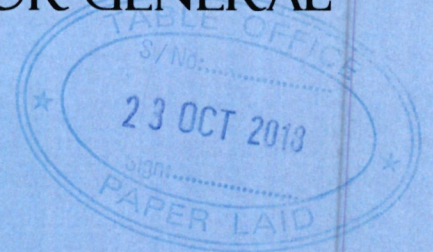


REPUBLIC OF KENYA



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By the LOM  
on Tuesday,  
23rd Oct, 2018,  
[Signature]*

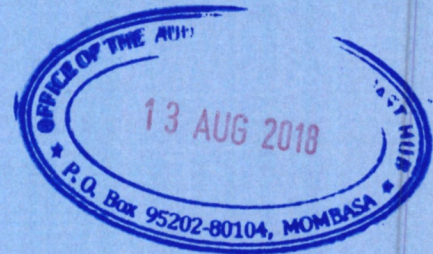
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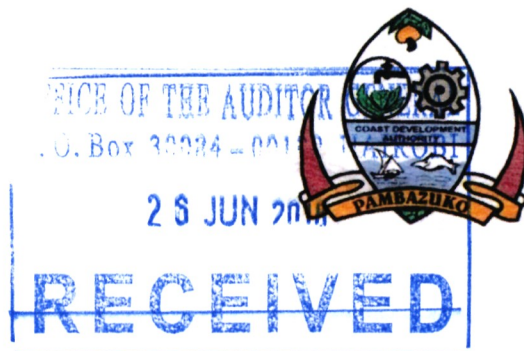


THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
COAST DEVELOPMENT AUTHORITY

FOR THE YEAR  
ENDED 30 JUNE 2017



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**COAST DEVELOPMENT AUTHORITY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2017**

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

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## **I. KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

The Authority was created by an Act of Parliament Cap 449 No. 20 of the laws of Kenya in 1990 The Act, which created the Authority, mandated it to initiate, plan and coordinate the implementation of development projects in whole of the Coast Province and the Exclusive Economic Zone (EEZ) and for connected purposes.

#### **Vision**

To Be The Best Authority Globally In Implementing Integrated Development By 2030.

#### **Mission**

To Spur Socio-Economic Development, Promote Value Addition And Environmental Sustainability.

#### **Strategic Objectives**

- To Contribute to Poverty Reduction and Improvement of Socio-Economic Well Being of the Communities in CDA's Area of Jurisdiction.
- Enhance Capacity Building for Environmental and Water Resources Management, Basin -Based Development.
- Formulate, Promote and Implement Integrated Regional Development Plans, Programs and Projects
- To Conserve and Manage the Natural Resources for Sustainable Development in the Region.
- To Strengthen CDA's Financial Base.

#### **Role of Coast Development Authority**

- a) Formulating of integrated regional development plans in consultation with other stakeholders. In this role, the CDA will be charged with drawing up the integrated regional development master plan, ensuring that the plan is owned by the whole region and prudently drawing on the resources of all the major partners in the region.
- b) Conducting comprehensive resource mapping, establishment of resources data banks and identifying resources based investment opportunities in the region.
- c) Promoting of resources based investment and conservation of resources in the region.
- d) Acting as a clearing house for resource based integrated investments in the region. In this role CDA will vet and approve all resource based multi-sectoral and inter regional investments in the region in order to ensure that such investments meet the priority needs of the region and that mechanisms for community participation in the investments have been established.

- e) Monitoring and documenting the levels of development in the region and disseminating the information to various stakeholders.
- f) Initiating, planning, coordinating, marketing and implementing multi-sectoral development programs/projects.
- g) Establishing mechanisms and instruments for empowering local communities to participate in regional development activities.
- h) Establishing mechanism for ensuring equitable compensation and benefit sharing for the local communities arising from the economic exploitation of resources in the region.
- i) Establishing mechanisms for coordinating the implementation of national and sectoral policy programs within the region.
- j) Establishing an enabling investment climate in the region.

