expectations.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The Authority recognises that corporate social responsibility is a key component in an organization to enhance good relations with its external stakeholders. The Authority has identified establishment of eco-clubs as an ideal strategy to help create future leaders that can spearhead change in the society.

Statistics show that, Coast region school drop outs caused by early pregnancies, drug abuse and lack of proper guidance are on the rise in the Coast region, hence need for mentorship to boost their confidence, self-esteem and shape their career paths. To help improve students' performance and build confidence in their social and academic status, The Authority identified establishment of eco-clubs in schools as its Corporate Social Responsibility initiative for the FY 2018/19.

Eco clubs in schools empowered students to participate and take up meaningful environmental activities and projects. It is a forum through which students can reach out to influence, engage their parents and the community surrounding them, to promote sound environmental behaviour. The club empowered students to explore environmental concepts and actions beyond the confines of a syllabus or curriculum.

The main objective of the CSR was to capacity-build students and promote ambassadors of environmental conservation in Kwale County.

The specific objective being creating awareness among students on negative effects of environment degradation and impart practical and sustainable skills on environment conservation.

In 2018/19, the Authority established eco-clubs in schools within Mwache Catchment to empower students to participate in environment activities and promote ambassadors of sustainable environmental conservation.

The activities carried out during the year are

i) Mapping and roll-out of eco-clubs

The Authority visited schools in Mwache Catchment and identified 3 (Mwache Primary School, Gona Primary and Chikomani Primary School) schools to pilot establishment of the eco-clubs. Key checklist to help in selection was accessibility/ sustainable water source and presence of an established system that manages existing clubs in the schools. Some Due to financial constraints CDA could only establish an eco-club in Mwache Primary School. The club has 40 members and draws most of its membership from standard six pupils. They meet once per week after the evening classes. The club's activities include

- Collection of tree seeds
- Establishment of tree nurseries
- Plant and grow trees

The Eco-clubs aims at ensuring formation and strengthening of environmental clubs in primary schools and building its capacity and outreach.

The remaining Eco clubs at Gona Primary and Chikomani Primary School will be considered for establishment in the next financial year

ii) Establishment of tree nurseries

CDA together with club patron members identified an appropriate site for establishment of the nursery at the school compound. The site chosen was secure and gently sloping. CDA procured all the nursery equipment. The equipment include jembes, Pangas, slashers, rakes, wheelbarrows and seeds. The activity was a participatory process that involved both the pupils, teachers and CDA staff. It involved a theoretical teaching and later a practical establishment of the nursery. During the actual establishment on the second day, seeds of Arborea and Mrabai were sown in the seedbed. Seeds of mbambakofi were sown directly in the potting bags because of their big size. The pupils were then left to tender the nursery until germination where they were expected to prick the germinating seedlings to the potting bags. After a period of weeks, a follow-up to the nursery was initiated. Officers visited the school to check on the progress of the nursery and confirmed seedlings were ready for transplanting..

iii) Tree Planting

Preparation for tree planting started on 15th April 2019 where 1000 holes were pitted at the school compound. The short rains failed and the long rains delayed until May. At the onset of rains, 1000 seedlings of Arborea, Mrabai and Mbambakofi were transplanted to the school compound which started on the onset on long rains in May 2019.

iv) Mentoring boys and girls (20%)

The Authority created environmental awareness amongst the students on the important role eco-clubs play in enabling the students to be sensitive towards environmental concern to tackle environmental problems.

Staff from CDA highlighted different forms of peer pressure which includes good and bad peer pressure, benefits of good peer pressure and how to respond to bad peer pressure.

Selected staff members from CDA motivated students for success and shared tips on requirements needed to help them prosper in their primary level education.

v. Drawing competitions for Eco Club members

CDA also engaged students in drawing competition which saw the club members divided into four groups where each group was tasked to make a drawing that illustrated a well conserved environment. Different groups illustrated an ecosystem that is well conserved with indigenous and fruit trees, well built homes with roads and good source of water. Others showed well-built roads, good farming practices that are not destructive to the catchment.

vi. Innovation

Members of the club researched and identified the biggest hazard in their surrounding is sustainably growing trees to maturity. They identified use of drip irrigation by use of plastic water bottles to reduce water loss during the harsh conditions.

CDA prides itself in implementing Sustainable development which meets the needs of the present without compromising the ability of future generations to meet their own needs. CSR does not only take into account the impact of CDA operations on the communities concerned, but it also stresses the need for ethical behaviour which respects environmental conservation.

The adoption of the use of school based eco-clubs as a means of improving land and water catchment for sustainable water resource management is effective tool of conserving the environment as it involves school going children who are willing to learn and can easily replicate the restoration process at their homes.

Challenges

This can only be accomplished with adequate funding. Climate change has made it difficult to plan the activity ahead of time i.e. the rainy season is no longer predictable.



REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Authority affairs.

Principal activities

The principal activities of the entity continue to be

- Mwache Multipurpose Dam Development Project
- Lake Challa Water Resources Project
- Integrated Water and Coastal Management Project (Adaptation to climate change)
- Integrated Community Water Supply (Water pans, dams and boreholes)
- Integrated Fruit Processing Plant Project
- Integrated Community Development Projects (Mineral Exploration and Promotion).
- Dry Port
- Integrated Livestock improvement
- Boji Irrigation Scheme
- Wananchi Cottages

Results

The results of the entity for the year ended June 30, 2019 are set out on page 36.

Directors

The members of the Board of Directors who served during the year are shown on page 11-16. During the year 2018-2019 the term for Director Otto Mruttu expired but he was not replaced.

Dividends/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. The entity is not a regulatory entity and did not make any surplus during the year (FY 2019 Nil) and hence no remittance made to the Consolidated Fund.

Auditors

The Auditor General is responsible for the statutory audit of the entity in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

On behalf of the Board



.....
Chairman of the Board

Date: 16/1/2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 15 (2) of the State Corporations Act, 2012 require the Directors to prepare financial statements in respect of that Authority which give a true and fair view of the state of affairs of the Authority at the end of the financial year and the operating results of the Authority for that year. 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, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) 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; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) 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 and State Corporations 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, 2019, and of the Authority's financial position as at that date. The Directors further confirm 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.

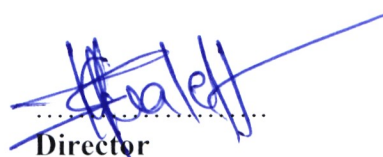
Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Authority's financial statements were approved by the Board on 16/1/2020 2019 and signed on its behalf by:



Chairman



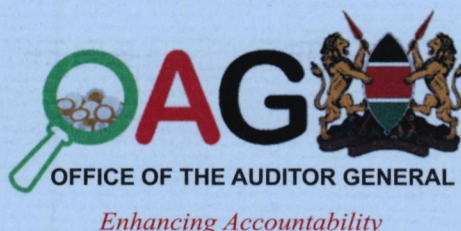
Director



Director

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON COAST DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Coast Development Authority set out on pages 36 to 81, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I 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 effects of the matter 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 Coast Development Authority as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Coast Development Authority Act, 1991 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Unsupported Prior Year Adjustments

The statement of changes in net assets reflects transfers from accumulated deficit of Kshs.3,398,392 as at 30 June, 2019. This comprised the opening balance adjustments of Kshs.24,597 and net adjustments of Kshs.3,373,795 relating to prior adjustments. The adjustments were made in the current financial year instead of the financial year 2017/2018. This was contrary to Paragraph 47 of the International Public Sector Accounting Standard (IPSAS) 3 on Accounting Policies, Changes in Accounting Estimates and Errors which provides that the correction of error which occurred in previous periods is presented by restating the comparative amounts for the prior period in which the error occurred. Further, the journal vouchers effecting the changes were not availed for audit review.

