

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 31 JUL 2019

DAY OF
Wednesday

TABLED
BY:

Hon. Benjamin Wairai
(Majority Whip)

CLERK OF
PARLIAMENT

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
LAPSSET CORRIDOR DEVELOPMENT
AUTHORITY

FOR THE YEAR ENDED
30 JUNE 2018

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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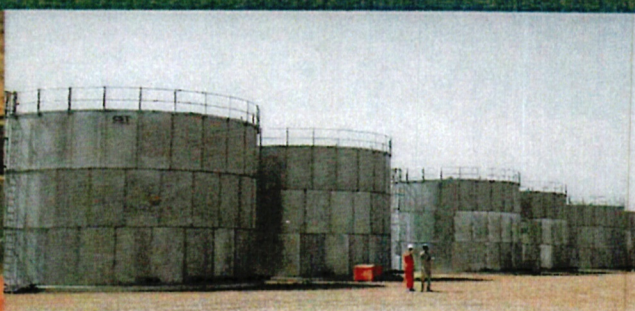
LAPSSET CORRIDOR

DEVELOPMENT AUTHORITY



ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING JUNE 30th, 2018



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

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ABBREVIATIONS

AfDB	African Development Bank AfDB
CSI	Corporate Social Investment
DBSA	Development Bank of Southern Africa
DfID	Department for International Development
EIA	Environment Impact Assessment
ESIA	Environmental and Social Impact Assessment
FEED	Front End Engineering Design
FY	Financial Year
IFRS	International Financial Reporting Standards
IGAD	Intergovernmental Authority on Development
IPSAS	International Public Sector Reporting Standards
JDA	Joint Development Agreement
LAPSSET	Lamu Port South Sudan Ethiopia Transport
LCDA	LAPSSET Corridor Development Authority
LCP	LAPSSET Corridor Program
MTBS	Maritime Transport Business Solution
NEMA	National Environmental Management Authority
NEPAD	New Partnership for Africa's Development
PFM	Public Finance Management
PIIP	Privately Initiated Investment Proposal
PPMT	Pipeline Project Management Team
PSASB	Public Sector Accounting Standards Board
SEA	Strategic Environmental Assessment
SEZ	Special Economic Zone
SKETS	Support to Kenyan Energy and Transport Sector
TA	Transactional Advisor
TEU	Twenty Ft' Equivalent Unit
UK	United Kingdom
UNECA	United Nations Economic Commission for Africa
WWF	World Wide Fund

PART I

ANNUAL REPORT

2017/2018

KEY ENTITY INFORMATION AND MANAGEMENT

a) Background Information

The LAPSSET Corridor Development Authority (LCDA) is a State Corporation established pursuant to a Presidential Order, LAPSSET Corridor Development Authority Order, 2013 as per the Kenya Gazette Supplement No. 51, Legal Notice No. 58 of March, 2013

The Authority is tasked with overseeing the implementation of the LAPSSET Corridor regional infrastructure Project components linking Kenya with the neighboring countries of Federal Democratic Republic of Ethiopia and Republic of South Sudan. The regional Infrastructure components are:-

- i. Interregional Highways from Lamu - Garissa - Isiolo, Isiolo – Lodwar - Nakodok and Juba (South Sudan), Isiolo to Moyale and to Addis Ababa (Ethiopia), and Lamu to Garsen;
- ii. Interregional Standard Gauge Railway lines from Lamu to Isiolo, Isiolo to Nakodok (Kenya/South Sudan border) and Juba (South Sudan), Isiolo to Moyale (Kenya/Ethiopia border) and Addis Ababa (Ethiopia), and Nairobi to Isiolo;
- iii. Crude Oil Pipeline from Lamu to Isiolo, Isiolo to Nakodok and Nakodok to Juba (South Sudan);
- iv. Product Oil Pipeline from Lamu - Isiolo - Moyale (Kenya) and Moyale to Addis Ababa (Ethiopia);

The other LAPSSET Corridor Program components as defined in the Vision 2030, Kenya's long-term Development Plan include:-

- i. Lamu Port at Manda Bay consisting of 32 Deep Sea Berths;
- ii. International Airports at Lamu, Isiolo, and Turkana;
- iii. Resort Cities at Lamu, Isiolo and Turkana;
- iv. Merchant Oil Refinery at Lamu;
- v. High Grand Falls Multipurpose Dam;
- vi. Fiber Optic Cables and Communication Systems

b) Principal Activities

The Mandate of LCDA is to Plan, Coordinate and Sequence the implementation of the LAPSSET Corridor Program. The project components are implemented by different government Agencies and the Authority provides effective leadership in their implementation.

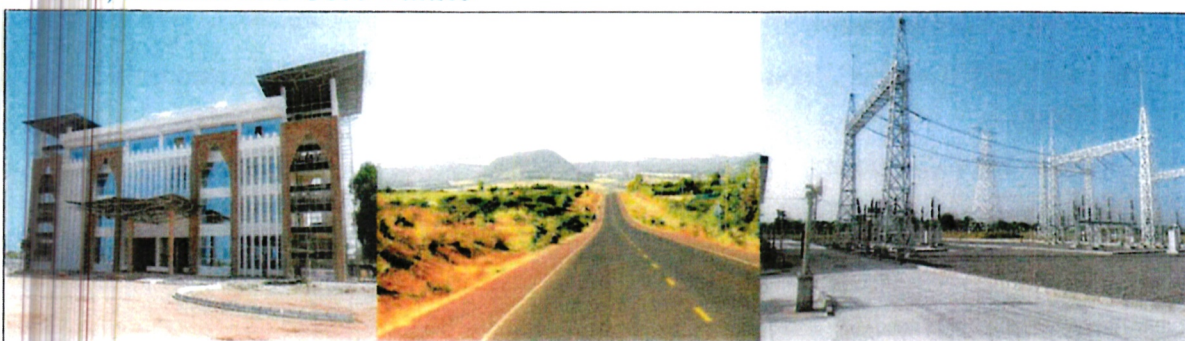
The Authority therefore undertakes cross cutting and overarching roles by bringing together the Implementing Agencies and stakeholders to create synergies and ensure the projects are synchronized. The Authority further plays a significant role in guiding policy, mobilizing resources as well as monitoring and evaluation of the program components. Besides the fore stated, the Authority provides operational and technical oversight for the LAPSSET Corridor program to ensure the different Agencies deliver on their mandate.

This mandate is derived from the Authority's functions as stipulated below:-

- i. To Plan, Coordinate and Sequence the LAPSSET Corridor projects in collaboration with the implementing Ministries and Agencies;
- ii. To Coordinate implementation of LAPSSET Corridor projects across implementing Ministries and Agencies;

- iii. To Provide leadership, direction and guidance in operations and implementation of the LAPSSET Corridor;
- iv. To Ensure timely implementation of the decisions and resolutions of the government;
- v. To Mobilize funds for project components using a variety of resources including budgetary resources from government, donor loans, infrastructure bonds and private finance;
- vi. In collaboration with the relevant National and County government departments, to build the capacity of LAPSSET Corridor towns to manage the urban growth resulting from LAPSSET Corridor investments;
- vii. To Promote the competitiveness and use of the LAPSSET Corridor for the transport of goods and people; and
- viii. To Provide forum for the stakeholders in the LAPSSET Corridor

Vision, Mission and Core Values



Who are we

A state Corporation established vide the Presidential Order, LAPSSET Corridor Development Authority Order, 2013 contained in the Kenya Gazette Supplement No. 51, Legal Notice No. 58 of March, 2013

Our Vision

To be the premier institution in delivery of a vibrant LAPSSET Corridor with world class transformative and game changer infrastructure

Our mission

To provide effective and efficient leadership in the delivery of transformative and game changer infrastructure in the LAPSSET Corridor

Core values

Integrity

We are Committed to promoting transparency, accountability and professionalism in our work. Being Objective, Impartial and Unbiased in our Relations

Sustainability and Public Participation

We ensure socio-economic development is expediently achieved through adequate consultations and putting in place adequate mitigation measures.

Equity and Equality	We undertake our operations in an inclusive manner across all spheres of life irrespectively.
Commitment and Teamwork	We are dedicated to fully execute our operations while we instil a spirit of togetherness amongst the Board, staff and stakeholders to ensure Our Mandate is realized Collectively while recognizing individual efforts in complementation.
Innovation	We Respect individual capabilities and creativity demonstrated through skills, knowledge, ideas and initiatives and we mentor and nurture to grow both to the individual and the Authority. Creativity and innovativeness is encouraged in offering cost effective and appropriate interventions that feed into the overall operations.

c) Key Management

The LAPSSET Corridor Development Authority day-to-day management is under the following key organs:

- i. Board of Directors;
- ii. Director General/CEO; and
- iii. Management

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

#	Name	Designation
1.	Silvester Kasuku	Director General/CEO
2.	James Achuka	Ag. Human Resources & Administration Manager
3.	John Musale	Ag. Finance and Planning Manager
4.	Morris Owili	Ag. Accounts Manager
5.	Benjamin Mutea	Ag. Procurement Officer
6.	Benson Thuita	Corporate Affairs Officer
7.	James Muigai	Ag. Chief Internal Auditor

e) Fiduciary Oversight Arrangements

The following fiduciary arrangements were in place during the 2017/18 Financial Year.

COMMITTEE	MEMBERSHIP	RESPONSIBILITIES
Finance & Administration Committee	- Alice Kirenge – Chairperson - Dr. Francis Sang - Principal Administrative Secretary/ Alternate – Cabinet Affairs Office in the Presidency - Principal Secretary / Alternate – The National Treasury - Principal Secretary / Alternate – State Department for Transport - Principal Secretary / Alternate – State Department for Tourism; - Principal Secretary Planning - Silvester Kasuku – Secretary	- Oversee the preparation of LCDAs budget. - Review the LCDA's annual budget before submission and after approval by the Treasury; - Review quarterly Financial Monitoring Reports (FMR); - Review periodic operational budgets and financial statements; - Monitor the continuing efficacy of accounting and internal control; - Comply with the Government financial management regulations; - Monitor the performance of key finance and accounts staff against approved performance contracts; - Oversee the annual procurement plans including the external funded projects; - Recruit and capacity of staff of LCDA; - Monitor and appraise the performance of senior management, review human resource policies, determining the remuneration of senior management and other staff.
Audit Committee	- Principal Secretary Planning – Chairperson - Mr. James Wachira - Principal Secretary / Alternate – Ministry of East African Affairs, Commerce & Tourism - Principal Secretary / Alternate – Ministry of Energy & Petroleum - Principal Secretary / Alternate – The National Treasury - Mr. James Muigai Ag. Chief Internal Auditor – Secretary	- Monitor the implementation of the risk management policy framework; - Monitor and ensure timely implementation of recommendations of various fiduciary oversight responsibilities, including internal and external auditors, Government project monitoring agencies and external funded projects' periodic review and supervision missions; - Oversee continuing efficacy of accounting and internal control standards, policies and practices; - Ensure compliance with legal covenants of Development Partners funding agreement on projects by them; and - Monitor performance of key internal audit staff against approved performance contracts.