### **Functions of the Authority**

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

1. Plan for the development of the Area and initiate project activities identified from such planning in the development and through the Government generally ;
2. Develop an up to date long range development plan for the Area;
3. Initiate such studies, and carry out surveys of the Area as may be considered necessary by the Government or the Authority and to assess alternative demands within the Area on the natural resources thereof, and initiate, operate, or implement such projects as maybe necessary to exploit those natural resources including Agriculture ( both irrigated and rain fed) ,forestry, wildlife and tourism industries, electric power generation, mining and fishing, and to recommend economic priorities;
4. Coordinate the various studies of schemes within the Area such that human, water, animal, land and other resources are utilized to the best advantage and to monitor the design and execution of planned projects within the Area;
5. Effect a programme of both monitoring and evaluating the performance projects within the Area so as to improve such performance and establish responsibility thereof, and to improve future planning;
6. Coordinate the present abstraction and use of natural resources, especially water within the Area and to set up effective monitoring o the abstraction and usage;

7. Cause and effect the construction of any works deemed necessary for the protection and utilization of the water and soils of the Area including hydro-power development for the multipurpose utilization of water resources;
8. Ensure landowners in the Area undertake all the measures specified by the Authority to protect the water and soils of the Area;
9. Identify, collect, collate and correlate all such data related to the use of water and other resources and also economic and related activities within the Area as maybe necessary for the efficient forward planning of the Area;
10. Maintain a liaison between the Government, the private sector and other interested agencies in the matter of the development of the Area with a view to limiting the duplication of effort and ensuring the best use of the available technical resources
11. Examine the hydrological effects and the subsequent ecological changes on the development programmes and evaluate how they affect the economic activities of the persons dependent on river environment;
12. Implement development projects and programmes whose primary objective is to promote socio-economic development of the Coast Province in particular and Kenya in general;
13. Plan and liaise with the relevant authorities as necessary in exploration and development of the extensive fishing and marine activities in Kenya especially in the exclusive economic zone.

## **II. CORE FUNCTIONS OF THE AUTHORITY**

BASED ON THE GENERAL FUNCTIONS AS OUTLINED IN SECTION (8) OF THE CDA ACT CAP.449, THE CORE FUNCTIONS OF THE AUTHORITY ARE:-

14. Regional data identification collection, collation and correlation for integrated regional planning purposes.
15. Conducting comprehensive resource mapping, establishment of resource data bank and identifying resource based opportunities in the region.
16. Integrated regional planning for sustainable utilization and management of coastal resources, based on environmental carrying capacity.
17. Development of local capacities to sustain the continuation and maintenance of integrated communal project through sensitization and training.
18. Initiation, harmonization and coordination of sectoral and community interest in the implementation of regional social economic development projects.

19. Exploration, promotion, and conservation (including surveillance) marine resources within the exclusive economic zone and other coastal resources for sustainable development.
20. Act as a clearing house for resource based integrated investments in the region.
21. Sourcing for innovations and research findings for implementation of pilot/demonstration projects for the purpose of dissemination of the technology.
22. Promotion of public- private partnership (PPP) in commercial activities and community development within its area of jurisdiction.
23. Establishing mechanisms and instruments of empowering local communities to participate in regional development activities.
24. Monitoring, evaluating and documenting regional development projects and programs for effective achievement of the set objectives.

CDA’s ultimate aim from the above core functions is to bring about a more equitable regional development and poverty reduction given the existing regional development imbalances.

**Areas of Jurisdiction**

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

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

CDA’s area of jurisdiction covers Coast Region with an estimated area of 83,681km<sup>2</sup> spanning 6 counties listed below.

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

**(b) Key Management**

The day-to-day management is under the following:

Managing Director

Board of Directors

**(c) Entity Headquarters**

Mama Ngina Drive,  
Next to UhurunaKazi Building  
Mombasa, KENYA

**(d) Entity Contacts**

P.O.Box 1322-80100

Mombasa

Telephone :( 254) 020 8009196

E-mail: [cda@cda.go.ke](mailto:cda@cda.go.ke)

Website: [www.cda.go.ke](http://www.cda.go.ke)

**(e) Entity Bankers**

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

**MOMBASA**

Equity Bank  
P.O. Box 381-80108

**MOMBASA**

Kenya Commercial Bank  
Treasury Square

P.O. Box 90254 – 80100

**MOMBASA**

Barclays Bank  
Kilifi Branch

**KILIFI**

**(f) Independent Auditors**

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

**NAIROBI**

**(g) Principal Legal Adviser**

Attorney - General  
State Law Office  
Harambee Avenue  
P.O. Box 40112-00200

**NAIROBI**

### III. THE BOARD OF DIRECTORS



**Chairman**

**Hon. Suleiman Mwaronga Kamolleh**

Appointed 17<sup>th</sup> April 2015 Gazette Notice No. 2852.