Consequently, the accuracy and presentation of the net prior year adjustment of Kshs.3,373,795 for the year ended 30 June, 2019 was not in accordance with the

International Public Sector Accounting Standard (IPSAS) 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

2.0 Inaccuracies in Cash and Cash Equivalents

The statement of financial position and as disclosed under Note 20 to the financial statements reflects cash and cash equivalents balance of Kshs.269,188,879 as at 30 June, 2019. However, included in the bank balance is Barclays Coral Block B Account balance of Kshs.424,815 whose supporting schedule reflects Kshs.420,054 resulting to unreconciled and unexplained variance of Kshs.4,761. Further, the cash and cash equivalents reflect the National Bank of Kenya – Malindi Integrated Project account balance of Kshs.94,478. However, the supporting bank confirmation certificate reflects an amount of Kshs.93,817.65 resulting to unreconciled and unexplained variance of Kshs.660.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.269,188,879 as at 30 June, 2019 could not be confirmed.

3.0 Service Deposit

As previously reported, included in the receivables from exchange transactions balance of Kshs.21,989,891 and as detailed in Note 21 to the financial statements for the year ended 30 June, 2019 are service deposits of Kshs.13,574,322 which include a balance of Kshs.221,250, being advance payment for purchase of computers in the year 2009/2010. Review of the status during the audit indicated that the computers were not received during the year under review. Available information indicates that the supplier has since closed down business.

In the circumstance, recoverability of the advance payment of Kshs.221,250 or receipt of the computers is uncertain.

4.0 Receivables from Non-Exchange Transactions

4.1 Outstanding Imprests

As previously reported, the statement of financial position and as disclosed under Note 22 to the financial statements reflects receivables from non-exchange transactions balance of Kshs.91,234,224 as at 30 June, 2019. Included in this balance is Kshs.22,363,797 in respect of outstanding imprests due from employees. However, imprests of Kshs.15,257,624 due from former employees have been outstanding for more than two years and the recoverability is doubtful. Management has not demonstrated measures put in place to recover the amount. This is contrary to Regulation 92(5-6) of the Public Finance Management (National Government) Regulations, 2015 which provides that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station failure to which the imprest shall be converted into a loan recoverable with an interest at the prevailing Central Bank Rate.

Consequently, the recoverability of outstanding imprests of Kshs.15,257,624 for the year ended 30 June, 2019 could not be ascertained.

4.2 Other Debts

As previously reported, the statement of financial position and as disclosed under Note 22 to the financial statements reflects receivables from non-exchange transactions balance of Kshs.91,234,224 as at 30 June, 2019. Included in this amount is Kshs.123,734 advanced to other Regional Development Authorities (RDA's) which has been outstanding for more than seven (7) years. Management did not provide documents and explanations on how the lending to the other Regional Development Authorities (RDA's) was done including repayments to date.

In the circumstance, the accuracy and validity of the receivables from non-exchange transactions balance of Kshs.91,234,224 as at 30 June, 2019 could not be confirmed.

5.0 Unaccounted for Parcels of Land

As reported previously, the statement of financial position reflects property, plant and equipment balance of Kshs.506,127,553 as at 30 June, 2019 (2017/2018 – Kshs.410,255,529). The balance excluded nine (9) parcels of land located in Kwale, Kilifi, Taita Taveta and Tana River Counties which had not been valued. The Authority possessed allotment letters for the parcels of land and was at the final stages of obtaining ownership documents.

Consequently, the accuracy and completeness of the carrying values of the property, plant and equipment totaling to Kshs.506,127,553 as at 30 June, 2019 could not be confirmed.

6.0 Land Balance Payable

As previously reported, the statement of financial position as at 30 June, 2019 reflects trade and other payables from exchange transactions balance of Kshs.33,468,217. Excluded from this balance is an amount of Kshs.5,199,500 in respect to balance on the purchase price for the land. Records provided for audit revealed that the purchase price for the piece of land was Kshs.9,800,000 as per the sale agreements. The Authority paid Kshs.4,600,500 leaving an outstanding balance of Kshs.5,199,500 as at 04 August, 2014. However, as per land report tabled at the 76th Full Board meeting held on 19 September, 2018, it was reported that the total purchase price of Kshs.9,800,000 had been paid but the land was unscrupulously sold by a squatter to a private investor. The case is before the Court awaiting determination.

Consequently, the accuracy, completeness and ownership of the land as at 30 June, 2019 could not be confirmed.

7.0 Community Projects and Work in Progress

The statement of financial position and as disclosed under Note 24 to the financial statements reflects Community Projects and Work-In-Progress balance of Kshs.267,451,804. Included in this balance is an amount of Kshs.28,741,725 for which Management did not provide the supporting schedule for audit review.

In addition, included in this balance is an amount of Kshs.10,837,173 in respect of livestock development. However, the supporting schedule availed for audit review reflects an amount of Kshs.10,938,373 resulting to unreconciled and unexplained variance of Kshs.101,200.

Consequently, the accuracy and completeness of Community Projects and Work-In-Progress balance of Kshs.267,451,804 as at 30 June, 2019 could not be confirmed.

8.0 Unaccounted for Biological Assets

The statement of financial position and as disclosed under Note 25 to the financial statements reflects biological assets valued at Kshs.1,415,000 as at 30 June, 2019 (2017/2018 - Kshs.1,415,000). However, records provided for audit review indicated that during the year under review, there were twenty-two (22) new calves of undetermined value which had not been included in the biological assets register.

In the circumstances, the accuracy and completeness of biological assets balance of Kshs.1,415,000 as at 30 June, 2019 could not be confirmed.

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

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.337,364,860 and Kshs.299,889,818 respectively resulting to an under-funding of Kshs.37,475,042 of the budget. Further, the Authority incurred expenditure of Kshs.291,886,213 resulting to an under expenditure of Kshs.8,003,605 realised receipts.

The under expenditure affected the planned activities and could have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matter 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 money has not been applied lawfully and in an effective way.

Basis for Conclusion

Unremitted VAT

As previously reported, Note 28 to the financial statements for the year ended 30 June, 2019 reflects trade and other payables from non-exchange transactions balance of Kshs.11,540,340. Included in this balance is Kshs.2,761,708 in respect to VAT which as at the time of audit had not been remitted to the Commissioner of VAT. Late remittance attracts a penalty of twenty-five percent of the tax due or ten thousand shillings whichever is higher.

Consequently, the Management was in breach of Section 83(1) of the Tax Procedures Act, 2015 which provides that a person who submits a tax return after the due date is liable to a penalty of twenty-five percent of the tax due or ten thousand shillings whichever is higher.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the procedures performed, except for the matter described in the Basis for Qualified Opinion section of my report, 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 ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were

operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board

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

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue to sustain its 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 dissolve 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.

Those charged with governance are responsible for overseeing Authority's financial reporting process, reviewing the effectiveness of how the 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 financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

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

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


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

12 October, 2021

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019**

INCOME		2018/19	2017/18
	Note	Kshs	Kshs
Revenue From Non-Exchange Transactions			
Public Contributions And Donations	5	38,238,278	46,022,663
Transfers From Other Governments – Gifts And Services-In-Kind	6	244,442,460	249,262,604
		282,680,738	295,285,267
Revenue From Exchange Transactions			
Finance Income - External Investments	8	-	-
Other Income(Sale of Goods)	7	17,209,080	12,683,521
Total Other Income		17,209,080	12,683,521
Total Revenue		299,889,818	307,968,788
Expenses			
Employee Costs	10	158,257,671	158,376,854
Depreciation and Amortization expense	12	12,642,114	16,912,181
Board Expenses	11	15,421,311	7,134,558
Use of Goods and Services	9	25,939,210	18,714,220
Repairs and Maintenance	13	8,576,033	3,394,236
Contracted Services	14	-	-
Grants and Subsidies	15	43,028,477	78,534,793
General Expenses	16	26,709,396	16,452,910
Audit Fee	18	1,312,000	776,342
Finance Costs	17	-	-
Total Expenses		291,886,213	300,296,094
Other gains/(losses)			
Surplus before tax		8,003,606	7,672,694
Taxation		-	-
Surplus for the period		8,003,606	7,672,694
Attributable to:			
Surplus/(deficit) attributable to minority interest		-	-
Surplus attributable to owners of the controlling entity		8,003,606	7,672,694