f) Entity Headquarters

P.O Box 45008-00100
Chester House, 2nd Floor,
Koinange Street
Nairobi, Kenya

g) Entity Contacts

Telephone: (254)-02-20-2219098
E-mail: dg@lapsset.go.ke
Website: www.lapsset.go.ke

h) Entity Bankers

1. Kenya Commercial Bank
Moi Avenue Branch
P.O. Box 30081-00100
Nairobi
3. Co-operative bank of Kenya
Parliament Road
P.O Box 5772-00200
Nairobi

2. National Industrial Credit (NIC)
NIC House, Masaba Road
P.O Box 44599-00100
Nairobi
4. CFC and Stanbic Bank
Lion Place, Waiyaki Way,
P.O Box 72833-00200
Nairobi

i) Independent Auditors

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

j) Principal Legal Adviser

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

THE BOARD OF DIRECTORS



Amb. (Dr.) Francis Muthaura, EGH

The Chairman Joined the Board on 15th February, 2013, Amb. Dr. Muthaura holds a Honorary Doctorate Degree from Kenyatta University and the Kenya Methodist University. Awarded "Moran of Burning Spear" by the retired President, Daniel Arap Moi , and the "Elder of Golden Heart" by the retired President Mwai Kibaki. Former Permanent Secretary, Head of Public Service and Secretary to the Cabinet, Government of Kenya. Worked as Permanent Secretary in the Ministries of National Security; Environment, Water & Natural Resources; and Information, Transport and Communication. The founder Secretary General of the East African Community and Ambassador & Permanent Representative of Kenya to the UN in New York. He is also a former Ambassador of Kenya to the European Union, the Kingdom of Belgium and Luxembourg. He holds a Bachelor of Arts Degree in Economics and Political Science; Post Graduate Diploma in International Relations from the University



Silvester Kasuku, MBS, CMILT

He is the Director General/CEO & Secretary to the Board of Directors. Mr. Kasuku is a former Lecturer at the University of Nairobi, School of the Built Environment.. An expert in infrastructure and services management policy, he was a Consultant/ Technical Advisor on the Kenya Roads Sector Institutional and Legal Reform of Government of Kenya between 2002 to 2008. Awarded the Moran of the Burning Spear (MBS) by H.E President Mwai Kibaki for the distinguished service he has rendered to the Kenyan nation. Mr. Kasuku is a member of various Professional Societies. He is a Chartered Member of the Institute of Logistics and Transport (CMILT), He is a Corporate Member of the Architectural Association of Kenya – Town Planners Chapter (MAAK-TP) and also a member of the Institute of Environmental Assessment, Kenya and a Member of the Kenya Institute of Planners.



Alice Kirenge

Board Member & Chairperson Finance and Administration Committee Mrs. Kirenge joined the Board on 15th February, 2013. She has several years' experience in senior management roles in the corporate sector with over 28 years in the Insurance/Financial services sector. Formerly she was the Director of Operations and Head of Corporate Communications and PR at CFC Life Insurance Company. She has also worked in Health Care Insurance and Property Development sectors having held the positions of General Manager Nairobi Women's Hospital, General Manager Marketing and Administration at Panda Development Company Limited – the developers of the five stars Aberdare Hills Golf Resort and the General Manager at the Monarch Insurance Company Limited. She is a Founder member of Starehe Girls Centre and currently sits on the board for Women's Enterprises International and KCB Foundation. Alice holds a B-com degree in Management and an MBA in strategic Marketing She is also a Fellow of the Life Management Institute (FLMI). and alumni of Bahson Business School.



Dr. Francis Sang

Board Member & Chairperson of Land Management Committee. Dr. Francis Kipkemboi Sang Joined the Board on 2nd October, 2015 is a member of LAPSET Corridor Development Authority Board. He sits at the Nandi County Public Service Board alongside lecturing in Moi and Catholic universities' Departments of Education Management and Policy Studies and Research. He holds a Doctor of Philosophy Degree in Educational Management and Policy Studies, a Master of Education Degree in Educational Administration and Bachelor of Education Degree. He also holds a Post Graduate Diploma in Education Management.



Fauziya Karama, OGW

Independent Board Member & Chairperson Audit Committee and Joined the Board on 15th February, 2013. Mrs. Karama holds BSc - Statistics degree from University of Nairobi and MBA, Major -Strategic Management and Human Resources Management from University of Eastern Africa, Baraton. She is currently pursuing a Doctor of Philosophy degree in governance and Leadership from Jomo Kenyatta University of Agriculture and Technology. She has vast experience having worked with Telkom Kenya in different leadership positions including Network Planning & Design, Sales & Marketing, Process Management, Quality, Internal Audit and Call Centre Management. She is a registered member (2013) for Customer Operations Performance Center (COPC) on International Standard on Performance Management.



James Wachira, OGW

Board Member & Chairperson Strategy & Development Committee and Joined the Board on 15th February, 2013. He holds MBA, Major - Finance, Human Resource Management and Entrepreneurship from Marquette University and Certificate in performance management from University of Wisconsin-Madison. Mr. Wachira has over 20 years- local and international consulting experience, having worked in different capacities as a consultant including, team member, team leader as well as project director. He has worked in Kenya, South Africa, Rwanda, Ethiopia and the United States of America on medium term and long-term periods. He has also worked for short-term periods in Uganda, the Netherlands, Brussels, Somaliland and Tanzania. Mr. Wachira is a founder director and financial management adviser at PPD Consultants Limited. He is the former Chairman, Audit & Risk Management Committee at Karatina University College. He is the Chairman of Council of Pioneer International University; He is also Chairman Nanyuki Teaching and Referral Hospital Board. He is a Certified Public Accountant (CPA) and a member of the Institute of Certified Public



Dr. Kamau Thugge, CBS

The Principal Secretary at the National Treasury Former head of Fiscal and Monetary Affairs Department, Economic Secretary and as Senior Economic Advisor at the Ministry of Finance He worked with the International Monetary Fund (IMF) as Economist, Senior Economist and Deputy Division Chief prior to joining the Ministry of Finance. He holds a Bachelor of Arts (Economics) degree from Colorado College, USA; Master's degree in Economics and a Doctor of Philosophy (PhD) degree in Economics also from John Hopkins University, USA.



Prof. Arch. Paul Maringa, CBS

Principal Secretary, State Department of Transport. Prof. Arch. Paul M. Mwangi is an Architect. He holds a PhD, Environmental Planning from Jomo Kenyatta University of Agriculture and Technology, M.A. Planning, Urban and Regional Planning and B. Arch Hons, Architecture from University of Nairobi. He has previously served as Senior Expert, Planning & Project Management in Workforce Development Authority, and as Ag., Vice Rector (Deputy Vice Chancellor) Academic Affairs and Kigali Institute of Science and Technology, KIST in Rwanda. He also served as Head of Department, Studio Master & Lecturer in Architecture, JKUAT.



Stephen K. Kirogo, CBS

The Principal Administrative Secretary and Assistant Secretary to the Cabinet in the Presidency and Cabinet Affairs Office, Executive Office of the President. He has served and worked in Government since 1984, as Assistant Secretary, District Officer, Senior Assistant Secretary, Under Secretary, Deputy Secretary, and Secretary/Chief Executive Officer of State Corporations Advisory Committee (SCAC). He has an Executive Masters in Business Administration (MBA) from Inoorero University, Post Graduate Certificate in Leading Business Development from Inoorero University, Post Graduate Diploma in Public Relations and Communications from Kenyatta University and a Bachelor of Arts Degree (Hons) – University of Nairobi.



Dr. Eng. Joseph Njoroge, CBS

The Principal Secretary, State Department of Energy, Ministry of Energy & Petroleum. He holds an MBA with a major in strategic management and a First Class Honours Degree in Electrical Engineering. He is a Registered Consulting Engineer, a Chartered Engineer, a Member of the Institution of Engineering & Technology (UK), a Fellow of the Institution Engineers of Kenya, a member of the Institute of Directors of Kenya and a trainer in Corporate Governance. He is the former Managing Director of Kenya Power & Lighting Company Limited, the country's transmitter, distributor and retailer of electricity, a position he held for six years.



Mrs. Fatuma Hirsi Mohamed,

The Principal Secretary, Ministry of Tourism holds MBA in strategy and marketing, a BA (Hons) in languages, a postgraduate diploma in Public Relations and a Certified Professional Mediator. She is currently pursuing a PhD in Communications Studies. She has previously worked with the United Nations Telecom, Media and Banking sector. She is an expert in the implementation of Marketing, PR, Business & Communication Strategies, Community and Stakeholder Relations & Development, and Corporate Social Responsibility.



Dr. Julius Muia, EBS

The Principal Secretary, The National Treasury & Planning, State Department of Planning is formally Director General, Kenya Vision 2030 Secretariat. Dr. Muia worked as an assistant Audit Manager, Price Waterhouse from 1986-1989 in Manchester, United Kingdom. Later worked at Lonrho Hotels as a group Financial Controller from 1990-1992; Finance director at the Safari Park Holdings Ltd from 1992-1995, Group Finance director at Unga Group Ltd from 1995-2001, Finance Director and chief Operating officer at Housing Finance Company of Kenya from 2001-2008. since April 2008 Julius served as the Secretary and CEO of the National Economic and Social Council, Office of the President. He also a trains on Leadership and teaches in Strathmore Business School.

MANAGEMENT TEAM



Silvester Kasuku MBS, CMILT.
Director General/CEO
Holds a Masters Arts Degree (MA) Planning
Have Over 12 years in the service.



John Musale
Ag. Finance and Planning Manager.
Holds a Masters Arts Degree in Economic Policy Analysis
Have Over 28 years in the service



James Achuka
Ag. Human Resources and Administration Manager
Holds BA (Sociology)
Have Over 12 years in service



Morris Owili
Ag. Accounts Manager
Holds Masters – Finance & MIS
Have Over 26 Years of service



Benjamin Mutea
 Ag. Procurement Officer
 Holds BA (Economics) and CIPS (UK)
 Have Over 14 Years of Experience



Benson Thuita
 Corporate Affairs Officer
 Holds BA (Communications)
 Have Over 5 years of Experience



James Muigai
 Ag. Chief Internal Auditor
 Holds MBA- Finance and CPA (K)
 Have Over 13 years of experience

CHAIRMAN'S STATEMENT



Amb. Dr. Francis Muthaura, EGH,
Chairman – LCDA Board

"From the onset, may I reiterate my deep conviction that there is an opportunity for future generations to be proud and thankful to the present generation, this appreciation is not mandatory, we will have to earn it through our current development endeavours".

INTRODUCTION

Once more, Am grateful and delighted to present the LAPSSET Corridor Development Authority Annual Report and the Financial Statements for the Year ending 30th June, 2018. More so because we have within our mandate engaged vigorously and consistently and more critically with conviction continued to carry a generational dream. From the onset, may I reiterate my deep conviction that there is an opportunity for future generations to be proud and thankful to the present generation, this appreciation is not mandatory, we will have to earn it through our current development endeavours. I must admit that at a personal level and on behalf of the LCDA Board that we believe the future generation will be fair and just in vindicating the current generation for taking bold decisions.