Resigned May 2017

**Education:**

MSc in Economics, Augsburg University

B.Com (Hons) University of Nairobi, American University (Cairo)

Diploma in International Banking, Bordeaux University, France

**Work Experience:**

Deputy General Manager and PA to CEO, Kenya Commercial Bank

Manager, Marketing and Administration, Kenya Commercial Bank

Manager, Private Banking, Commercial Bank of Africa

Manager, Credit Department, Citibank Munich/Athens

Banking Officer – Credit Rating, Federal Bank of Germany (Munich and Frankfurt)

**Other Experiences:**

Member of Parliament Matuga Constituency, Kwale District (Member of Public Accounts Committee and Anti-corruption)

Member of Africa Parliamentarian Network against Corruption)

Executive Director Engineering and Utility Management Company Limited

Director/Chairman Eastern and Southern Africa Trade and Development



**Ibrahim Khamis Mutwafy**

**Current Ag. Board Chairman**

Date of Birth: 28.6.1968

**Education:**

MBA Strategic Management JKUAT, Nairobi

BA Political Science and Languages, UON

Diploma in Clearing and Forwarding

**Work Experience:**

Head of Inland Banking, Habib Bank Limited

Chairman (Mvita CDF, Board of Governors K.P Secondary School and Shimo Old Boys Association)

Senior Vice Chairman, KFF Mombasa Sub Branch, Patron Football Section, Mombasa Sports Club, Chairman, Education Committee, Imam Shafy, Muslim School



**Ali Korane**

**Resigned to pursue political interests**

Date of Birth:

**Education:**

MA International Studies and Diplomacy

BA International Studies and Diplomacy

MSc in Police Leadership

MBA Strategic Management

Graduate National Defence College

**Work Experience:**

Chairman Refugee Affairs Advisory Committee

Kenya's Special Envoy, Horn of Africa PS in

Ministries of Tourism, Information, Home Affairs and Heritage Gender and Sports. District

Commissioner Businessman (Schools, Real

Estate, Construction, Energy and Consultancy



**Charles Mwemba Mwaiseghe**

Date of Birth: 1<sup>st</sup> April 1953

**Education:**

P1 Teacher, Shanzu Teachers Training College  
East Africa Certificate of Education (EACE)  
Kenya Junior Secondary Education (KJSE)  
Certificate of Primary Education

**Work Experience:**

Candidate 2013 Mwatate Parliamentary Seat (URP)  
Secretary, Mwatate CDF  
Career Teacher rising to Senior Approved Teacher  
Chairman Taita Taveta Sacco  
Branch Vice Secretary KNUT, Taita Taveta Branch



**Mwanasaid Ntembe Makoti**

**Resigned to pursue political interests**

Date of Birth: 16.6.1955

**Education:**

PHD in progress, Kenyatta University  
M.Ed, Kenyatta University  
HDHRM-Higher Diploma in Human Resources Management  
B.Ed (Early Childhood) Kenyatta University  
Primary Teacher Certificate

**Work Experience**

Part time Lecturer, Kenyatta University, Mombasa Campus  
Commissioner Teachers Service Commission  
Curriculum Developer, Kenya Institute of Education  
Programme Officer, Kwale Education Office  
Divisional Assistant Primary Schools Inspectors  
District Staffing Officer



**Abudi Omar Mohamed**

Date of Birth: 1963

**Education:**

PI Certificate, Meru Teachers College

**Work Experience:**

Manager, Gatewise and Island View Academy, Sheikh Zayed Children Centre  
Teacher, Tudor Academy  
TSC Teacher



**Hirsi Sheikh Dulow**

Date of Birth: 15.12.1955

**Education:**

NYS Basic Course, Gilgil  
Basic Police Training, Administration Police Training College, Nairobi  
Security Leaders Training, Mbaraki Police Mombasa

**Work Experience:**

Senior Commandant Administration Police (SACAP)  
Provincial Commander  
Candidate, Bura Constituency Parliamentary Seat  
Police Store  
Verification, Dubai, Hongkong, China, Korea, Thailand