The notes set out on pages 41 to 69 form an integral part of these Financial Statements

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2018/2019	2017/2018
ASSETS		Kshs	Kshs
Current Assets			
Cash and Cash Equivalents	19/20	269,188,879	198,627,744
Receivables From Exchange Transactions	21	21,989,891	23,168,974
Receivables From Non-Exchange Transactions	22	91,234,224	51,965,210
Current Portion Of Long-Term Receivables From Exchange Transactions		-	-
Community Projects/Work In Progress	24	267,451,804	417,260,740
Inventories	23	697,106	933,394
Investments			
		650,561,904	691,956,062
Non Current Assets			
Property, plant and equipment	26	506,127,553	410,255,529
Biological Assets	25	1,415,000	1,415,000
Investments		-	-
Long term receivables from exchange transactions		-	-
		507,542,553	411,670,529
TOTAL ASSETS		1,158,104,457	1,103,626,591
Liabilities			
Trade and other payables from exchange transactions	27	33,468,217	25,874,990
Trade and other payables from Non exchange transactions	28	11,540,340	11,658,412
Refundable deposits from customers			
Finance lease obligation			
Current portion of borrowings			
Deferred income	31	13,455,783	47,227,061
Employee benefit obligation	29	15,326,205	39,999,850
Payments received in advance			
Taxation			
		73,790,545	124,760,313
Non Current Liabilities			
Non-current employee benefit obligation	30	5,874,378	7,169,807
		5,874,378	7,169,807
Total Liabilities		79,664,923	131,930,119
Net Assets		1,078,439,534	971,696,472
Development Grants		1,365,110,842	1,262,997,589
Reserves		342,786,314	342,786,314
Accumulated Deficit		(629,457,622)	(634,087,432)
Total Net Assets and Liabilities		1,158,104,457	1,103,626,591

The Financial Statements set out on pages 36-40 were signed on behalf of the Board of Directors by:

Managing Director
Mohamed Keinan Hassan, Ph.D, OGW

Signature.....

Date.....

Head of Finance
Pamela Maghema Ngure

ICPAK Member Number: 0159416
Signature.....

Date.....

Chairman of the Board
Hon Samwel Kazungu Kambi

Signature.....

Date.....

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

	Development Grants Kshs.	Revaluation Reserves Kshs	Accumulated Deficit /Surplus Kshs.	Total Kshs.
Balance as at 30th June 2017	1,244,747,589	291,226,564	(641,161,473)	894,812,680
Net Surplus for the period	-	-	7,672,694	7,672,694
Transfers to/from Accumulated Deficit	-	-	(598,652)	(598,652)
Depreciation on Revalued Assets		(3,153,750)	-	(3,153,750)
Net GoK grants	18,250,000	-	-	18,250,000
Revaluation for the Year	-	54,713,500	-	54,713,500
Balance as at 30th June 2018	1,262,997,589	342,786,314	(634,087,432)	971,696,472
Net Surplus for the period	-	-	8,003,606	8,003,606
Revaluation for the Year	-	-	-	-
Transfers to/from Accumulated Deficit	-	-	(3,398,392)	(3,398,392)
Opening Balance adjustments	-	-	24,597	24,597
Net GoK grants	264,750,000	-	-	264,750,000
Completed Community Projects	(162,636,747)	-	-	(162,636,747)
Balance as at 30 June 2019	1,365,110,842	342,786,314	(629,457,622)	1,078,439,534

Note:

1. There is an adjustment of Ksh 3,398,392 relating to prior year expenses and an opening balance adjustment of Kshs. 24,597 on accumulated deficit which was reported as (634,087,432) instead of 634,112,019.

2. The prior year adjustments of 3,398,392 relates to:

- (i) Unexpensed amounts of kshs. 3,970,997 relating to statutory deductions for casuals That was paid under NSSF, NHIF and PAYE but not expensed under the casual wages thereby indicating debit balances on these accounts.
- (ii) Unexpensed amounts of Kshs.1,334,560 relating to staff imprest posted to the control accounts but not expensed and kshs.2,282,828.97 relating to goods and services provided to the Authority on whose invoices were not booked therefore not expensed.

This is against a reversal of double expenses of Kshs.4, 115.411 on payments whose invoices had already been expensed and but whose payments to the creditors were also wrongly posted as expenses.

Coast Development Authority
Annual Reports and Financial Statements
For the year ended June 30, 2019

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2018/2019	2017/2018
Surplus for the period		8,003,606	7,672,694
Adjustment for			
Depreciation	26	12,642,114	16,912,181
Decrease in land payables provision		-	1,199,500.00
Increase in reserves		(3,373,796)	(598,652)
Cash flow from operating activities before working capital changes		17,271,924	25,185,722
Decrease in Inventory	23	236,288	604,781
Increase in Receivables from Exchange	21	1,179,083	(835,545)
Decrease in Receivables from Non Exchange	22	(39,269,014)	(6,251,243)
Increase In Deffered Income	31	(33,771,278)	(7,830,189)
Decrease in creditors	27	7,593,227	(6,690,508)
Decrease in Trade payable - Non Exchange	28	(118,072)	(4,472,209)
Decrease in Employee Obligations	29	(25,969,074)	31,378,862
Net cash flow from operating activities		(72,846,916)	31,089,668
Cash flow from investment Activities			
Purchase of fixed assets	26	(108,514,170)	(13,855,206)
Increase/decrease in work in progress		149,808,936	(10,844,229)
Purchase of Biological assets		-	(724,000)
Net cash flow from investing activities		41,294,766	(25,423,335)
Cash flow from financing Activities			
Completed Community Projects		(162,636,716)	-
Development Grants		264,750,000	18,250,000
Net cash flow from financing activities		102,113,284	18,250,000
Cash and cash equivalent generated in the year		70,561,135	23,916,333
Cash and cash equivalent at the beginning of the year	20	198,627,744	174,711,411
Cash and cash equivalent at the end of the year		269,188,879	198,627,744

Notes:

Completed Community Projects of Kshs. 162,636,716 relates to projects implemented by the Authority and handed over to the community after completion.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference		Performance difference			
	2018-2019	Kshs	2018-2019	Kshs	2018-2019	Kshs	2018-2019	Kshs	(Budget – Actual)	2018-2019	Kshs	(Budget – Actual)	2018-2019	%
Revenue														
Property taxes														
Public contributions and donations		83,151,500		-		83,151,500		38,238,278			44,913,222			-46%
Government grants and subsidies		305,753,460		61,311,000		244,442,460		244,442,460			-			100%
Sale of goods		9,744,500		-		9,744,500		17,209,080			(7,464,580)			177%
Finance Income		26,400		-		26,400		-			26,400			0%
Total Income		398,675,860		61,311,000		337,364,860		299,889,818			37,475,042			89%
Expenses														
Compensation of employees		210,133,527		60,217,708		149,915,819		158,257,671			(8,341,852)			-56%
Goods and services		104,298,241		998,700		103,299,541		90,600,065			12,699,476			114%
Finance cost		998,000		-		998,000		-			998,000			100%
Grants and subsidies paid		83,151,500		-		83,151,500		43,028,477			40,123,023			52%
Total Expenditure		398,581,268		61,216,408		337,364,860		291,886,213			45,478,647			87%
Surplus for the Period		94,592		-		-		8,003,606			8,003,606			

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Authority is established by and derives its authority and accountability from the Act of Parliament Cap 449 No. 20 of the laws of Kenya in 1990 and the State Corporations Act 2012. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is implement sustainable integrated development.

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 Authorities accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed. 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. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

NOTES TO THE FINANCIAL STATEMENTS...continued

ii New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022:</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 an entity'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 the asset's cash flows and the objective for which the asset is held; • 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>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

ii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

NOTES TO THE FINANCIAL STATEMENTS...continued

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The entity recognizes revenues from fees, taxes 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

ii) Revenue from exchange transactions

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.

NOTES TO THE FINANCIAL STATEMENTS...continued

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

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 2018-2019 was approved by the National Assembly on 29th June, 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

The entity'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 actual as per the statement of financial performance has been presented.

c) Taxes

i 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.