The need for a second strategic corridor is not only eminent but urgent. And while this is so, the actualization on an operational corridor is a holistic and involving endeavour. As a country, we have come a distance worthy enumeration by peers. Part of crafting of the vision 2030 is being realized sooner than expected, it dawns that for a Vision to be realized, you need a carrier.

LAPSSET CORRIDOR PROGRAM PROGRESS

During the Financial Year under review, LCDA built on preceding activities to progress the LCP implementation. Below is a highlight of the progress of the various projects components and the overarching activities that are implemented by the Authority.

Lamu Port 1st Three Berths Project

In the FY under review, we witnessed massive progress on the implementation of the project components. Challenges notwithstanding, the Lamu port 1st three berths project progressed substantially to over 50% construction mark. The delivery of the Lamu Port remains a critical deliverable given that it is the anchor project for the LCP. As noted the 1st 3 berths whose terminals are 400 M wide will bring in additional capacity of about 1.2 Million TEUs, this is destined to make Kenya a true regional gateway and port logistics hub.

LAPSSET Highways

The road construction has progressed well with the Lokichar – Lodwar – Nakodok road coming on board under construction. The road is significant in integrating Kenya with South Sudan and also ultimately opening the Lokichar basin. The Board noted that there have been subsequent studies after the Japan Ports Consultants study which have considered the route in more technical ways and proposed individual components re-routing. While this is agreeable, the Board affirmed the need to ensure the original route is adhered to and the target communities are not dispossessed of the development as expected. In this regard, while some components may divert necessitating other projects to shift to facilitate, the road infrastructure in particular will still be undertaken in the prior designated area.

The initial off take road for the Lamu Port is the Mokowe – Witu – Garsen Road. This road has progressed at exceedingly low pace and has proved to be a possible bottleneck for the port operations. The road has also impeded the progress of the port given that some of the materials have to be transported from Kilifi County. We are glad to note that the contractor has resumed and is making progress.

Further in ensuring that the missing road networks are completed, we are delighted to report that in the year under review, the negotiations on the Lamu Isiolo road progressed considerably. Though not concluded yet, the progress made and the commitment by the DBSA Consortium is encouraging.

Lamu Port City Master Plan

The design for smart and sustainable cities demand that present land use and management is infused with future developments, population pressure and adequate public utilities space preservation. In this endeavour, we in the Financial Year under review progressed the Lamu Port City Integrated Planning and Investment Framework. This was done by seeking registration with the relevant government Institution as per the Planning Act, 2011.

Important to note is that the Lamu Port City development encompasses other key components. These include the Lamu Port, Resort City, Lamu Metropolis, Special Economic Zone and the International Airport among other auxiliary projects. It is evident that these developments will exert pressure on infrastructure arising from accelerated urbanization. In realization of the need for Smart City Infrastructure, the Authority in the FY under review commenced the Integrated Transport Master Plan for the Lamu Port City. This is a critical milestone in ensuring from the onset that the infrastructure developed is efficient, adaptive and sufficient for the present and future growth. Emphasis has also been laid on the need for sustainable infrastructure that supports public transportation system and which integrates with the urban facilities and the existing physical infrastructure. The Integrated Transport Master Plan therefore aims to affirm the proposed Lamu Port City Planning Master Plan by ensuring that community planning and social engagements are ingrained in and synergised. This will guarantee access to housing, recreational facilities, and manage the overall emerging urban environment in Lamu Port more sustainably.

Strategic Environmental Assessment

The other critical process that we initiated of undertaking the Strategic Environmental Assessment (SEA) study, did prove our proactive process not just vital but essential. The SEA Study was undertaken pursuant to NEMA Act. The significance of this was to ensure that all the LCP projects are fully compliant with environmental dictates. Out of the SEA study, two issues emerged which proved this as bedrock for sound environmental studies, the Lamu Fishermen

Compensation ruling was delivered within the Year under review. This ruling while observing several implementation gaps affirmed nifty role of SEA as a foundation for mega projects. Secondly, subsequent studies which are ongoing such as the FEED for the crude oil pipeline and the ESIA study have greatly benefited from the SEA study, it is no surprise then that these studies are set to be concluded in record time given the prior work undertaken by the Authority.

Land Acquisition

As you will recall, the surveying of the entire corridor from Lamu – Garissa – Isiolo – Moyale and Isiolo – Lokichar – Nakodok was undertaken in the FY 2016/17. This was a critical activity in the progressing of the Land Acquisition in line with the existing laws. In Particular, it is now understood and appreciated that infrastructure projects must not just co-exist but integrate and communicate amongst themselves. This is the idea behind the 500 meters Infrastructure (Inner) Corridor that LCDA has over time emphasised. The Authority therefore appreciates the interaction with the many stakeholders and shareholders who have progressed this process. It is worth noting that this process is currently well underway and in all likelihood, the issue of land for the LCP projects will be adequately addressed within the next Financial Year.

PRIORITY ACTIVITIES

Building on the progress realized so far, we have prioritized several activities in the Financial Year 2018/19. The Acquisition of Land for the entire corridor and the components will be fulfilled with uttermost urgency. Secondly, the completion of the 1st berth is an important and a strong anchor for the other project components. We also plan to undertake a detailed Transaction Advisory services for berths 4 – 10 of Lamu Port and the adjacent Special Economic Zone. We are grateful to AfDB for the support they have granted in making this study possible as a way of packaging the projects to bankable state for private sector uptake. Further, the Authority will undertake a Master Plan for the entire Corridor in close collaboration with the County Governments.

PUBLIC PARTICIPATION

In the year under review, the LCDA Board engaged various stakeholders to address the projects delivery bottlenecks. The Board had consultations with the Governors of Isiolo and emphasized the need for County Governments buy in with a more long-term view of how the counties will benefit. The Board also held candid discussion with H.E the Deputy President, the National Treasury and the Ministry of Transport on road map for the delivery of the LCP.

We underscore that the delivery of the LCP is and must be done within an elaborate stakeholder's engagement. The wider discussion of the buy-in must convert the interest of the stakeholders to be those of shareholders. We therefore look forward to deeper interactions with shareholders and stakeholders to ensure that the LCP is realized faster.

CORPORATE SOCIAL INVESTMENT

During the year under review, the Authority continued to implement the Presidential directive on the Lamu Youth Scholarship Programme. Cumulatively, 376 students have been supported, most of whom have cleared and are engaged productively in the country.

The Board however noted that the sustainability of the scholarship programme lies in building networks and better approaches. Towards this, the Board agreed to approach this matter more broadly through CSI which is more sustainable. The Board also agreed to ensure all project components incorporate a CSI and that there is integration for better outcomes.

CHANGES TO THE BOARD

During the year under review, there were no there were no changes to the membership of the Board. The vacancy that emerged last year following the resignation of one of the Independent member was not filled. There is need to fill this position since independent Board Members are critical for proper governance of the Authority.

APPRECIATION

The Board of Directors sincerely thanks the very many stakeholders whom we have continued work with in implementing the LCP. Special thanks to the LCDA management who have been extremely dedicated and resilient in progressing the many facets of the LCP. Through their effort, the Authority has made significant strides in core activities of the planning and coordination. The role and support of the government agencies have been very instrumental in the achievements we witness today. We acknowledge the realization by the many stakeholders, the National and County Governments, Ministries, Departments, and the other Agencies mandated on the need to work closely together for faster and better outcomes. Going forward, the need this partnership can only be greater and as an Authority, we commit to create space and time for this to flourish.

To my fellow Board Members, Am inspired by the support and leadership you have continued to exert in this noble calling. Indeed, through your dedication and commitment, we have seen the LCP grow from a concept to reality. This no mean fete, and while the task is not yet accomplished, your individual and collective contribution is highly appreciated. Generations to come shall remember us as pioneer vision carriers and forever be grateful. Once more on behalf of the LCDA Board of Directors, it is my singular most pleasure to present the Annual Report for the Financial Year 2017/18.

God bless you all.



Amb. Dr. Francis K. Muthaura, EGH
Chairman, LCDA Board of Directors

REPORT OF THE CHIEF EXECUTIVE OFFICER



"We appreciate that while there are many naysays, the resolve to implement the LAPSSET Corridor Program is a future generation obligation that we cannot abandon".

Mr. Silvester Kasuku, MBS, CMILT
Director General/CEO

INTRODUCTION

The Lamu Port South- Sudan, Ethiopia Transport (LAPSSET) Corridor Program (LCP) is an integrated regional multi-modal infrastructure program comprising of highways, railway and pipelines. The three components align to a broad object of transforming the African Continent as espoused in the Agenda 2063. The LCP also brings forth the critical role that infrastructure plays as an enabler for socio-economic transformation.

The location of Kenya as a gateway to region has been affirmed for long time. It is however important to note that this position is not eternally indispensable. Regional re-alignments require and demand that as a country we cement this position and create requisite efficiencies. The LCP presents the country with the most tenable solution for making Kenya a Port Logistics Hub, an epic facilitator for regional integration and a dominant player in the globe as a continental gateway.

Borne of this realization and the need to ensure inclusive internal economic growth and development, the LCP was conceptualized. The project was then ingrained as part of the Vision 2030 and subsequent generational Medium Term Plans (MTPs). The project brought on board the Republic of Kenya, the Federal Democratic Republic of Ethiopia and the Republic of South Sudan to undertake infrastructure development with the aim of spurring integration and trade. The scope of the trunk transboundary infrastructure components includes:-

- i. Interregional Standard Gauge Railway lines from Lamu – Isiolo - Nakodok and Juba (South Sudan), Isiolo - Moyale and to Addis Ababa (Ethiopia), and Nairobi to Isiolo;
- ii. Interregional Highways from Lamu – Isiolo – Lokichar - Nakodok and Juba (South Sudan), Isiolo to Moyale and to Addis Ababa (Ethiopia);
- iii. Crude Oil Pipeline from Juba (South Sudan) - Nakodok – Lokichar - Isiolo – Lamu; and
- iv. Product Oil Pipeline from Lamu – Isiolo - Moyale (Kenya) and Moyale - Addis Ababa (Ethiopia).

The LCP, apart from the aforementioned objectives is intended to transform Kenya through awakening economic blocks locally and presenting a development paradigm shift opportunity. The projects components planned along the corridor in Kenya are:-

- i. Lamu Port comprising of a 32 Berth port facility;
- ii. International Airports at Lamu, Isiolo, and Turkana;
- iii. Resort Cities at Lamu, Isiolo and Turkana; and
- iv. High Grand Falls Multipurpose Dam;

Cumulatively, these projects are intended to create an active economic corridor that harnessed the massive resources that abound in the 70% land mass that has previously been under exploited. Critically, the LCP decongests the Northern Corridor and de-concentrates our strategic investment which is vital for any country.