**Esther KacheZiro**

Date of Birth:15.7.1970

**Resigned to pursue political interests**

**Education:**

Diploma in Community Development and Business Management,Pwani University  
 Certificate in World Town Planning  
 Certificate in Risk Management  
 Certificate in Capacity Building  
 Women Leadership Training

**Work Experience:**

Business Lady,Kilifi  
 Chairperson (Town Planning Committee, Audit Committee, Education Committee,HIV/AIDS Committee)  
 Elected Councillor



**Otto SaukaMruttu**

Date of Birth:11.7.1974

**Education:**

Professional Examinations in Architecture,Board of Registration of Architects & Quantity Surveyors Kenya,University of Nairobi  
 Royal Institute of British Architects, South Bank University ,London, UK  
 B.Arch(Hons) Architecture Canterbury School of Architecture, UK  
 Lenana School ,Nairobi

**Work Experience:**

Managing Director Otto Mruttu + Partner Architects  
 Registered Architect (No.A1023) 16 years experience.  
 Awarded 2016 Excellence in Architecture Award Best Residential Category  
 Awarded 2014 Excellence in Architecture Award-Best Ongoing Project Category  
 Member TaitaTaveta County Land Management Board

**David Jakaiti**

Ministry of Water and Irrigation  
 State Department of Water Service  
 Alternate Director

**Richard Mwarema**

Alternate Director  
 Ministry of Devolution and Planning,  
 State Department of Planning and Statistics

**Justin Muriuki**

Alternate Director  
 Ministry Of Agriculture, Livestock And Fisheries

**Sammy MungaNyagah**

The National Government Coordinator-Coast Region

**Lillian Ayimba**

Alternate Director  
 Ministry of East Africa Affairs Cooperation, Commerce and Tourism

#### IV. MANAGEMENT TEAM



**Dr. Mohamed Keinan Hassan,OGW**  
**Managing Director of Coast Development Authority.**

**Education:**

Doctor of Philosophy (PhD) degree at JKUAT  
Msc. Project Planning and Management, JKUAT  
Senior Management course and Strategic Leadership Development Program ,KSG  
Australian Leadership Award Scholarship  
Food Security through Increased Production and Trade in the African Region, AusAid.

**Work Experience:**

Managing Director Coast Development Authority since May 2016.Before current appointment Dr.Keinan worked with National Drought Management Authority in the Ministry of Devolution and Planning.Served in the Civil Service for over 30 years in different ministries, namely Ministry of Livestock and later in the Office of the President Special Programmes in the Arid lands Resource Management Project (a food security project jointly funded by World Bank and Government of Kenya). Awarded the Order of Grand Warrior of Kenya (OGW) by the President of Kenya in December 2011. The award was in recognition of his approach in service delivery, i.e. participatory methodologies which empower communities to successfully identify, implement and sustain priority projects that address food security and reduce livelihood vulnerability.

**Function :**

Responsible for execution of the policy of the Authority and for control and management of its day to day business.

Control and supervise acts of all officers and servants of the Authority in the matters of executive administration and in all matters concerning the accounts and records of the Authority



**Ms. Josephine M.Rondo,HSC**  
**Chief Manager Research Planning And Technical**

Date of Birth:1957

**Education:**

Phd Business Administration-Strategic Management,JKUAT(On Going)  
M.Economics,University of Calgary,Alberta,Canada

B.A Economics, University of Nairobi

Certificate Organization and Management of Income Generating Projects, District Focus Strategy for Rural Development

**Work Experience:**

Chief Manager,Research,Planning and Technical Services-,Planning and Development Manager, Senior Economist/Senior Planner,Tender Committee Chairperson Coast Development Authority

Trustee Staff Retirement Scheme

Part Time Lecturer Moi University Coast Campus

Kilifi District Programme Officer-Ministry of Planning and National Development

Provincial Planning Assistant, Coast Provincial Planning Office

Planning Officer/Economist ,Ministry of Environment and Natural Resources

Received Head of State Commendation for Coordinating the Malindi Integrated Social Health Development Programme-Project funded by the Italian Government

**Function:**

Plan, direct and coordinate product research and development activities, designs and develops new or existing projects/products

Suggest process improvements



**Mr. Fentus Mng'ong'o**  
**Ag. Chief Manager Business Development**

Date of Birth: 4.1.1958

**Education:**

Msc. Agricultural Economics  
 Postgraduate Diploma Agricultural Development  
 BA (Hons)