NOTES TO THE FINANCIAL STATEMENTS...continued

ii 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.

iii Sales tax

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

- 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
- When receivables and payables are stated with the amount of sales tax included

NOTES TO THE FINANCIAL STATEMENTS...continued

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 placement 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.

f) Leases

Finance leases are leases that transfer substantially the entire 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.

NOTES TO THE FINANCIAL STATEMENTS...continued

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:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- 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.

i) Financial instruments

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.

NOTES TO THE FINANCIAL STATEMENTS...continued

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 Entity 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:

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

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

NOTES TO THE FINANCIAL STATEMENTS...continued

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:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor 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 Entity.

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.

Contingent liabilities

The Entity 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.

NOTES TO THE FINANCIAL STATEMENTS...continued

Contingent assets

The Entity 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.

l) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

m) Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

n) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are postemployment 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.

o) 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.

NOTES TO THE FINANCIAL STATEMENTS...continued

p) 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.

q) Related parties

The Entity 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.

r) Service concession arrangements

The Entity 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 corresponding liability, adjusted by a cash consideration paid or received.

s) 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.

t) Comparative figures

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

u) 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, 2019.

SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Entity'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: e.g

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

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

NOTES TO THE FINANCIAL STATEMENTS...continued

5 Public Contributions and Donations

Description	2018-2019	2017-2018
	KShs	KShs
Kenya Climate Change Adaptation Program	11,976,917	17,291,200
KWSCRIP Mwache	26,261,361	28,731,463
Drought Mitigation Program	-	-
Total transfers and sponsorships	38,238,278	46,022,663
Reconciliation of public contributions and donations		
Balance unspent at beginning of the year	47,227,361	25,030,227
Current year receipts	4,466,700	65,412,619
Conditions met - transferred to revenue	38,238,278	46,022,663
Conditions to be met - remain liabilities	13,455,783	47,227,361

There are funds received for donor funded projects. The projects are funded by World Bank and the Adaptation Fund

6 Transfers from Ministries, Departments and Agencies

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year 2018-2019	2017-2018
			KShs	KShs	KShs
Ministry of East Africa Community and Regional Development	244,442,460	-	-	244,442,460	249,262,604
Total	244,442,460	-	-	244,442,460	249,262,604

7 Other Income (Sale of Goods)

	2018/2019	2017/2018
Appropriation in Aid (AIA)	413,056	1,547,183
Wananchi Cottages	8,053,498	6,755,373
Coral Block	6,992,405	3,412,916
Magalana/Slates	-	2,450
Interest Income	-	6,572
Water Boozer	1,177,700	422,290
Other Income	-	250,000
Other incomes	10,900	278,987
Disposal of Assets	561,520	7,750
Total	17,209,080	12,683,521

This is revenue from the income generating projects for the Authority

NOTES TO THE FINANCIAL STATEMENTS...continued

8 Finance Income - External Investments

Finance income - external investments	2018/2019	2017/2018
Interest Earned	-	-

9 Use of Goods and Services

	2018/2019	2017/2018
CDA Cultural	-	40,000
CDA Wananchi Cottages	6,861,755	6,591,794
Slates/Magalana Restaurant	-	128,883
Coral Block	7,352,261	7,832,339
Integrated Hola Plant	8,674,878	2,436,395
Chakama	262,563	317,922
Shimoni	204,373	328,995
Samburu Ranch	2,003,832	881,982
Water Bowser	579,548	155,910
Total	25,939,210	18,714,220

10 Employee Costs

	2018/2019	2017/2018
Staff Costs	-	
Death In Service Claims	-	
Funeral Expenses	261,300	170,500
Group Personal Accident	335,926	
Medical	13,216,280	5,305,995
NSSF Expenses	379,510	359,000
Pension 15%	9,418,314	39,795,419
Pension Trustee	565,220	78,400
Personal Emoluments	100,993,104	94,208,746
Staff Policies & Reports	568,900	
Staff Welfare	174,250	20,168
Subscriptions to Professional Bodies	114,220	58,760
Training	5,181,484	3,436,096
Travelling & Accommodation	24,054,195	14,834,939
Stipend Allowance	-	96,430
Wages	2,973,968	12,400
Work Men Compensation	21,000	
Total	158,257,671	158,376,854

NOTES TO THE FINANCIAL STATEMENTS...continued

11 Board Expenses

Description	2018-2019	2017-2018
	KShs	KShs
Chairman's Honoraria	960,000	164,800
Directors emoluments	3,418,880	2,156,000
Other Director allowances	7,783,134	3,266,850
Training	1,080,000	-
Other Expenses	2,179,297	1,546,908
Total Director Emoluments	15,421,311	7,134,558

12 Depreciation and Amortization Expense

Description	2018-2019	2017-2018
	KShs	KShs
Property, plant and equipment	12,642,114	16,912,181
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	12,642,114	16,912,181

13 Repairs and Maintenance

Description	2018-2019	2017-2018
	KShs	KShs
Property	658,091	788,255
Investment property—earning rentals	-	-
Equipment and machinery	200,890	156,864
Vehicles	7,582,023	2,250,269
Furniture and fittings	-	-
Computers and accessories	135,029	198,848
Other	-	-
Total Repairs and Maintenance	8,576,033	3,394,236

14 Contracted Services

Description	2018-2019	2017-2018
	KShs	KShs
Actuarial valuations	-	-
Investment valuations	-	-
Property valuations	-	-
Total Contracted Services	-	-

NOTES TO THE FINANCIAL STATEMENTS...continued

15 Grants and Subsidies

Description	2018-2019	2017-2018
	KShs	KShs
Kenya Climate Change Adaptation Program	11,976,918	16,856,612
KWSCRIP Mwache	26,261,361	30,645,263
Malindi Integrated Social Health Development Programme	2,122,277	2,038,766
Special Programs	2,667,921	28,980,132
Kenya Coastal Development Programme	-	14,020
Total Grants and Subsidies	43,028,477	78,534,793

16 General Expenses

	2018/2019	2017/2018
	Kshs	Kshs
Admin Costs	3,502,070	3,318,691
Electricity And Water	878,595	805,303
Insurance	4,808,257	774,813
Publicity And Advertisements	1,115,603	1,439,814
Internet	1,879,138	1,030,012
General Office Supplies	1,554,602	0
Postage	109,896	120,640
Stationery	1,646,220	825,203
Telephone Exp	1,018,724	324,825
Legal & Professional Charges	4,206,588	7,390,440
ISO Audit	289,760	296,010
Transport & Operation	311,370	127,160
Bank Charges	158,929	-
Ask Show Expenses	2,687,506	-
Monitoring & Evaluation	1,536,906	-
Eco Club Catchment Conservation	124,450	-
Work Environment	122,580	-
Rent & Rates	758,202	-
Total General Expenses	26,709,396	16,452,910

17 Finance Costs

Description	2018-2019	2017-2018
	KShs	KShs
Finance leases (amortized cost)	-	-
Interest on Bank Overdrafts	-	-
Interest on loans from Commercial banks	-	-
Total Finance Costs	-	-

NOTES TO THE FINANCIAL STATEMENTS...continued

18 Audit Fees

Description	2018-2019	2017-2018
	KShs	KShs
Audit Fees	1,312,000	776,342
	-	-
Total Audit Fees	1,312,000	776,342

19 Cash and Cash Equivalents

Description	2018-2019	2017-2018
	KShs	KShs
Current account	268,147,350	198,627,744
Fixed deposits account	-	-
Staff car loan/ mortgage	-	-
Others(specify)	-	-
Cash on Hand	316,285	-
MPESA Paybill	725,244	-
Total Cash and Cash Equivalents	269,188,879	198,627,744