As per our Planning, Coordinating and Sequencing mandate, we continue to re-dedicate ourselves in ensuring realization of the LCP. We appreciate that while there are many naysays, the resolve to implement the LCP is a future generation obligation that we cannot abandon. As the government Agency charged with ensuring proper integration and coordination of the LCP, we are cognizant of the huge responsibility and challenges that we have to surmount. We therefore will continue to work closely with our partners and sister agencies to seamlessly execute the projects in the desired and most efficient manner.

LAPSSET CORRIDOR PROGRAM MILESTONES

The realization the LCP continues to take shape on several fronts. The construction works for the port, the highways and airports have progressed well. Planning and other preliminary studies were also carried out during the year under review. In particular, the following components registered progress as follows:-

Lamu Port

The Lamu Port is the anchor project for the entire LCP. The construction of the 1st three berths registered over 50% completion rate in the year under review. Notably, the 1st Berth will be delivered by January, 2019 while the yard will be completed in June, 2019 and the other two by December, 2020. Given the need to deliver Lamu Port and attending auxiliary infrastructure which are high priority, it is important that funding be sustained and be dispensed on timely basis. On sequencing, the delivery of the 1st three berths, the Port Management Housing Scheme and the Port yard must be executed simultaneously. Further within the year under review, the Privately Initiated Investment Proposal (PIIP) was processed by the PPP Unit and negotiation committees formed at both Agency and Ministerial level. This process is still ongoing for the operations of the 1st three berths and construction of the next batch. Beside the aforementioned, the Transactional Advisory consultant for Lamu Port and SEZ was processed culminating to selection of the winning firm to carry out the consultancy. The Authority also initiated discussions with the Ethiopia Maritime Authority on how Ethiopia can explore ways and means of using Lamu Port.

Highways

The LAPSSET Highways is an integral component that is intend create efficiency and reduce the distance to our neighbouring countries significantly. It is well understood that the Lamu Port competitive advantage will only be realized when the missing road links are completed.

During the year under review, the construction of the 338 KMs Lokichar – Lodwar – Nakodok road section commenced, the 389 Kms Isiolo – Lokichar road section progressed to the Feasibility and Detailed Designs Study stage while the 530 Kms Lamu – Garissa - Isiolo Road section progressed to negotiations with DBSA Consortium for financing.

There is need to underscore the preparatory activities that are critical for the delivery of the missing links including land acquisition, finalization of the negotiations with the financiers and commencement of the early works.

Crude Oil Pipeline

The Crude Oil Pipeline project gained momentum following the conclusion of the Joint Development Agreement between the Government of Kenya and the upstream investors. This unlocked the Front End Engineering and the Environmental and Social Impact Assessment studies which facilitate the investment decision. The formation of the Project Management Committee (PMC) has also progressed significantly the execution of the project including the issues of land acquisition and stakeholders mapping and engagements.

International Airports

The Isiolo Airport was also commissioned and operations commenced. There is however some pending works that need to be done for the airport to attract flights. These include lengthening of the run-way, installation of Air Control, Lighting of the runway and construction of the cargo shades. In Lamu, the Integrated Transport Master Plan study was undertaken to assess the best mode of transport to link all the components being implemented there. It is instrumental to note that given the traffic in Lamu, the Manda Airport is expected to serve in the short and medium term and hence it is proposed that a bridge is considered to link Manda Island with the main land.

Planning of the Corridor

In the preceding year, the Authority undertook a Preliminary Planning and Investment Framework with the financial assistance of the United Kingdom. The year under review, this planning was scaled up by procuring the consultancy service for the Lamu Integrated Transport Master Plan. It is imperative to note that in Lamu, there is minimal infrastructure network and while this may be an impediment for operationalization of the projects, it is also presents a golden opportunity for proper planning which takes cognizance of the future growth and expansion.

Apart from planning within Lamu, the Authority engaged the Counties to ensure that the LCP is integrated with the County Integrated Development Plans (CIDPs). This is important to ensure that both levels of government do prioritize the LCP and to ensure enough resources are dedicated to the individual components.

With the assistance of the World Wide Fund (WWF), the Authority commenced the Master Planning of the Corridor. The LAPSSET Corridor Master Plan is a proactive inducement to guide in the developments and securing the ecologically sensitive areas along the corridor and to promote sustainable investments through multi-sectoral and elaborate stakeholder engagements.

SUMMARY OF THE PROJECTS IMPLEMENTATION STATUS

In the year under review, progress was made on the implementation of the projects. It is critical that this implementation pace is maintained and this can only be achieved if all the agencies implementing prioritize their respective component.

The pace delivery is also impacted by the timelines that shall be observed in undertaking the overarching activities. Chief among them that the Authority is undertaking is the land acquisition which is the bedrock of the projects. There has been concerted effort to ensure all the components are adequately housed within the inner corridor and avoid duplication of the land acquisition by individual components. Below is a snapshot of the status of projects for the various components.

Port



- 1st three berths of Lamu Port achieved over 50% completion rate;
- Transactional Advisory for Lamu Port and SEZ procured
- PIIP negotiations with DBSA Consortium ongoing
- 1st Berth to be ready in January, 2019 and other two by December, 2020

Roads



- Isiolo – Moyale road and OSBP 100% completion rate;
- Lokichar – Nakodok construction ongoing;
- Lamu – Isiolo financial negotiations ongoing;
- Isiolo – Nginyang Feasibility and Detailed designs ongoing.
- Lamu – Garsen Road Construction works Commenced

Railway



- Preliminary Design and Feasibility Study completed;
- Process for the Integration of standards and designs between Kenya and Ethiopia started

Crude Oil Pipeline



- JDA signed between the GoK and the upstream investors;
- The FEED and Environmental & Social Impact Assessment studies ongoing;

Airports



- Isiolo Airport Construction completed and commissioned
- Additional improvement works prioritized

Resort Cities



- At planning stage for Lamu and mapping stage for Turkana and Isiolo

STAKEHOLDERS CONSULTATIONS

Stakeholder's engagement is a fundamental precept of the Constitution. Accordingly, the LCDA is well ceased of the requirement to undertake vigorous and sustained stakeholder's consultation and public participation. Given the multiplicity and diversity of the project players, this important role cannot be over emphasised.

The Authority therefore initiated stakeholder's engagement in a number of activities. First, there were consultations with the County Government of Isiolo and Lamu on the location of the Resort cities and land allocation for the other projects components. The issue of fishermen compensation was also addressed and through consultations, a taskforce was constituted to undertake the compensation within the dictates of the High Court Ruling. There was also intense consultation in the year under review in respect to the Master Planning studies being spearheaded by the Authority in Lamu.

We note and affirm that the Authority will continue to engage the various stakeholders, collate their views and incorporate them in decision making to ensure that the project ownership and sustainability guaranteed.

CAPACITY BUILDING AND SKILLS DEVELOPMENT

The Authority has continued to underscore the need for skills development and capacity building especially among the youths along the Corridor. Under the Presidential Scholarship Program, the Authority spent Kshs 44 Million to support 247 continuing students out of the 376 enrolled since inception. Further to this, the Authority through the various stakeholder's forums emphasized on the need for the County Governments and other stakeholders to initiate similar program to ensure that the youths are fully equipped with requisite skills in readiness for the emerging job opportunities.

FINANCIAL PERFORMANCE

During the year under review, the Authority was allocated Kshs 248 Million by the National Treasury. These funds enabled the Authority to undertake operations and coordination, implement the Scholarship programme albeit in not desired threshold and give the counterpart fund for the TA consultancy for the Lamu Port and SEZ.

We retaliante that there are fundamental activities that are required to be undertaken and whose primary initiator is the government. These preparatory and preliminary activities will remain bottleneck and great impediments to the uptake of the LCP by the private sector. Among the critical process and activities that need to be highly considered include the Land acquisition, master planning of the corridor, investment conference, the stakeholder's engagement and full implementation of the scholarship programme.

As pointed earlier, the role and responsibility of the Authority in planning, coordinating and sequencing the LCP is highly undermined by inadequate allocation. It is also noteworthy that this allocation has remained static for years, highly undermining the ability of the Authority to grow and improve efficiency. There is eminent need to consider this level of funding given that LCDA is a relatively new institution and more critically in light of the huge mandate bestowed on the institution.

INSTITUTIONAL OPERATIONAL CHALLENGES

During the year under review, there were several challenges that impeded on achievement of the Authority. First, the budgetary allocation continues to constrain many target activities among them the effective coordination and consultations. There are also pending preliminary and overarching activities that needed to be carried out urgently, among them land acquisition, the Master Planning of the Corridor, the Master Planning of the Resort Cities. We underscore that there is need for these to be carried out in earnest if we have to attract the private sector investors.

Another aspect that was not adequately handled is the Presidential Scholarship Programme which targets to offer full scholarship to 1000 youths in Lamu. This is a critical aspect of the CSI that needs to be replicated across all the LAPSSET Counties. The programme for two years has not managed to bring on board new intake due to financial constraints. We observe that this being a presidential directive needs to be given sufficient support. Further, the inability to fulfil this activity gives the wrong impression of the overall commitment by the government to these communities and any benefits that they may amaze out of the emerging opportunities.

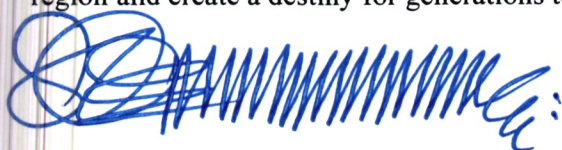
LAPSSET CORRIDOR PROGRAM INTERNATIONAL SUPPORT

The LCP in the year under review received support from the UNECA and NEPAD in facilitating regional synergies among the three participating counties. There has also been demonstration of support through recognition where H.E the President was awarded the 2018 Babacar Ndiaye Grand Trophy awarded by the Africa Road Builders due to championing of infrastructure projects among them LAPSSET Infrastructure.

APPRECIATION

The LCP is pragmatic and urgent developmental calling that is offers a holistic paradigm shift and a deal book on how economic change can be effected. We have moved this project from an impossible concept to a possible reality. This has not been simple, but there has been a battalion of committed and dedicated stakeholders. I therefore on my own behalf and that of the management with sincerity thank all our stakeholders, clients, service providers, the National and County Governments and the many MDAs partaking in the implementation of the LCP. As a coordinating agency, we have had to require of the officer of the Authority to put up long hours and take up assignments in non- specialty areas, gladly they have through dedication and determination learnt fast and executed these assignments. I therefore take this opportunity to thank all the staff of the Authority for their unwavering commitment and support that has borne tangible fruits. The LCP has also received support from regional and international partners, in particular, AfDB, UNECA, NEPAD, UK Government, DfID, World Bank and DBSA have given unflattering support.