**Work Experience:**

Agricultural Economic Specialist on agrarian agricultural development in Developing countries  
 Ag. Chief Manager, Business Development & Investment Promotion, Manager Natural , Technical Manager, Acting Deputy Managing Director, Planning Officer , Coast Development Authority  
 Research Associate – Egerton University  
 Planning Officer, Ministry of Agriculture  
 Freight Marketing Assistant: Mitchells Cotts (Shipping Division) Kenya Limited  
 Secretary to the Palm Products Working Group (PPWG)  
 Alternate Director, Ministry of Regional Development Authorities at the Board of Directors Kenya Coconut Development Authority  
 Vice Chairman ,Coast Sisal Development Stakeholders Forum  
 Chairman – Palm Products Working Group (CBO)

**Function:**

Identify business opportunities, prepares development plans, develop and implement new products and services.



**Ms. Pamela Maghema Nguire**  
**Manager, Finance and Accounts**

Date of Birth: 29.7.1971

**Education:**

IPSAS Reporting -Public Sector Accounting, Deloitte & Touché /National Treasury, Kenya School of Government, Nairobi Kenya  
 Corruption Prevention and Good Adaptation, Transparency International Kenya  
 ISO 19011:2011 Quality Management System Internal Audit, Internment System Consultants  
 IFS System Certified Trainer , APM Terminals, Mombasa Kenya  
 Tax Risk Management, KPMG  
 SAP R/3 Systems Certified Trainer, A.P. Moller – Maersk, Cape Town South Africa  
 Retirement Benefits, Corporate & Pension/Hymans Robertson  
 B Com. (Accounting) Hones, University of Nairobi)

Proficient in SAP/IFS, QuickBooks, IPSA's Reporting and Microsoft Products  
 MBA Public Policy and Administration (.on-going)

Member Association of Chartered Certified Accountant

**Work Experience:**

Manager Finance and Account Current (Coast Development Authority)  
 Senior Account –Coast Development Authority  
 Cluster Regional Accountant –Maersk Shipping Line (Horn of Africa)  
 Sap Business Training Coordinator –APM Terminals  
 Maersk Line Mombasa Branch Accountant – Maersk Line, Mombasa

**Function:**

Budgeting and Business Analysis, Payroll Management, Cost Analysis, Financial Data Analysis, Financial Statement Interpretation & Analysis and Reporting, Management of Fixed Assets Register, Performance Contract Reporting



**Mr Ahmed Bashir Abdi**

**Manager, Human Resources**

Date of Birth: 12.7.1974

**Education:**

MBA, Governance and Ethics, Mount Kenya University

Bachelor's Degree (Hones) Public Administration, Kampala University

Diploma in Human Resources Management, University of Nairobi

Certificate in Guidance and Counselling, University of Nairobi

Higher National Diploma, Human Resources Management, NEP Technical Training Institute

Member of Institute of Human Resource Management -HRPC

**Work Experience:**

County Human Resource Manager- County Government of Garissa

Deputy Town Clerk-Municipal Council of Garissa

**Function:**

Management HR Reporting

HR Administartion

Performance Management

Employee Welfare and Relations

Recruitment

Payroll Management

Human Resource Laws

Employee Benefits Administration



**Ms.EdelFuchaka**

**Manager, Legal Services**

Date of Birth:1.7.1975

**Education:**

B.LLB Hons,Moi University

Post Graduate Diploma, Kenya School of Law

**Work Experience:**

Legal Manager, Coast Development Authority

Sichale And Co Advocates,E.Fuchaka and Co

Advocates

**Function:**

Prepare legal opinions and advice on general issues, receive summons, review relevant files,

prepare suitable instructions to external lawyers

Custodian of statutory documents

## V. CHAIRMAN'S STATEMENT

### **Introduction**

The Coast Development Authority is a State Corporation established by an Act of Parliament No. 20 of 1990 (Cap 449), revised in 1992 with the mandate to provide integrated development planning, coordination and implementation of projects and programmes within the whole of Coast region, including the southern part of Garissa County and the Kenya's Exclusive Economic Zone (EEZ) and for connected purposes. The CDA area of jurisdiction covers 103,326 km<sup>2</sup> and the EEZ (200 Nautical Miles of the Indian Ocean). The Coast region is well endowed with natural resources. The resources include the ocean, rivers, springs lakes, deltas, water catchments, hills and rangelands, marine resources (fisheries, corals), tree crops (cashewnuts, coconuts, mangoes, bias), forestry (mangroves), minerals (gemstones), wildlife and diverse cultures, CDA has been employing a participatory and integrated development approaches for sustainable utilization of the natural resources for the region's economic development.