20 Detailed Analysis of the Cash and Cash Equivalents

Financial institution	Account No	2018/2019	2017/2018
a) Current account			
Barclays Coral Block	2022577967	(18)	(18)
Barclays Coral Block B	2024191144	424,815	424,814
Barclays Wananchi Cottages	2024191047	879,338	1,726,893
Equity Bank-KWSCRIP	1560267200967	11,576,312	33,275,866
Equity Kilifi	1060299686735	187,251	187,250
KCB Kenya Climate Change Adapt	1166235319	405,374	11,146,318
KCB Main Account	1166235173	1,160	2,225
KCB Try Sq Farms	1105622029	1,199,368	845,823
NBK -Malindi Integrated Project	01002009182400	94,478	94,477
NBK Development	01002008243100	153,203,273	2,806,879
NBK EEZ Project	01002008243101	101,292	136,092
NBK FFS	01002057026205	727,784	163,747
NBK FFS RH	01002057026208	39,225	39,225
NBK Main Account	01004007563400	99,307,698	147,778,153
Sub Total		268,147,350	198,627,744
b) Others(specify)			
Cash Account-Wananchi Cottages	n/a	4,364	-
Cash Account CDA Main	n/a	311,921	-
Mpesa Pay bill Account		725,244	-
Sub Total		1,041,529	-
Grand Total		269,188,879	198,627,744

NOTES TO THE FINANCIAL STATEMENTS...continued

21 Receivables from Exchange Transactions

Receivables From Exchange Transactions	2018/2019	2017/2018
Current Receivables		
Wananchi Cottages Receivables	4,219,923	2,834,962
Staff Advances	1,263,772	1,166,267
Less Impairment Allowance	-	-
Total Current Receivables	5,483,695	4,001,229
Non Current Receivables		
Coral Block Receivables	1,424,400	1,424,400
Other Staff Receivables	1,491,989	1,647,937
Staff Telephone	15,485	15,485
Pension Everestina Nyambu		25,760
Service Deposits	13,574,322	16,054,163
Less Impairment Allowance		
Current Portion Transferred To Current Receivables		
Total Non-Current Receivables	16,506,196	19,167,745
Total Receivables	21,989,891	23,168,974

22 Receivables From Non-Exchange Contracts

Description	2018/2019	2017/2018
Non Current Receivables	Kshs	Kshs
Imprests Outstanding	22,363,797	25,255,112
Claims Reg CDA Main	3,595,885	3,277,987
Other Advances	4,806	275,509
Advances to other RDA's	123,734	123,734
Advance to MRD	510,336	510,336
Pambazuko Dev Co	1,018,317	1,018,317
Pledges	6,132	6,132
Ukunda Showground	1,756,136	1,756,139
VAT	355,081	380,945
MISHDP	-	1,199,025
PAYE	-	2,172,938
UNION	-	4,800
Imprest Recovered	-	80,698
Govt Grants Receivables	61,500,000	15,903,538
Less: impairment allowance	-	-
Total Current Receivables	91,234,224	51,965,210

NOTES TO THE FINANCIAL STATEMENTS...continued

23 Inventories

Description	2018-2019	2017-2018
	KShs	KShs
Consumable stores	684,606	908,739
Medical supplies	-	-
Spare parts and meters	-	-
Water for distribution	-	-
Other goods held for resale	-	-
Coral Block	-	12,155
Slates	12,500	12,500
Total inventories at the lower of cost and net realizable value	697,106	933,394

24 Community Projects

Community Project/Work in Progress	2018/2019	2017/2018
Boji Irrigation Scheme	22,598,834	12,539,164
Integrated Community Enterprise: Coral Block Cutting	8,268,956	-
Integrated Fruit Processing	70,152,453	68,150,132
Lake Challa	104,352,284	103,451,063
Livestock Development	10,837,173	10,938,373
Malindi Integrated Project	6,885,659	6,885,659
Mariakani Milk Scheme(Invest)	8,195,988	8,195,988
Milk Cooling Plant	1,488,207	1,488,207
Minor Irrigation: Chakama Irrigation	31,982,109	31,982,109
Mwache Dam	2,690,140	2,690,140
Ballast Crashing	-	2,386,579
Project Accounts	-	12,600
Dam Construction	-	48,100
Development Expenditure Ask Show	-	12,540,245
Fisheries	-	9,011,601
Institutional Capacity	-	105,387,708
Integrated Community Enterprise	-	21,163,618
Mineral Exploration	-	16,916,348
Dry Port	-	3,473,106
Total Community Projects	267,451,804	417,260,740

25 Biological Assets

Description	2018/2019	2017/2018
Biological Assets	1,415,000	1,415,000
Total Biological Assets	1,415,000	1,415,000

*Coast Development Authority
Annual Reports and Financial Statements for the year ended June 30, 2019*

NOTES TO THE FINANCIAL STATEMENTS...continued

26 PROPERTY, PLANT AND EQUIPMENT

ASSET CLASS	LAND	BUILDING	COMPUTER/ PHOTOCOPIER	FURNITURE & FITTINGS	PLANT EQUIPMENT	M/VEHICLE	TOTAL (KSHS)
DEPRECIATION RATE IN %	1.0%	2.0%	30.0%	12.5%	12.5%	25.0%	
BAL.30.6.2018 (COST)	333,900,000	68,710,432	2,680,224	11,410,150	79,124,734	57,104,800	552,930,340
ADDITIONS	680,485	-	-	620,745	73,556,215	4,915,000	79,772,445
WIP	-	28,741,725	-	-	-	-	-
BAL.30.6.2018 (COST)	334,580,485	97,452,157	2,680,224	12,030,895	152,680,949	62,019,800	661,444,510
DEPRECIATION							
BAL.1.7.2018	-	11,267,436	2,341,712	8,565,644	72,835,026	47,665,025	142,674,711
Write offs/Adjustments	-	-	-	-	-	-	-
CHARGE FOR THE YEAR ON REVALUED ASSETS	-	-	-	-	-	-	-
CHARGE FOR THE YEAR	-	1,374,209	100,054	1,474,236	4,484,990	5,208,625	12,642,114
BAL.30.6.2019 (ACC DEP)	-	12,641,645	2,441,766	10,039,881	77,320,016	52,873,650	155,316,956
NBV AS AT							
30.6.2019	334,580,485	84,810,512	238,458	1,991,014	75,360,933	9,146,150	506,127,553
30.6.2018	333,900,000	57,443,027	338,512	2,844,507	6,289,709	9,439,775	410,255,529

2018-2019	Disclosure: Depreciation is calculated based on the cost values of Assets less the fully depreciated assets which are awaiting revaluations		
	Buildings Undergoing final completion & equipments not commissioned as stated below		
Work In Progress	28,741,725	-	-
Plant delivered but was still under installation			73,556,215
Fully depreciated assets values		2,346,712	43,244,817
Total	28,741,725	2,346,712	41,185,300

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NOTES TO THE FINANCIAL STATEMENTS...continued

PROPERTY, PLANT AND EQUIPMENT

ASSET CLASS	LAND	BUILDING	COMPUTER/ PHOTOCOPI ER	FURNITURE & FITTINGS	PLANT EQUIPMEN T	M/VEHICL E	TOTAL (KSHS)
DEPRECIATION RATE IN %		2%	30%	12.5%	12.5%	25%	
BAL..30.6.2017 (COST)	280,386,000	65,270,966	2,107,964	11,207,160	79,013,744	47,575,300	485,561,134
ADDITIONS	-	3,439,366	572,260	202,990	110,990	9,529,500	13,855,106
REVELUATIONS OR THE YEAR	54,713,500						54,713,500
Write offs/Adjustments	(1,199,500)		-	-	-	-	(1,199,500)
BAL..30.6.2018 (COST)	333,900,000	68,710,332	2,680,224	11,410,150	79,124,734	57,104,800	552,930,240
DEPRECIATION							0
BAL..1.7.2017	-	9,893,097	1,537,645	7,198,024	62,989,939	40,990,075	122,608,780
Write offs/Adjustments	-	-	-	-	-	-	-
CHARGE FOR THE YEAR ON REVALUED ASSETS	-	-	-	-	-	3,153,750	3,153,750
CHARGE FOR THE YEAR	-	1,374,209	804,067	1,367,620	9,845,087	3,521,200	16,912,181
BAL..30.6.2018 (ACC DEP)	-	11,267,306	2,341,712	8,565,644	72,835,026	47,665,025	142,674,711
NBV AS AT	-	-	-	-	-	-	-
30.6.2018	333,900,000	57,443,027	338,512	2,844,507	6,289,709	9,439,775	410,255,529
30.6.2017	280,386,000	65,270,966	2,107,964	11,207,160	79,013,744	47,575,300	485,561,134