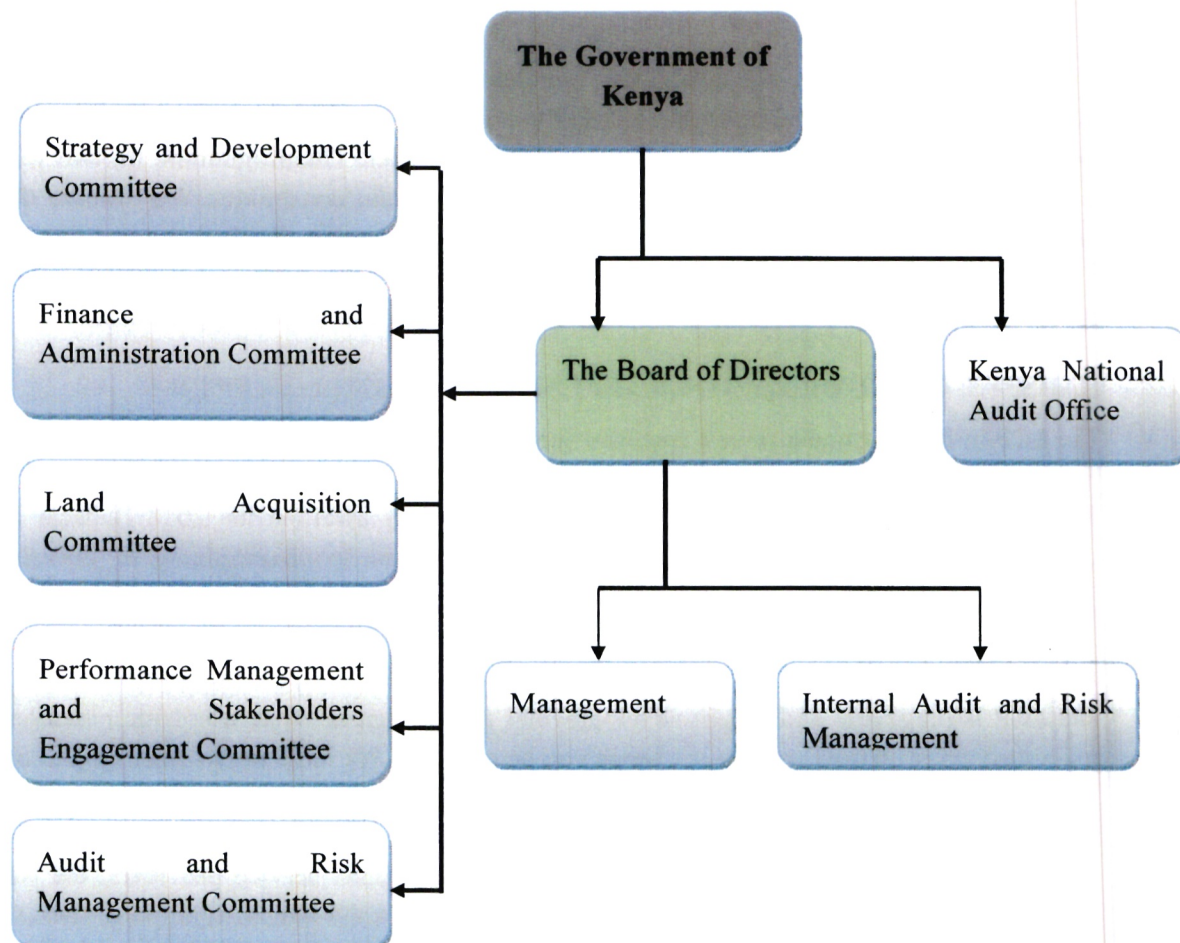
I therefore look forward to your continued support as we strive to transform Kenya and the region and create a destiny for generations to come.



Silvester Kasuku, MBS, CMILT
DIRECTOR GENERAL/CEO

CORPORATE GOVERNANCE STATEMENT

The Board is committed to ensuring that the Authority is professional, transparent, and accountable and further upholds high levels of integrity. The principles and standards adhered to by the Board conforms to guidelines and code of governance issued by State Corporations Advisory Committee and other governance institutions. The LAPSSET Corridor Development Authority governance structure is summarized in the figure below.



THE BOARD AND MEMBERS PERFORMANCE

The Board consists of fourteen directors including the Chairman and the Secretary out of whom five are independent (non-executive) and two are co-opted. The Board composition is drawn from the implementing ministries and independent directors with a good mix of skills, experience and proficiencies in various fields. The Director General/CEO is the Secretary to the Board.

The Directors are independent of Management and their role is to provide leadership and stewardship for effective execution of the Authority's objectives and strategies. The Directors oversee the operations of the management through constructive advice and consistently engaging the management on agreed parameters within the strategic framework set by the Board. The Director General/CEO is responsible to the Board and takes responsibility for the effective and efficient running of the Authority's on day -to -day basis.

MEMBERSHIP OF THE BOARD COMMITTEE

During the Financial Year under review, the following Board Committees were operational and their compositing is presented in the matrix below:-

Name	Finance & Administration	Strategy & Development	Performance Contracting & Stakeholders Engagement	Lands Acquisition	Audit & Risk Management
Alice Kirenge	X	X		X	
Fauziya B. Karama		X	X	X	
James Wachira		X	X		X
Dr. Francis Sang	X	X		X	
PS The National Treasury	X	X			X
PS State Department of Transport	X	X	X		
PS State Department of Energy					X
PS State Department of Tourism	X	X			X
Principal Administrative Secretary Office of the Presidency	X		X		
PS State Department of Lands				X	
PS State Department of Water					
DG Vision 2030		X	X	X	X

The Director General/CEO is the Secretary to the Board Committees except for the Audit and Risk Management where the Chief Internal Auditor is the Secretary.

BOARD MEETINGS

The Board and Committees meet regularly in accordance with business requirements. All the Directors participate in discussing matters tabled before the Board and Committees on Strategy, Operations, and Financial position, Risk Management, Performance and Policies. Committee's

deliberations are presented to the Board for review and adoption. During the Financial Year, the matrix below presents the Board meetings that took place and the attendance.

No.	Membership	3 rd August 2017	30 th Nov, 2017	28 th March, 2018	8 th May, 2018
1.	Amb. Dr. Francis Muthaura	X	X	X	X
2.	Silvester Kasuku	X	X	X	X
3.	Alice Kirenge	X	X	X	X
4.	Fauziya B. Karama	X	X	X	X
5.	James Wachira	X	X	X	X
6.	Dr. Francis Sang	X	X	X	X
7.	PS The National Treasury		X		X
8.	PS State Department of Transport	X	X	X	X
9.	PS State Department of Energy		X		X
10.	PS State Department of Tourism	X	X	X	X
11.	Principal Administrative Secretary Office of the Presidency	X			X
12.	PS State Department of Lands		X	X	X
13.	PS State Department of Water	X	X	X	X
14.	PS State department of Planning	X	X	X	X

ROLES AND FUNCTIONS OF THE BOARD

The Board's principal duty is to provide leadership in the delivery of the LAPSSET Corridor Development Program. Specific functions of the Board are as spelt out in the Establishing Legal Notice Section 9 (a-g). The Terms of Reference for the Board committees are developed and reviewed over time.

ROLE AND FUNCTIONS OF BOARD COMMITTEE

The Board Committees undertakes functions and roles emanating from donated responsibilities and broadly aimed at enhancing the functions and roles of the Board. Specifically, the functions and roles are stipulated and elaborated in Terms of Reference for each committee as follows:

#	COMMITTEE	ROLES AND FUNCTIONS
1.	Strategy and Development Committee	• Provide Direction and Guidance in the implementation of the LAPSSET Corridor Program; • Provide Direction and Guidance in the development and implementation of the Strategic Plan of the Authority; • Provide Direction and Guidance in the development and implementation Board Charter; • Review of technical and policy documents including cabinet papers, board papers, Authority manuals, Memorandums of Understanding (MoUs) addressing issues of technical nature;

#	COMMITTEE	ROLES AND FUNCTIONS
		- To review and recommend for Board Approval the LCDA's Annual Work Plan to ensure that it is in line with the Strategic Plan and the Performance Contract; - Reviewing and approve the LCDA's Resource Mobilization Strategy; - Review the Quarterly Reports on the Implementation of Strategic Plan activities be submitted to the Cabinet Secretary, Ministry of Transport, Infrastructure, Housing and Urban Development ; - Review collaboration activities and partnerships with other agents; - Undertake annual progress review of the Strategic Plan;
2.	Finance and Administration Committee	- Oversee the preparation of LCDAs budget. - Review the LCDA's annual budget before submission and after approval by the Treasury; - Review quarterly Financial Monitoring Reports (FMR); - Review periodic operational budgets and financial statements; - Monitor the continuing efficacy of accounting and internal control; - Comply with the Government financial management regulations; - Monitor the performance of key finance and accounts staff against approved performance contracts; - Oversee the annual procurement plans including the external funded projects; - Recruit and develop of staff of LCDA; - Monitor and appraise the performance of senior management, review human resource policies, determining the remuneration of senior management and other staff.
3.	Performance Contracting and Stakeholders Engagement Committee	- Oversee the preparation of LCDAs Performance Contract. - Identify for inclusion in the Performance Contract targets for the financial year. - Participate in vetting of the Performance Contract. - Review quarterly and annual reports of the Performance Contract before submission to the Performance Contracting Division of the Ministry of Devolution and Planning. - Participate in the evaluation of the Performance Contract.
4.	Land Acquisition Committee	- Oversee the survey and mapping process for all the land falling within the LAPSET Corridor - Oversee the Strategic Environmental Assessment process for the Corridor - Review and guide measures put in place to sensitize the public on Land Acquisition for the Corridor and the compensation process. - Develop a policy framework for compulsory land

#	COMMITTEE	ROLES AND FUNCTIONS
		acquisition through engaging counties and other stakeholders. • Ensure that any land disputes arising from the acquisition of land along the Corridor are effectively addressed. • Guide the process of allocating land to the Authority • Oversee the allocation of land to various users and/or investing firms ensuring that leases are issued to legitimate beneficiaries, and that they are only issued for the required time frame. • Review the Administration of ground rent and demand notices
5.	Audit and Risk Management Committee	• Monitor the implementation of the risk management policy framework; • Monitor and ensure timely implementation of recommendations of various fiduciary oversight responsibilities, including internal and external auditors, Government project monitoring agencies and external funded projects' periodic review and supervision missions; • Oversee continuing efficacy of accounting and internal control standards, policies and practices; • Ensure compliance with legal covenants of Development Partners funding agreement on projects by them; and • Monitor performance of key internal audit staff against approved performance contracts.

INDUCTION AND TRAINING

No Board members was inducted in the Financial Year under review.

PROCESS OF APPOINTMENT AND REMOVAL OF DIRECTORS

The appointment of the Chairman and the Non-Executive Board Members is done by the President pursuant to the provision of the Authority's establishing Legal Notice, 5(1)(a and g(i-v)). The removal of the Directors is provided for under Section 11(1)(b and c(i-v)).

APPOINTMENTS AND RESIGNATIONS

There were no appointments or resignations in the year under review.

BOARD REMUNERATIONS

The Directors are paid sitting allowances for every meeting attended. In addition, the Chairman is paid monthly Honoraria.

CONFLICT OF INTEREST

Directors have a statutory duty to disclose any situations which may give rise to conflict interest with the Authority. The Directors have signed a Code of Governance committing to disclose any conflict of interest which may arise.