### **Functions**

The Authority is mandated to carry out various functions within its jurisdiction. These include: Planning, Coordinating, Implementing, Monitoring and Evaluation of Development projects of all nature in the region with a view of ensuring relevance in project identification, equitability in planning, effectiveness in presentation and usefulness to the target community. CDA has been working with all relevant stakeholders in the planning, formulation, implementation, monitoring and evaluation of its projects/programmes.

### **Governance and Board Changes**

The Board is responsible for setting the right tone from the top and ensuring the governance structure is in place to ensure the Authority is able to deliver its programmes as per the Authority's mandate and in line with the Strategic Plan. The Board operates in line with Mwongozo which outlines the Code of Conduct for the Board. During the year the Board Chairman Hon Suleiman M Kamolleh and board members Esther KacheMwanasaidNtembeMakoti and Ali Korane resigned to pursue political interest. These board positions are yet to be filled up by the appointing authority. Since the board is committed in the successful execution of the Authority's mandate the remaining board members have been running the affairs of the authority to ensure there is no vacuum.

### **Management Changes**

During the year Ms. Josephine Mshai Rondo Chief Manager Planning and Research retired from public service. We thank her for the dedicated public service and wish her well in her future endeavours. Her position is yet to be substantively filled.

The board advertised the positions of Finance and Human Resources Manager. After competitive short listing and interviews Ms Pamela Ngure and Ms Abdi Bashir respectively were appointed.

## **Authority's Performance and Achievements**

The 2016/2017 year was a better year than the previous year 2015/2016. After concerted efforts to address the serious underfunding of the Authority, The National Treasury approved a supplementary budget of Ksh 269M. The supplementary approved was for settling accumulated arrears for PAYE, Pension and bridge the PE Deficit. The Authority managed to clear the outstanding statutory arrears and is now

settling all statutory payments within the stipulated deadlines. The regular salary payment has promoted positivity and staff morale.

The Board was also involved in negotiations for financing of various projects under the PPP arrangement. The Authority signed MOU's for the Shimoni Integrated Development Project (SIDEP) with Shelter Solutions and the Dry Port Project with Gachan Africa Ltd. The concept note for the Dry Port is with the State Department of Planning and Statistics for review. The Lake ChallaMwakitau Integrated Water Project was submitted to the National Treasury for review and consideration under the PPP arrangement as Privately Initiated Investment Proposal (PIIP).

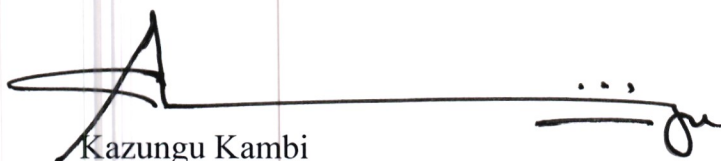
Under the donor funded project The Mwache Multipurpose Dam and the Kenya Climate Change Adaptation Projects are on course .The Kenya Coastal Development Project (KCDP) came to a close on 30<sup>th</sup> June, 2017.

## **Conclusion**

In conclusion, we sincerely believe that the future of the Coast Development Authority currently domiciled in the Ministry of Devolution and Planning, State Department of Planning and Statistics is bright as the Government has recognized the complementary and not duplicative role of the Authority in development of the region. We look forward to more support from the Parent Ministry, The National Treasury, County Governments and other development agencies so that we can serve our people even better in the future.

## **Personal Thanks**

I would like to take this opportunity to thank the Cabinet Secretary Ministry of Devolution and Planning, The Principal Secretary, State Department of Planning and Statistics and Board of Directors for their support. I commend the Management and Staff of CDA who have tirelessly and with dedication served the coastal communities and indeed indirectly all Kenyans through successful implementation of approved projects



Kazungu Kambi  
**CHAIRMAN**

## **VI. REPORT OF THE CHIEF EXECUTIVE OFFICER**

### **Overview**

In 2016/2017FY the Authority continued with the implementation of 2013 -2017 Strategic Plan whose programs and projects are anchored on Vision 2030 and Medium Term Plan II.