*Coast Development Authority**Annual Reports and Financial Statements for the year ended June 30, 2019***NOTES TO THE FINANCIAL STATEMENTS...continued****27 Trade and Other Payables from Exchange Transactions**

Description	2018/2019	2017/2018
Creditors	33,468,217	25,874,990
Total Biological Assets	33,468,217	25,874,990

28 Trade And Other Payables From Non Exchange Transactions

Description	2018/2019	2017/2018
Provision For Bad & Doubtful Debt	2,774,453	2,774,453
Wetland Lagoon	2,440,146	2,440,145
VAT	2,761,708	2,821,193
Staff Claim Refunds	331,698	319,760
Imprest	334,567	180,075
Amedo Hire Purchases	2,415	2,415
Farmers Rev Fund Kilifi & Taita	105,310	105,310
MISHDP	2,790,043	2,790,043
Claims	-	23,909
Advance Wananchi Cottages	-	190,258
COTU	-	10,850
Total Trade and Other Payables from Non Exchange Transactions	11,540,340	11,658,412

29 Employee Benefit Obligation

Description	2018/2019	2017/2018
CDA Sacco	1,252,581	733,694
CDA Staff Welfare	986,900	1,048,600
CIC Insurance	218,554	218,554
DPM Dues	207,399	207,399
Group Life And Accident		9,073
HELB	155,215	146,646
ICEA Endowment Plan	63,644	63,644
KUFCAW	47,392	45,213
NBK Loan Administration Costs	6,574	6,574
Paye:30% Withholding Tax	756,000	756,000
Pension 20%	8,939,720	35,694,902
Salary Control	75,034	52,252
Training Levy	990,880	990,880
Ukulima Sacco	26,419	26,419
NSSF	28,000	-
NHIF	150,150	-
COTU	6,050	-
PAYE	1,415,693	-
Total Employee Benefit Obligation	15,326,205	39,999,850

NOTES TO THE FINANCIAL STATEMENTS...continued

The entity operates a defined benefit scheme for all full-time employees from July 1, 2012. The scheme is based on 7.5% percentage of salary of an employee contribution and 15% employer contribution. The liability at the end of the year is Ksh 8,939,720.

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

30 Non-Current Employee Benefit Obligation

Non-Current Employee Benefit Obligation	2018/2019	2017/2018
Service Gratuity: Abdalla Lugogo	70,208	70,208
Service Gratuity 31%	5,499,391	6,794,819
Service Gratuity 31%Account	304,779	304,779
Total Non Current Employee Obligation	5,874,378	7,169,807

31 Deferred Income

Description	2018-2019	2017-2018
	KShs	KShs
National government		
International funders		
Public contributions and donations	13,455,783	47,227,061
Total Deferred Income	13,455,783	47,227,061

The deferred income movement is as follows:

	National government	International funders	Public contributions and donations	Total
Balance brought forward	-	-	47,227,361	47,227,361
Additions	-	-	4,466,700	4,466,700
Transfers to Capital fund	-	-	-	-
Transfers to income statement	-	-	38,238,278	38,238,278
Other transfers	-	-	-	-
Balance carried forward	-	-	13,455,783	13,455,783

Coast Development Authority

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NOTES TO THE FINANCIAL STATEMENTS...continued

32 CASH GENERATED FROM OPERATIONS

	Note	2018/2019	2017/2018
Surplus for the period		8,003,606	7,672,694
Adjustment for			
Depreciation	26	12,642,114	16,912,181
Decrease in land payables provision		-	1,199,500.00
Increase in reserves		(3,373,796)	(598,652)
Cash flow from operating activities before working capital changes		17,271,924	25,185,722
Decrease in Inventory	23	236,288	604,781
Increase in debtors Receivables Exchange	21	1,179,083	(835,545)
Decrease in debtors Non Exchange	22	(39,269,014)	(6,251,243)
Increase In Deferred Income	31	(33,771,278)	(7,830,189)
Decrease in creditors	27	7,593,227	(6,690,508)
Decrease in Trade payable - Non Exchange	28	(118,072)	(4,472,209)
Decrease in Employee Obligations	29	(25,969,074)	31,378,862
Net cash flow from operating activities		(72,846,916)	31,089,668
Cash flow from investment Activities			
Purchase of fixed assets	26	(108,514,170)	(13,855,206)
Increase/decrease in work in progress		149,808,936	(10,844,229)
Purchase of Biological assets		-	(724,000)
Decrease in investments		-	-
Net cash flow from investing activities		41,294,766	(25,423,335)
Cash flow from financing Activities			
Completed Community Projects		(162,636,716)	
Development Grants		264,750,000	18,250,000
Net cash flow from financing activities		102,113,284	18,250,000
Cash and cash equivalent generated in the year		70,561,135	23,916,333
Cash and cash equivalent at the beginning of the year		198,627,744	174,711,411
Cash and cash equivalent at the end of the year		269,188,879	198,627,744

NOTES TO THE FINANCIAL STATEMENTS...continued**33 FINANCIAL RISK MANAGEMENT**

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

(i) Credit risk

The entity 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.

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:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2019				
Receivables from exchange transactions	91,234,224	-	-	-
Receivables from non exchange transactions	21,989,891	-	-	-
Bank balances	269,188,879	-	-	-
Total	382,412,994	-	-	-
At 30 June 2018				
Receivables from exchange transactions	23,168,974	-	-	-
Receivables from non exchange transactions	51,965,210	-	-	-
Bank balances	198,627,744	-	-	-
Total	273,761,928	-	-	-

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 recognised in the financial

NOTES TO THE FINANCIAL STATEMENTS...continued

Statements is considered adequate to cover any potentially irrecoverable amounts. The entity has no significant concentration of credit risk on amounts due .

The board of directors sets the entity'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 entity'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 entity 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.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2019				
Trade payables	3,201,073	627,780	29,639,364	33,468,217
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	13,455,783			13,455,783
Employee benefit obligation	-	2,409,014	18,791,569	21,200,583
Total	16,656,856	3,036,794	48,430,933	68,124,583
At 30 June 2018				
Trade payables	1,103,815	1,938,315	22,832,860	25,874,990
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	47,227,061	-	-	47,227,061
Employee benefit obligation	-	1,130,684	46,038,973	47,169,657
Total	48,330,876	3,068,999	68,871,833	120,271,708

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity 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.

NOTES TO THE FINANCIAL STATEMENTS...continued

The entity'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.

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

iv) Capital Risk Management

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2018-2019	2017-2018
	Kshs	Kshs
Revaluation reserve	342,786,314	342,786,314
Retained earnings	(629,457,622)	(634,087,432)
Capital reserve	1,365,110,842	1,262,997,589
Total funds	1,078,439,534	971,696,472
Total borrowings	-	
Less: cash and bank balances	269,188,879	198,627,744
Net debt/(excess cash and cash equivalents)	n/a	n/a
Gearing	n/a	/na

NOTES TO THE FINANCIAL STATEMENTS...continued

34 RELATED PARTY BALANCES**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.

The Government of Kenya is the principal shareholder of the 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. The related parties are;

- i) The National Government
- ii) The Parent Ministry
- iii) Key management
- iv) Board of directors
- v) Income Generating Projects
- vi) Donor Projects (Mwache, Kenya Climate Change Adaptation Programme)

	2018/2019	2017/2018
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of goods to		
Sales of services	2,658,970	482,900
Total	2,658,970	482,900
b) Grants from the Government		
Grants from National Govt	509,192,460	267,512,604
Grants from County Government	-	-
Donations in kind	-	-
Total	509,192,460	267,512,604
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	-	-
Payments for goods and services for	-	-
Total	-	-
d) Key management compensation		
Chairman's' Honoraria	960,000	
Compensation to the CEO	4,547,381	4,250,000
Compensation to key management	11,184,160	11,184,160
Other Directors Allowance/Emoluments	11,202,014	5,422,850
Total	27,893,555	20,857,010

NOTES TO THE FINANCIAL STATEMENTS...continued

35 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities	2018-2019	2017-2018
	Kshs	Kshs
Court case against the entity- Murphy Auctioneers Civil Application No 129/2019	6,953,000	6,953,000
Bank guarantees in favour of subsidiary	-	-
Total	6,953,000	6,953,000

36 EVENTS AFTER THE REPORTING PERIOD

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

37 ULTIMATE AND HOLDING ENTITY

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of East African Community and Regional Development. Its ultimate parent is the Government of Kenya.