MANAGEMENT DISCUSSION AND ANALYSIS

The Authority's Operational and Financial Performance

SECTION A

In executing its mandate of planning, coordination and sequencing of the LAPSET Corridor Program, LCDA commenced the process of acquiring land for the inner corridor of 500 Meters from Lamu – Isiolo – Moyale; and Isiolo – Nakodok for developing the infrastructure components. This process culminated to acquisition of 28,000 HA of land for the Lamu Port and associated investment components. The surveying of the entire corridor and the Strategic Environmental Assessment study also was undertaken.

The Authority also undertook a Lamu Planning and Investment Framework for Lamu Country and commenced the process for the hiring of the Transactional Advisory Services for Lamu Port.

Monitoring Implementation of Project Components of the ongoing projects was undertaken in the year under review and this guided policy decisions on the projects implementation.

PRESIDENTIAL YOUTH SCHOLARSHIPS PROGRAM

A critical component of the Corporate Social Responsibility of the LAPSET program is the provision of scholarships to needy and deserving students which was initiated through a presidential directive. The project to date has supported over 376 students to undertake technical skills and professional courses. The programme experienced financial distress and hence there was no intake during the period under review.

SECTION B

Authority's compliance with statutory requirements

Authority embraces good governance and had structured its operations guided by Public Procurement and Disposals Act, Public Finance Management Act and circulars. Based on that, the Authority does not envisage encountering contingent liability

SECTION C

Key Projects and Investment Decisions Implemented or Ongoing

The Authority in the year under review undertook three key projects:

- i. Lamu Integrated Transport Master Plan
- ii. Lamu Planning and Investment Framework
- iii. Land Acquisition for the Project Components

Some of the key projects LCDA is planning to progress are follows:

Undertake the of Transaction Advisory Services

LCDA with the support of the African Development Bank (AfDB) procured the services of Transaction Advisory consultant to package the Lamu Port and SEZ to bankable status for private sector uptake and consideration for the Public Private Partnership (PPP).

Lamu Transport Master Planning

With the support of the European Union, the Authority undertook a preliminary Transport Master Plan for Lamu. The Authority engaged the LAPSET Corridor Counties to incorporate and integrate the LCP in the County Spatial Plans and the County Integrated Development Plans.

SECTION D

Major risks facing the Authority

Financial risks

The Authority's activities exposed to variety of financial risks such as credit and liquidity risks. The Authority regularly reviews its management policies and systems to reflect changes in markets and emerging best practices. Risk management is carried out by the management under the direct supervision of the board of the directors. The board provides policies for overall risk management as well as policies covering specific areas such as credit risk and liquidity risk.

Credit risks

Credit risk refers to the risk that counterparty will default on its contractual obligation resulting in financial loss to the Authority. Credit risk arises from bank balances, receivables and amount due from related parties.

Liquidity Risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations when they fall due. The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or at the risk of damaging the Authority reputation. The Authority ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. The Authority reinforce this practice by adhering to approved budget and committing/ reserving funds raising purchase/ service orders.

The Authority is banking with reputable financial institutions with sound financial base that will always effect payments from Authority's balances on authorised instructions.

All liquidity policies and procedures are subject to review and approval by the board.

SECTION E

Material arrears in statutory /financial obligations

Authority limits its procurement of goods and services in accordance with its approved budget; hence it has no obligations in terms of pending bills. Authority did procure services of a firm to handle staff pension scheme and all staff pension dues had been channelled to the firm and subsequent remittances are being made in time.

SECTION F

The Authority's financial probity and serious governance issues

So far the Authority has not encountered a situation which may give way to financial improbity or interfere with good governance.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

PRESIDENTIAL DIRECTIVE YOUTH SCHOLARSHIP PROGRAMME

The Presidential Youth Scholarship Programme is a Presidential Directive which the government initiated for retooling the Lamu youths and instilling critical skills in readiness for the emerging opportunities that will be availed by Lamu Port and industrial establishment earmarked for Lamu County.

The Scholarship programme was launched in the year 2014 and is a five year programme which provides comprehensive scholarship for students to pursue degrees, diplomas and certificates in courses mainly targeting Port operations. This will prepare the youths for absorption in emerging opportunities along the corridor. The programme has sponsored 376 students, seventy four are pursuing degrees, 206 diplomas and 96 are undertaking certificate courses. The programme female sponsorship is 38 percent and this is intended to ensure women are equally empowered to seize the emerging opportunities in a competitive manner. So far, 254 students have successfully completed their courses. 122 students are currently in session and out of these, 70 are expected to complete in November 2018, 42 students in 2019 (Degree students) and 10 students (Degree in Medicine and engineering courses) in 2020.

The Authority intends to do additional intakes from 2019, absorbing students in to the Technical and Vocational Education and Training in line with government's effort to strengthen technical skills that are of importance in the market. This direction will also make the scholarship manageable given that the annual fee per student is approximately Kshs 58,000.00 with an annual capitation of Kshs 30,000.00 offered by the government to every student under the TVET Program.

Given the significance of this component in capacity building of the youths along the corridor, the scholarship programme needs to be scaled up to cover the other LAPSSET Corridor Counties. Further, the government commitment needs to be steadied and more resources availed while at the same time bring on board other stakeholders to bolster the programme success.

PART II
FINANCIAL STATEMENTS
2017/2018

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30th, 2018 which show the state of the Authority's affairs as at that date.

Principal Activities

The principal activity of the LAPSSET Corridor Development Authority is to Plan, Coordinate and Sequence the implementation of the LAPSSET Corridor Program Components. These project components are the Lamu Port; highways from Lamu to Isiolo to Moyale and Isiolo to Lokichar to Nakodok; Standard Gauge Railway from Lamu to Isiolo to Moyale and Isiolo to Lokichar to Nakadok; International Airports at Lamu, Isiolo and Turkana; crude oil pipeline and refined oil pipeline and oil refinery, Resort Cities in Lamu, Isiolo and Turkana as well as other supporting infrastructure such as power supply, water supply and fiber optic cable along the Corridor.

Results

The results of the Authority for the year ended June 30, 2018 are set out on page 1-5

Directors

The members of the Board of Directors who served during the year are shown in Part I

Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with the Section 35 of the Public Audit Act, 2015.

By Order of the Board



Secretary to the Board

Nairobi

Date:

15th Oct. 2018

STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 15 of the State Corporations Act, 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.

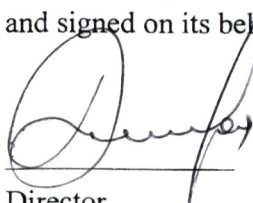
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30th, 2018. This responsibility includes: (i) maintaining adequate 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 Authority; (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 and the State Corporations Act. 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 30th, 2018, 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.

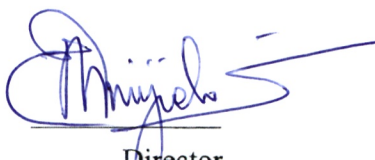
Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Authority's financial statements were approved by the Board on 15th/Oct 2018 and signed on its behalf by:



Director



Director



Director

REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON LAPSET CORRIDOR DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of LAPSET Corridor Development Authority set out on pages 1 to 32, which comprise the statement of financial position as at 30 June 2018, 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, the financial statements present fairly, in all material respects, the financial position of LAPSET Corridor Development Authority as at 30 June, 2018, 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 LAPSET Corridor Development Authority Order, Legal Notice No.58 of March, 2013.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of LAPSET Corridor Development Authority in accordance with ISSAI 30 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.

Report of the Auditor-General on the Financial Statements of Lapsset Corridor Development Authority for the year ended 30 June 2018

Other Matter

Budget and Budgetary Performance

1. Revenue

The Authority's revenue for the year ended 30 June 2018 amounted to Kshs.273,816,011 against a budget of Kshs.274,328,995 resulting to a shortfall of Kshs.512,984 or 0.2%.

Revenue	Budget Kshs.	Actual Kshs.	Excess/(Shortfall) Kshs.	Variance %
Transfer from Ministry	248,310,000	248,310,000	-	-
Donor Receipts	2,000,000	1,487,016	(512,984)	26
Other Receipts	24,018,995	24,018,995	-	-
Total	274,328,995	273,816,011	(512,984)	0.2

The shortfall of Kshs.512,984 or 0.2% was attributed to non-release of earmarked donor funds due to failure to complete procurement of Transaction Advisory Consultant and Lamu City Master Planning by the end of the financial year under review.

2. Expenditure

Actual expenditure amounted to Kshs.263,204,389 against the approved budget of Kshs.274,328,995 resulting to an under expenditure of Kshs.11,124,606 or 4% as follows:

Expenditure	Budget Kshs.	Actual Kshs.	Over/(Under) Kshs.	Variance %
Employees costs	91,000,000	86,747,047	(4,252,953)	5
Board expenses	9,000,000	8,221,582	(778,418)	9
Grants and subsidies	30,900,000	25,917,126	(4,982,874)	16
Operating expenses	138,428,995	138,126,514	(302,481)	0
Acquisition of assets	5,000,000	4,192,120	(807,880)	16
Total	274,328,995	263,204,389	(11,124,606)	4

The under expenditure of Kshs.11,124,606 or 4% implies that some budgeted activities of the Authority were not achieved as planned.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter(s) described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Maintenance of Manual Accounting Records

It was observed that the Authority maintains all its financial records and transactions in manual form. Receipts and expenditure amounts are later extracted from the cashbook and transferred into ledgers maintained in excel worksheets on monthly basis. A review of the excel ledgers made available for audit showed that they lacked important details such as the dates of individual transactions and sufficient narration on the nature of expenditure.

Manual records are prone to errors while excel worksheets cannot be relied upon to provide accurate information as they are subject to manipulation without leaving an audit trail. Management has however stated that the process procurement and installation of a customized software has been initiated.

2. Lack of Segregation of Duties

Regulation 23(1c) of the Public Finance Management Act require Accounting Officers of National Government entities to maintain effective systems of internal control. It was observed that the staffing levels in key departments of the Authority was low leading to lack of segregation of duties required for checks and balances in operations. For example, the human resource and administration department has only three staff members two of whom serve in administration leaving only one officer to handle payroll processing and other personnel related matters. Similarly, in accounts section there are four staff members comprising of an acting accounts manager who is on deployment, an accountant and two assistants while procurement section has only two officers.

Lack of adequate staffing in these key departments undermines the achievement of segregation of duties as required and may enable individual staff members to execute transactions alone from initiation to completion which may occasion errors or fraud. Management has however stated that they are in the process of recruiting additional staff to address the weakness noted.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance. In preparing the financial statements, management is responsible for assessing the Authority's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the National Government either intends to liquidate the Authority or to cease its operations, or has no realistic alternative but to do so.