### **Public Private Partnership**

Several Concept Notes were developed and resource mobilisation is underway from Government, Development Partners under Public Private Partnership arrangement. The Authority managed to sign MOU's for the Shimoni Integrated Development Project (SIDEP) with Shelter Solutions and the Dry Port Project with Gachan Africa Ltd. The concept note for the Dry Port is with the State Department of Planning and Statistics for review. The Lake ChallaMwakitau Integrated Water Project was submitted to the National Treasury for review and consideration under the PPP arrangement as Privately Initiated Investment Proposal (PIIP). Steffanuti Stocks of South Africa showed interest to undertake the implementation of the Lake Challa/Mwakitau project through the PPP arrangement.

### **Donor Funded Projects**

Under the donor funded project the project implementation of the Mwache Multi-Purpose Dam Development Project and the Kenya Climate Change Adaptation Projects are on course. The Mwache Multi-Purpose Dam Development Project will benefit residents of Kwale and Mombasa. 12,000 acres of land will be developed for irrigation. 186,000m<sup>3</sup> of water per day will be provided for domestic and livestock to both Kwale and Mombasa Counties. The KCCAP project focuses mainly on rehabilitation of Vanga and Gazi mangrove forest. In addition the Italian Agency for Development Cooperation approved funding of Euros 6.34 Million for the Malindi Integrated Social Health Development Program Phase 11. The overall goal of the program is to improve the social and economic development of Malindi and Magarini sub-counties. The program is expected to take 3 years to implement. The Kenya Coastal Development Program (KCDP) came to a close on 30<sup>th</sup> June, 2017. The project undertook training of 512 SMEs on Business Development in collaboration with Strathmore University. 60 Training of Trainers were trained on Business Development Skills to train other SMES

### **Special Programs-Executive Orders**

In 2017/2017 FY the Coastal region and Southern Carissa which are within the Coast Development Authority area of jurisdiction was severely affected by the drought situation which affected the whole country. Reports from the national government and stakeholders indicated 1.25 million people in Arid and Semiarid counties faced starvation that posed the risk of malnutrition as households have reduced the frequency and the quantities of food intake. There was food scarcity and lack of pasture for grazing livestock. This situation resulted in increased human and wildlife conflict as some communities have been forced to go into the Wildlife Reserves to graze their cattle.

The drought was declared a National disaster by His Excellency the President. The Ministry of Devolution initiated the Emergency Drought Fund and appointed several institutions to undertake emergency drought mitigation measures. In this regard, Coast Development Authority undertook Boreholes Rehabilitation and water pan construction across the region to mitigate on the impacts of the drought. The Authority has provided water to over 37,076

people and 56,500 livestock in Kwale, Kilifi Counties and Sothern Garissa. The Authority undertook construction of Water Pans in GanzeKilifi(Shirango&Mnagowadola) and Rehabilitation of Boreholes.A total of 11 Boreholes were rehabilitated under drought mitigation program (Gababa, Hara Water Supply, Motile Water Supply, Masalani Water Supply, Ruqa, Alinjgur, Amuma, Fafi Centre, Maledi, Kilimangodo, Harbole)

### **ISO 9001:2015 Recertification**

In 2016/2017 the Authority transited from the ISO 9001:2008 to ISO 9001:2015 after recertification. This was after an audit on its Quality Management Systems (QMS). With the recertification the Authority is now recognised globally because it has attained international standards .This achievement gives confidence to our suppliers and other stakeholders at large.

### **Performance Contracting**

The Authority is on performance contracting. The Authority signed the Performance Contract for the period between the Government through the Ministry of Devolution and Planning.The Authority is now domiciled in this Ministry under the State Department of Planning and Statistic's. The performance contracting has been cascaded to all members of staff.

### **ASK Mombasa International Show**

The Authority participated in the ASK Mombasa International Show to show case what the Authority has done and is planning to do for the region in relation to the theme.

### **Human Resources Development**

During the year the Chief Manager Research and planning attained retirement age and left the Authority. We applaud her dedicated service during her years at CDA and wish her an enjoyable retirement. Her position is yet to be substantively filled up.