38 Currency

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

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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: Estimated date of resolution
1.0 Presentation the Financial Statements	Note 14 to the financial statements for the year ended 30 June 2018 reflects finance cost balance of Ksh. 776,342. However included in this figure is audit fees balance of Ksh. 614,542. According to IAS 23 finance cost include interest on bank overdraft and banks borrowings, finance charges, finance leases and exchange difference's on foreign currency borrowings where they are regarded as an adjustment to interest cost. Hence audit fees are not part of finance cost. Consequently, the currency of finance cost of Ksh. 776,342 for the year ended 30 June 2018 could not be ascertained.	The amount of Kshs. 614,542 is provision of audit fees due to the office of the Auditor General. All subsequent provision and disclosures of audit fees will be classified correctly in the financial statements in line with the appropriate accounting reporting standards (IAS 23).	Pamela Maghema Ngure Manager Finance and Accounts	Resolved	N/A

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: Estimated date of resolution
2. Service Deposits	As previously reported, included in the receivables from exchange transactions balance of Ksh 23,168,974 as detailed in note 16 in the financial statements for the year ended 30 th June 2018 is a service deposit of Ksh 221,250 being advance payment for purchase of computers in the year 2009/2010. Review of the status during the audit review indicated that the computers were not received in the year under review. Available information indicated the supplier has since closed business. In the circumstance recoverability of the advance payment of the Kshs 221,250 or receipt of the computer is uncertain.	In October 1996, the Authority ordered Olivetti typewriter valued at 537827 from a supplier based in Mombasa and a down payment of 250,000 was made. Subsequently an Olivetti typewriter was delivered costing 28,750 and the firm closed their offices thereafter. All efforts to trace the Company and the owners have been futile. The same was communicated to Ministry as it kept recurring in our annual audit queries. The National Treasury has requested PPRA to debar following recommendation from the PIC as per the letter written to us by PPRA . The Public Procurement Regulatory Authority is in the process of debarring the company from transacting with Government institutions	Violet Indiazzi Manager Procurement and Supplies	Not Resolved	31 st Dec 2020
3.1 Outstanding Imprest	<ul style="list-style-type: none"> The statement of financial position reflects receivables from non-exchange transaction balance of Ksh. 51,965,210 as detailed in 	These officers resigned from the Institution to take up jobs from other entities. However, they did not come back to clear with CDA. Follow up letters were sent to them advising on status of outstanding imprest and requesting them to immediately settle/	Pamela Nguire Maghema Manager Finance and Accounts Hafsa Thabit Legal Officer	Not Resolved	30 th June 2021

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: Estimated date of resolution
	<p>note 17 to the financial statements for the year ended 30 June 2018. Included in this balance is Ksh. 25,255,112 in respect of outstanding imprest due from employees. However, Imprest of Ksh. 15,257,624 due from former employees has been outstanding for more than one year and the recoverability of the same is doubtful. This is contrary to Section 92 (5) of the Public Finance Management (National Government) Regulations 2015 which states that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty stations.</p> <ul style="list-style-type: none"> Consequently, the recoverability of the 	<p>surrender on the same and necessary follow up are put in place on the same. There is no build up imprest as stringent measures have been implemented on imprest issuance process. No staff is issued with double imprest.</p>			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: Estimated date of resolution
3	<p>outstanding imprest of Ksh. 15,257,624 for the year ended June 2018 could not be ascertained</p> <p>As previously reported receivable from non-exchanged transactions include an amount of Kshs.123, 734 advanced to other Regional Development Authorities. (RBA) and which has been outstanding for more than six(6) years. No documentary evidence has been availed for Audit review to show how the lending was done and other terms and conditions for the lending.</p>	<p>The debt queried was incurred while preparing the Ministry and RDAs Strategic Plans in 2008.This arose due to share of conference charges among Regional Development Authorities as directed by the PS of the Parent Ministry.All the RDAs undertook to refund the Authority.The Authorities have not refunded the amounts yet despite reminder by the Permanent Secretary.The amounts outstanding are as following: ENNDA Kshs 58,000 LBDA Kshs 35,000 TARDA Kshs 30,733</p> <p>The Ministry through the Directorate is following up on the same.</p>	Mohamed Keinan Hassan,Ph.D.,OGW Managing Director	Not Resolved	31 st Dec 2020