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,

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

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

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

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

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

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

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

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

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



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

Nairobi

08 April 2019

STATEMENT OF FINANCIAL PERFORMANCE**For the year ended 30th June 2018**

		FY 2017/2018	FY 2016/2017
		Kshs	Kshs
Revenue from non-exchange transactions	Notes		
Transfers from Ministries, Departments and Agencies	6a	248,310,000	248,310,000
Transfers from other governments	6b	1,487,016	22,571,171
Other income	7	9,336,269	9,706,842
Total revenue		259,133,285	280,588,013
Expenses			
Employee costs	8	87,846,513	88,116,389
Board expenses	9	8,221,582	13,965,788
Depreciation expenses	10	14,539,806	11,062,149
Grants and subsidies	11	43,786,533	50,471,720
Operating expenses	12	149,738,921	205,115,785
Total expenses		304,133,355	368,731,831
Deficit for the period		(45,000,071)	(88,143,817)

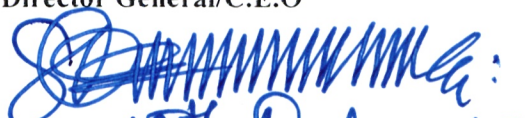
The notes set out from pages 7 to 32 form an integral part of the Financial Statements

STATEMENT OF FINANCIAL POSITION**As at 30th June 2018**

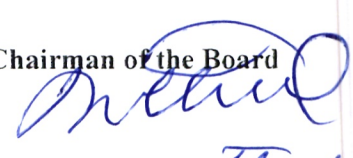
		2017-2018	2016-2017
		Kshs	Kshs
Assets	Notes		
Current assets			
Cash and cash equivalents	13	10,611,621	23,827,331
Receivables from exchange transactions	14	6,024,290	4,240,377
Total current assets		16,635,910	28,067,708
Non-current assets			
Property, plant and equipment	15	20,747,420	31,095,105
Total assets		<u>37,383,330</u>	<u>59,162,814</u>
Liabilities			
Current liabilities			
Provisions and payables	16	36,574,517	6,559,291
Employee benefit obligation	17	7,814,644	5,464,678
Total liabilities		44,389,161	12,023,969
Net assets		(7,005,831)	47,138,845
Capital grants		6,259,026	15,403,631
Accumulated Surplus		(13,264,857)	31,735,214
Total net assets and liabilities		<u>37,383,330</u>	<u>59,162,814</u>

The Financial Statements set out from pages 1 to 5 were signed on behalf of the Board of Directors by:

Director General/C.E.O


Date.....15th Oct. 2018

Chairman of the Board


Date.....17th Apr/2019

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30th June 2017

	Accumulated Surplus 2016/2017 Kshs	Capital Grants * 2016/2017 Kshs	Total 2016/2017 Kshs
Reserves as at 1st July 2016	119,879,031	24,716,324	144,595,356
Amortized during the year	-	(9,312,694)	(9,312,694)
Deficit for the year	(88,143,817)	-	(88,143,817)
30th June 2017	31,735,214	15,403,631	47,138,845

For the year ended 30th June 2018

	Accumulated Surplus 2017/2018 Kshs	Capital Grants* 2017/2018 Kshs	Total 2017/2018 Kshs
Reserves as at 1st July 2017	31,735,214	15,403,631	47,138,845
Amortized during the year	-	(9,144,605)	(9,144,605)
Deficit for the year	(45,000,071)	-	(45,000,071)
30th June 2018	(13,264,857)	6,259,026	(7,005,831+)

NOTE: *Capital grants relate to donated assets by Presidency and various Authorities at the time of establishment of the Authority which was amortized during the year under review.

STATEMENT OF CASH FLOWS

		2017/2018	2016/2017
		Kshs	Kshs
Cash flow from Operating Activities	Note		
Receipts			
Transfers from Ministries, Departments and Agencies	6a	248,310,000	248,310,000
Transfers from other governments	6b	1,487,016	22,571,171
Other income	7	191,664	394,148
		249,988,680	271,275,319
Payments			
Employee costs	8	86,747,047	92,575,213
Board expenses	9	8,221,582	13,965,788
Grants and subsidies	10	25,917,126	55,158,470
General expenses/operating	12	138,126,514	197,641,019
		259,012,269	359,340,490
Net Cash from Operating Activities	18	(9,023,590)	(88,065,171)
Purchase of Fixed assets	15	(4,192,120)	(14,524,061)
Net cash used in investing activities		(4,192,120)	(14,524,061)
Net decrease in cash and cash equivalents		(13,215,710)	(102,589,232)
Cash and cash equivalents at the beginning of the year		23,827,331	126,416,563
Cash and cash equivalents at the end of the Year	13	10,611,622	23,827,331

Note: IPSAS 2 Allows either direct or indirect method for use in preparation of Cash-flow statement. The Authority adopted direct method for presentation of Cash-flow statement as per the recommendation by PSASB.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

ITEMS	Original Budget	Adjustments	Final Budget	Actual on Comparable basis	Performance difference	Performance %
Revenue						
Transfers from Ministry	248,310,000	-	248,310,000	248,310,000	-	
Transfers from other Government	25,000,000	(25,000,000)	-	-	-	
Donor Receipts-Direct payments	223,000,000	(221,000,000)	2,000,000	1,487,016	512,984	16
Other income:						
-Bank interest	-	191,664	191,664	191,664	-	
-Previous year balance	23,800,000	27,331	23,827,331	23,827,331	-	
Total revenue	520,110,000	-	274,328,995	273,816,011		
Expenses						
Employee costs	93,700,000	(2,700,000)	91,000,000	86,747,047	4,252,953	5
Board Expenses	9,000,000	-	9,000,000	8,221,582	778,418	9
Grants and subsidies	30,900,000	-	30,900,000	25,917,126	4,982,874	16
Operating expenses	375,310,000	(236,881,005)	138,428,995	138,126,514	302,481	0
Fixed Asset	11,200,000	(6,200,000)	5,000,000	4,192,120	807,880	16
Total expenses	520,110,000		274,328,995	263,204,389		
Surplus for the period				10,611,622		

NOTE: Under Grants and Subsidies some invoices were not submitted to the Authority by learning institution by the end of the year, Under fixed Assets procurement of accounting software was not concluded by the end of Financial Year, Under Donor Receipts procurement of Transaction Advisory consultant and Lamu City Master planning not concluded by the end of Financial Year

A Reconciliation of Budget in Cash and Statement of Financial Performance in Accrual Basis

	2017/2018		
	Reconciliation Employees Costs	Reconciliation Grants and Subsidies	Reconciliation operating expenses
Actual amount	86,747,047	25,917,126	138,126,514
Add: Prepayments 2016/2017	775,833.00		2,758,809.60
Add: Accruals 2017/2018	7,814,644.00	24,408,481.00	12,166,036.00
Less: Accruals 2016/2017	- 5,464,678.00	- 6,539,074.00	- 20,217.00
Less: Prepayments 2017/2018	- 2,026,334.00	-	- 3,292,221.00
Statement of Performance 2017/2018	87,846,512.00	43,786,533.00	149,738,921.60

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

LAPSSET Corridor Development Authority was established by Legal Notice No. 58 of March 2013 and it derives its authority and accountability from the above Legal Notice. The Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activity is planning and coordination of activities towards delivery of LAPSSET projects.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Authority's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Authority. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise.

The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period. The entity adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the entity.
IPSAS 34: Separate Financial Statements	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements

Standard	Impact
	The entity does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply
IPSAS 35: Consolidated Financial Statements	Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an entity controls one or more entities. It requires an entity that controls one or more other entities to assess control over those entities based on the following: - Its power over the other entity - Its exposure or rights to variable benefits from involvement with the other entity - Its ability to control the nature, timing and amount of benefits from the other entity. Once control is assessed the controlling entity is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of IPSAS 35. The entity does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply
IPSAS 36: Investments in Associates and Joint Ventures	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest. The entity does not have investments in associates or joint ventures and therefore the standard does not apply
IPSAS 37: Joint Arrangements	Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly The entity does not have an interest in a joint arrangement and therefore the standard does not apply

Standard	Impact
IPSAS 38: Disclosure of Interests in Other Entities	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows. The entity does not have an interests in other entities and therefore the standard does not apply
IPSAS 39: Employee Benefits	(Effective for annual periods beginning on or January 1, 2018) The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach. The Authority's defined contributory pension scheme and is managed by independent contracted entity and therefore the standard does not apply

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

Standard	Effective date and 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 which are covered purely under Public Sector combinations as amalgamations.

iii. Early adoption of standards

The Authority did not early – adopt any new or amended standards in year 2018.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (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 Authority and can be measured reliably.

Amortization of Capital Grants

Economic benefits or service derived from Capital Grants/ Donations are measured at fair value and recognised on obtaining control of the asset and on yearly basis the assets are amortised over their useful life.

ii) Revenue from exchange transactions

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.

b) Budget information

The original budget for the FY 2017/2018 was approved by the board on 3rd August, 2017. Subsequent revision was made and approved. The financial statements are prepared on accrual basis using classification based on the nature of the expenses in the statement of the financial performance, whereas the budget is prepared on a cash basis.

c) Taxes

Current income tax

The Authority is funded through National Treasury exchequer and it does not generate its own revenue for its operations. Hence the Authority does not pay corporate tax.

d) 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 Authority 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The assets of LCDA are depreciated annually on a straight-line basis and the depreciable amount charged to income over the assets useful life at the following rates:-

	Asset	Depreciation (%)
i.	Furniture & Fittings:	12.5
ii.	Office partitions and Fixtures:	16.7
iii.	Office Equipment	12.5
iv.	Motor Vehicles	25
v.	Computer Equipment and Accessories:	33.3
vi.	Property, Plant and Equipment's:	10

When an asset is acquired within the year, proportional depreciation is charged in the year of purchase and proportional depreciation charged in the year of disposal.

e) Leases

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

f) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are 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 Authority determines the classification of its financial assets at initial recognition.

Loans and receivables

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

Impairment of financial assets

The Authority assesses at each reporting date whether there is objective evidence that a financial asset or a Authority of financial assets is impaired. A financial asset or a Authority 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 Authority of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a Authority 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)

g) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Authority 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.

h) Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Contingent assets

The Authority does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority 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.

i) Nature and purpose of reserves

The Authority creates and maintains reserves in terms of specific requirements. Capital grants relate to donated assets.

Capital Grants

Capital grants comprises of the following assets donated by the office of the Deputy President, Lake Basin Development Authority, Coast Dev. Authority and Ewaso Nyiro North Dev. Authority .These assets were initially recognized at fair value when they were donated and subsequently depreciated at the applicable depreciation rates. Income is recognized annually under the amortized capital grant over the useful life of the asset.

TYPE	NO	DONOR	PURPOSE
Motor Vehicles	5	Office of the Deputy President	For use by the Authority
Furniture	Assorted	Lake Basin Dev. Authority, Coast Dev. Authority, Ewaso Nyiro North Dev. Authority	For use by the Authority
Partitions	Assorted	Lake Basin Dev. Authority, Coast Dev. Authority, Ewaso Nyiro North Dev. Authority	For use by the Authority

j) Changes in Accounting Policies and Estimates

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

k) Employee benefits

Retirement benefit plans

The Authority provides retirement benefits for its employees. Defined contribution plans are post employment benefit plans under which an Authority pays fixed contributions into a separate Authority (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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

l) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction/ disbursement.

m) Related parties

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

n) 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 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

p) Comparative figures

Prior period comparative information has been presented in the current financial year where necessary, comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

q) 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 30th, 2018

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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 Authority based its assumptions and estimates on parameters available when the consolidated

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 Authority. Such changes are reflected in the assumptions when they occur.