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: Estimated date of resolution
3.3 Receivables	<p>The statement of financial position reflects receivables from non-exchanged transactions balance of Kshs, 51,965,210 at detailed in note 17 of the financial statement for the year ended 30th June 2018. Included in the balance is Kshs. 2,172,938 PAYE, Kshs.4, 800 Union, Kshs, 380,945 VAT receivable. However, ledgers availed for audit review reflected negative balances of the same figures. This resulted to netting off assets and liabilities which is prohibited by the IPAS1 paragraph 48 which states that assets and liabilities, and revenue, and expenses shall not be offset unless required or permitted by an IPAS. In the circumstance, the accuracy and validity of the receivables from non-exchange transactions balance of Kshs.51, 965,210 as at 30th June 2018 could not be confirmed</p>	<p>The balances on PAYE and KUCFAW relate to double posting of monthly staff deductions which have been reconciled and corrected. The VAT balances receivables relates to the VAT element for the supplier invoice booked in the system. The same has not been claimed from KRA. Payroll deductions correctly posted and reconciled.</p>	<p>Pamela Maghema Ngure Manager Finance and Accounts</p>	<p>Resolved</p>	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: Estimated date of resolution
4.Cash and Cash Equivalents	<p>The statement of financial position reflects cash and cash equivalents balance of Kshs.198,627,558 as detailed in note 15 to the financial statement for the year ended 30th June 2018 are sales cheques amounting to Kshs.147, 381 which had not been reversed into the cash book as at 30th June 2018.</p> <p>In the circumstances the accuracy and completeness of the cash equivalent balance of Kshs.198, 627,744.09 as at 30th June 2018 could not be confirmed.</p>	<p>The Ksh. 147,381 noted relates to cheques which became stale long after the close of the financial year 2017/2018 and could no longer be presented for cashing as 6 months had lapsed from the time they were written.</p> <p>Bank confirmation certificates for the noted 5 banks namely: Equity KWSERP, Mwache, Barclays Wananchi Cottages, Barclays Coral Block, and Equity Kilifi have been availed for verification.</p> <p>The cash and cash equivalent balance is currently correct and reconciled to Certificates of Balance and cash survey reports.</p>	<p>Pamela Maghema Ngure Manager Finance and Accounts</p>	<p>Resolved</p>	<p>N/A</p>
6.1 Excluded Parcels of Land	<p>As reported previously property plant and equipment balance of Ksh. 410,600,629 as 30 June 2018 (2016/2017 – Ksh. 362,952,354) excluded unvalued nine (9) parcels of land located in Kwale, Kilifi, Taveta and Tana River Counties. Further the Authority only has allotment letter on the said parcels of land as proof of ownership</p>	<p>The value of plots in Kwale, Kilifi Ijara and Tana River Counties were not included in financial statements because they did not have title deeds then. These lands have now been surveyed and necessary land documentation issued as follows:</p> <ul style="list-style-type: none"> • Kwale plot 0.2Ha- Title • Kilifi plot 0.2Ha-Leasehold • Malindi Township- PDP • Kwale south Samburu-300 Acres 	<p>Hafsa Thabit Legal Officer</p>	<p>Partly Resolved</p>	<p>31st Dec 2020</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: Estimated date of resolution
	<p>In addition records availed for audit review indicated that included in the balance of land of Kshs. 333,900,000 as at 30 June 2018 is revaluation of land amounting to Ksh.53,514,000 which has not been reflected in the section of the assets movement schedule nor in the changes to net assets but only disclosed in the significant accounting policies under note (2) to the financial statement under sub heading: revaluation. The assets movement schedule in note 27 only indicates opening land balance of Ksh. 280,386,000 and a closing balance of Ksh. 333,900,000 with no details on the movement or variance of Kshs. 53,514,000. Consequently the accuracy and completeness of the carrying values of the property plant and equipment totalling to Kshs. 410,600,629 as at 30 June 2018 could not be confirmed.</p>	<ul style="list-style-type: none"> • Tana River 40Ha- Title • Ijara- Allotment letter • Masalani-1.12-PDP NO-NEP/13/2003/2 • TaitaTavetaWundanyi 1.0 Acre - Allotment letter <p>TavetaNakuruto 1.0Acre-Sale agreement The referred rates and survey fees have been paid to relevant County Governments.</p> <p>The revalued amounts relate to the plots without title.(Tana river and Masalani) The revalued amount has been included in the PPE schedule as at 30th June 2018 The PPE has been updated and reconciled to the ledger and Fixed Assets Register</p>			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: Estimated date of resolution
6.2 Land Balance Payables	<p>The statement of financial position reflects trade and other payables from exchange transaction balance of Ksh. 25,874,990 as at 30 June 2018. Excluded in this balance is Ksh. respect to land balance payables. Records availed for audit reveal that the purchase price on one of the pieces of land (Mwapula/Magogoni plot No. 432/1211) of 49 acres was for Ksh. 9,800,000 as per the sales agreement, and the Authority paid Ksh. 4,600,500 and had an outstanding balance of Ksh. 5,199,500 as at 4th August 2014. However, as per Land report tabled at the 76th Full Board meeting held on September 2018, it was reported that the total purchase price of Ksh. 9,800,000 had been paid but the land was unscrupulously sold by a squatter to a private investor. The case is before the court awaiting determination.</p>	<p>The Authority purchased two pieces of land Mwapula/Magogoni plot no 432 measuring 22 acres at a purchase price of Ksh 4.4m and plot no 1122 measuring 27 acres at a purchase price of Ksh 5.4 M at Jaribuni, Kilifi County. The land was to be used as a proposed Ballast Crushing project. The Sale Agreements were signed on 27th Feb 2012 for the two plots. The 1st instalment of kshs. 4,000,000,000 was paid after signing the agreement. The balance was to be paid in quarterly basis after the first installment. After the initial payment, the Authority took possession of the plot to start boulders extraction. Immediately thereafter conflict on the ownership of land among the community members followed and CDA staff were attacked and chased by rowdy community members from the site. The same matter on the ownership dispute went to the High Court of Malindi. The court ruled in the community member's favour. The Authority appealed against this judgement in the Court of Appeal. The matter is still pending in court and the Authority will disclose the court</p>	Hafsa Thabit Legal Officer	Not Resolved	31 st Dec 2020

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: Estimated date of resolution
7.0 Audit Fees	<p>Note 22 to the financial statement for the year ended 30 June 2018 reflects trade and other payables from exchange transactions balance of Kshs.25, 874,990. Included in this balance audit fees of Kshs.895,520 owed to the office of the Auditor-General. However records availed from the office of the Audit –General reflects a balance of Kshs.814,560, resulting to unreconciled variance of Kshs.80,960. In addition, the audit fees provision amount of Kshs.614, 800 has been included under finance cost. International Accounting Standards 23 defines finance costs as “Interest and other costs that an entity incurs in connection with the borrowing funds”. Finance costs are also known as “Financing Costs” and “borrowing costs”. Audit fees are not related with the borrowing of funds and hence</p>	<p>case and contingent liability in the subsequent financial statement. As per Authority’s records, the balance of the audit fees owed to the auditor general is Ksh. 895,520. However as noted, the variance of Ksh. 80,960 relates to withheld 6% VAT on the invoices. As noted, audit fees classified under finance cost. This however, has been reclassified separately as audit fees in subsequent reporting as per the international accounting standards. All required disclosures in the financial statements are made in line with the accounting reporting standard</p>	<p>Pamela Maghema Ngure Manager Finance and Accounts</p>	<p>Resolved</p>	<p>N/A</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: Estimated date of resolution
8.0 Project Expenses	<p>wrongly classified under finance cost. Further, this amount has not been disclosed separately in the financial statements. In consequence, the accuracy and completeness of audit fees and balance of Kshs.895,520 for the year ended 30 June 2018 could not be ascertained.</p> <p>Note 10 to the financial statement for the year ended 30 June 2018 reflects project expenses balance of Kshs.18, 714,220. Further, note 6 to the financial statements reflects other income of Kshs.12,683,521 which directly relates to these projects. There was therefore a net outflow of resources from the project of Kshs.6, 030,699. This brings into question the validity and sustainability of the projects. Consequently, the validity and property of the project expenditure of Kshs.18, 714,220 for the year ended 30 June 2018 could not be confirmed.</p>	<p>The project expenses relate to the income generating projects for coral Block and Wananchi Cottages.</p> <p>The Coral Block Machines are old and dilapidated resulting in high repair cost. The Authority is seeking funding for expansion of Wananchi Cottages and procurement for new machines for Coral Block to improve profitability.</p> <p>The Income generating projects are producing regular and timely reports.</p>	Susan Mulewa Manager Business Development and Investment Promotion	Resolved	N/A

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: Estimated date of resolution
9.0 Trade and other payables from Exchange Transaction	The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.25,874,990 as detailed in note 22 to the financial statement as at 30 June 2018. However, the creditors 'age analysis availed for audit revealed that an amount of Kshs.18, 644,312 has remained unpaid for over five (5) years. Consequently, failure to pay creditors on time may affect Authority's service delivery to residents of Coast region and lead to unnecessary litigations from creditors. Further, there is no justification for the Authority's failure to pay its obligations as and when they fall due.	The Authority after its restructuring in 2011/12 had experienced some funding challenges and hence was not able to clear its pending bills for several years, these included PAYE, Pension and other suppliers. The same was communicated to the parent Ministry which forwarded to the treasury. However, we were not able to get additional funding to pay these debts as per then. We are putting all possible efforts to pay these debts from our savings. We are advised all pending bill accrued before 2014/15 be forwarded to the Ministry for transmission to the pending bill committee(ref. letter from pending bill file) The Pending Bills have currently reduced to 122M	Pamela Maghema Ngure Manager Finance and Accounts	Not Resolved	30 th June 2021
10.0 Medical Expenses	Note 7 to the financial statement for the year ended 30 June 2018 reflects medical expenses of Kshs.5, 305,995.75. Review of payment voucher no. 10775 revealed procurement of medical cover for staff through tender	The medical Cover for staff is included in the staff expenses budget for 2017/2018 under PE. The Budget for 2017/2018 was availed for audit review. The annual cost for the medical contract was Kshs.13,304,522. However, as the contract was entered	Pamela Maghema Ngure Manager Finance and Accounts	Resolved	N/A

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: Estimated date of resolution
	number REF: CDA T-10/2017-2019 and contract of Kshs. 13,304,522 was awarded to AAR Insurance. However, approved budget for the same was not availed for audit review. Consequently, the propriety of the medical expenses of Kshs.5,305,995.75 for the year ended 30 June 2018 could not be ascertained.	into five months to the end of financial year, the expenses were apportioned pro-rata for the remaining five months (13,304,522/12). The amount of 5,305,995.75 reflected in the financial statement was the outstanding amount which was cleared in the following financial year. Medical for both staff and board members is a key expense included in the Authority's annual budget projection.			

Managing Director



Date.....16/1/2020.....

Chairman of the Board



Date.....16/1/2020.....