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 Authority.
- 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 16

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.

6 TRANSFERS

6a Transfers from Ministries, Departments and agencies

				2017/2018	2016/2017
	Amount recognized statement of the comprehensive Income	to deferred under differed income	Amount recogniz ed in Capital Fund ksh	Total income during the year	
		Ksh	Ksh	Ksh	Ksh
State	248,310,000			248,310,000	248,310,000
Department of Transport		-	-		
Sub-total	248,310,000	-	-	248,310,000	248,310,000

6b Transfers from Other Governments

				2017/2018	2016/2017
	Amount recognized statement of the comprehensive Income	to deferred under differed income	Amount recognized in Capital Fund ksh	Total income during the year	
		Ksh	Ksh	Ksh	Ksh
Grant-British High Commission	-	-	-		22,571,171
Grant-African Development Bank	1,487,016			1,487,016	
Sub-total	1,487,016	-	-	1,487,016	22,571,171
TOTAL	249,797,016			249,797,016	

7 OTHER INCOME

	FY 2017/2018	2016/2017
Amortized Capital Grant	9,144,605	9,312,694
Interest Income earned	191,664	394,148
Total	9,336,269	9,706,842

8 EMPLOYEE COST

	FY 2017/2018	2016/2017
Basic Salaries of Permanent Employees	57,742,005	53,785,328
Medical Aids	-	-
Gratuity	5,565,116	-649,907
Leave allowance	1,881,342	2,853,919
Pension	2,738,800	10,880,799
Sub-Total	67,927,263	66,870,139
PAYE	19,386,599	19,633,290
NHIF	532,650	1,612,960
Sub – Total	19,919,249	21,246,250
Total	87,846,512	88,116,389

9 BOARD OF DIRECTORS EXPENSES

	FY 2017/2018	2016/2017
Board of Directors cost	7,177,582	12,921,788
Chairman's Honoraria	1,044,000	1,044,000
Total	8,221,582	13,965,788

10 DEPRECIATION

	2017/2018 Kshs	2016/2017 Kshs
Motor vehicles	9,675,901	5,864,853
Computer and Accessories	858,965	1,246,908
Furniture and Fittings	269,758	215,206
Partitions	3,735,182	3,735,182
Total	14,539,806	11,062,149

11 GRANTS AND SUBSIDIES

	FY 2017/2018	2016/2017
Presidential Youth Scholarship programme	43,786,533	50,471,720

12 OPERATING EXPENSES

	FY 2017/2018	2016/2017
Telephone, Postage and Courier	3,629,626	4,037,771
Coordination Activities	12,942,013	18,498,369
Investment and funds Mobilization	17,001,740	7,852,556
Monitoring –Presidential Scholarship programme	71,750	1,186,256
Project Counties & Stakeholders Engagements	26,764,552	17,340,300
Lamu Project Ground breaking Preparation	-	0
Survey of Corridor	-	11,207,340
Corridor Security Master Planning Activities	-	1,149,000
International Project Investor engagement meetings	8,976,589	16,210,184
Printing, Advertising and Information Supplies & Services	3,678,337	4,128,116
Rent Expenses	25,442,857	21,574,948
Training Expenses	854,950	2,311,274
Hospitality		5,873,083
Project Coordination Assignments	2,921,500	4,593,679

Office and Project Operation stationeries	2,007,857	5,015,338
Project Planning and Preparation Activities	4,937,701	3,595,953
Project Vehicles Operation Cost	6,404,503	7,546,125
Cleaning Services	1,065,312	977,700
Insurance	5,517,249	7,264,605
Consultancy	23,664,011	60,456,411
General Expenses***	3,799,214	3,820,967
Repair and Maintenance	59,160	475,809
Sub Total	149,738,921	205,115,784

***General expenses include Lamu port land allocation expenses, bank charges, gazetting of LAPSET corridor, membership subscriptions and newspapers.

13 DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

For the purposes of cash flow cash and cash equivalents include bank balances, cash in hand, salary advance and staff imprest

Banks/Cash

		2018	2017
		Kshs	Kshs
Financial Institution	Account Number		
Current Accounts			
Kenya Commercial Bank	1142485498	1,810,733	1,359,533
NIC-Bank	1001309354	8,383,864	1,260,648
CFC Stanbic-Bank	0100004036397	372,296	21,194,984
Sub-Total		10,566,893	23,815,165
b) Others			
Cash In hand		44,728	12,166
Sub-Total		44,728	12,166
Total		10,611,621	23,827,331

	2017/2018	2016/2017
	Kshs	Kshs
Balance at the Beginning of the Year	4,240,377	11,403,926
Additional provision Raised		
Rent	3,988,822	1,458,744
Post Office	9,133	5,800
Medical Insurance		2,000,000
Salary Advances	2,026,334	775,833
Provision Utilized During the Year	4,240,377	11,403,926
Total	6,024,289	4,240,377

15 PROPERTY AND EQUIPMENT

In Kshs

Cost/Valuation	Motor Vehicles	Furniture & Fittings	Partitions	Computers	Totals
As at 1st July 2015	22,310,048	1,068,875	22,366,358	3,074,042	48,819,323
Additions during the year	-	250,000	-	507,200	757,200
Disposals	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-
As at 30th June 2016	22,310,048	1,318,875	22,366,358	3,581,242	49,576,523
Additions during the year	13,109,913	758,168.00	-	655,980.00	14,524,061
Disposals	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-
As at 30th June 2017	35,419,961	2,077,043	22,366,358	4,237,222	64,100,584
Additions during the year	3,956,000	236,120	-	-	4,192,120
Disposals	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
As at 30th June 2018	39,375,961	2,313,163	22,366,358	4,237,222	68,292,704
Depreciation and impairment					
As at 1st July 2016	(11,323,113)	(254,850)	(8,636,968)	(1,728,398)	(21,943,329)
Depreciation	(5,864,853)	(215,206)	(3,735,182)	(1,246,908)	(11,062,149)
Impairment	-	-	-	-	-
As at 30th June 2017	(17,187,966)	(470,056)	(12,372,150)	(2,975,306)	(33,005,478)
Depreciation	(9,675,901)	(269,758)	(3,735,182)	(858,965)	(14,539,806)
Impairment	-	-	-	-	-
As at 30th June 2018	(26,863,867)	(739,814)	(16,107,332)	(3,834,271)	(47,545,284)
Net book values					
As at 30th June 2018	12,512,094	1,573,349	6,259,026	402,951	20,747,420
As at 30th June 2017	18,231,995	1,606,987	9,994,208	1,261,916	31,095,106

16 PROVISIONS AND PAYABLES

	2017/2018	2016/2017
	Kshs	Kshs
Presidential Youth Scholarship	24,408,481	6,539,074
Printing, Advertising and information supplies	1,073,400	-
Consultancy	4,139,895	-
Service charge-rent	2,870,464	-
Insurance -Motor Vehicle		20,217
Investment and fund mobilization	418,000	
International project investor engagement meetings	3,664,268	
Total	36,574,517	6,559,291

17 EMPLOYEE BENEFIT OBLIGATION-GRATUITY

	2017/2018	2016/2017
	Kshs	Kshs
Balance at the beginning of the year	5,464,678	3,417,478
Additional provisions raised	5,565,116	5,565,115
Provisions utilized	3,215,150	3,517,917
Closing Balance	7,814,644	5,464,677

Note: Gratuity is payable to qualifying employees at a rate of 31% of the basic salary. This being the gratuity balance due amounting to Kshs **7,814,644** relates back from March, 2016. Detail balances are as follows;

SERVICE GRATUITY FOR FY 2017/2018 BALANCES

Officer Name:	Designation	Closing Balance As at 30 th June, 2018
Silvester Kasuku	Director General/CEO	5,122,479
James Esimit Achuka	HR/Admin Manager	242,978
Norman N. Muraya	Senior Economist	744,000

SERVICE GRATUITY FOR FY 2017/2018 BALANCES Cont.

Officer Name:	Designation:	Closing Balance As at 30th, June, 2018
Judith Sarange	Economist	639,841
Lucy W. Mburu	Secretary	56,788
Bernard O. Oluoch	Finance Officer	609,010
Dorothy W.Nziki	Record Management Officer	399,548
TOTAL		7,814,644

18 CASH GENERATED FROM OPERATIONS

	2017/2018	2016/2017
	Kshs	Kshs
Surplus/(Deficit) for the Year	(45,000,071)	(88,143,817)
Adjusted for:		
Depreciation	14,539,806	11,062,149
Amortized capital grant	(9,144,605)	(9,312,694)
Working capital changes		
Increase in Receivables	(1,783,913)	7,163,548
Increase in provision		
Increase in grant receivable		
Increase in provisions and payables	30,015,226	(10,881,556)
Increase in gratuity	2,349,968	2,047,200
Net cash flow from operating activities	<u>(9,023,589)</u>	<u>(88,065,171)</u>

1. FINANCIAL RISK MANAGEMENT

The Authority's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Authority's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

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

FINANCIAL RISK MANAGEMENT CONTINUED

(i) Credit risk

The Authority has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

	Total amount Kshs	Fully performing Kshs	Past Due Kshs	Impaired Kshs
At 30 June 2018				
Receivable from exchange transactions	5,318,555	5,318,555	Nil	Nil
Receivable from non- exchange transactions	0	0	N/A	N/A
Bank balances	10,566,893	10,566,893	N/A	N/A
Total	15,885,448	15,885,448		
At 30 June 2017				
Receivable from exchange transactions	4,240,377	4,240,377	Nil	Nil
Receivable from non- exchange transactions	0	0	N/A	N/A
Bank balances	23,815,165	23,815,165	N/A	N/A
Total	28,055,542	28,055,542		

(ii) Liquidity risk managements

APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME:	LAPSSET CORRIDOR DEVELOPMENT AUTHORITY		
	Break down of Transfers from the State Department of Transport			
	FY 17/18			
a.	Recurrent Grants			
		Bank Statement Date	Amount (KShs)	Year
		07/08/2017	62,077,500	2017/2018
		09/11/2107	62,077,500	2017/2018
		12/02/2018	62,077,500	2017/2018
		23/04/2018	62,077,500	2017/2018
		Total	248,310,000	

The above amounts have been communicated to and reconciled with the parent Ministry

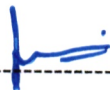
Ag. Finance Manager

LCDA

Head of Accounting Unit

State department of Transport

Sign



Sign



APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring funds	Date received			Where Recorded/recognized					
	as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others – statement of cash flow	Total Transfers during the Year
African Development bank(AfDB)	Direct payments	Donor Fund	1,487,016	1,487,016	0	0	0	1,487,016	1,487,016
Total			1,487,016	1,487,016	0	0	0	1,487,016	1,487,016