The board advertised the positions of Finance and Human Resources Manager. After competitive short listing and interviews Ms Pamela Ngure and Ms Abdi Bashir were successful. We look forward to their positive contribution in managing the affairs of the Authority.

Some senior staff have attended senior management course at the Kenya School of Government to improve their management skills.

### **Financial Status**

In The 2016/2017 National Treasury after aggressive meetings with management approved a supplementary budget of Ksh 269 million to clear the longstanding arrears in PAYE, Pension and bridge the PE Deficit. The Authority cleared the statutory arrears .With the additional funding on PE the Authority was able to pay salaries on time settle all statutory payments within the stipulated deadlines. The regular salary payment has improved staff morale and we now have a more vibrant workforce.

Despite the additional supplementary funding the Authority still faces inadequate funding that delays project implementation and results in accumulation of pending bills under both recurrent and development votes. The recurrent deficit currently stands at Ksh 112.4M while the development deficit stands at Ksh 113.3M.The Authority has pending bills amounting to Ksh88.3M recurrent and Ksh93.14M development.

## **Outlook**

Our goal for 2017/2018 is to attract funding for major projects such as Free Trade Port, Shimon Integrated Development Project (SIDEP), Dry Port and The Lake Challa/Mwakitau Integrated Water Project. The Authority will also finalise and start operation of the Integrated Fruit Processing Plant in Hola, Tana River County.

## **Appreciation**

I also extend my appreciation to the board and the parent Ministry for their support during the past year. I commend the management and employees of the Authority for their cooperation, effort, commitment and hard work during the past year.

The Authority is committed to ensuring that all service regulations including procurement and accounting for goods and services, statutory compliance will be adhered to without exception.

We look forward to another positive year ahead.



**Dr. Mohamed Keinan Hassan OGW**  
**MANAGING DIRECTOR**

## **VII. CORPORATE GOVERNANCE STATEMENT**

Corporate Governance is the process by which companies are directed, controlled and held to account. The Coast Development Authority Board of Directors is responsible for the overall management and the governance of the Authority and is accountable to the Government for ensuring that the Company complies with the law and the highest standards of best practice in corporate governance and business and operations of the Authority with integrity and in accordance with generally accepted corporate practice and endorse the internationally developed principles of good governance.

### **Board of Directors**

The Directors are given appropriate information so that they can be able to maintain full and effective control over strategic, financial ,operational and compliance issues except for direction issues and guidance on general policy, the board has delegated authority for conduct of day to day business to the Managing Director. The board nonetheless retains responsibility for establishing and maintaining the Authority's overall Internal Control of financial operational and compliance issues as well as implementing strategies for long term success of the Authority.

All Board members except the Managing Director are non executive including the Chairman of the Board. The Chairman is appointed by the President whereas the other non executive members are appointed by the Cabinet Secretary and relevant line Ministries.

The Directors have wide range of skills and experience and each contributes independent judgment and knowledge to the Boards discussion.

### **Code of Ethics**

The Authority is committed to the highest standards of integrity in dealing with all stake holders. All employees of the Authority are expected to avoid activities that amount to conflict of interest.

### **Communication with the Government**

The Authority provides quarterly, half yearly and annual returns on its activities, financial statements and operations parameters to the Parent Ministry.

## **Directors Emoluments**

The Chairman is paid monthly honoraria and like other directors he is entitled to sitting allowance, accommodation allowance, lunch allowance and transport allowance when on official duty only.

## **VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

Corporate Social Responsibility (CSR) is a broad term used to describe a company's efforts to improve society in different aspects. These efforts range from donating money to implementing environmentally-friendly activities that help improve social economic lives of community members within CDA's area of jurisdiction.

As part of CDA's corporate social responsibility, the Authority planted 5000 trees towards reclaiming mining sites in Kilifi County. The activity involved CDA officers and community members from Zowerani, SoyoSoyo and Magorani mining site in Tezo ward, Kilifi County.

The aim of this initiative was to help the residents of Kilifi County reclaim land that was put under mining economic activities and was now deemed unproductive. The Authority identified Casuarinas and Neem tree species as the most ideal for restoration of the closed mining sites. Planting of trees play a key role in our battle against climate change, feed our rivers, help to regulate the impact of storms and floods, harbour biologically-diverse ecosystems and provide shelter, jobs and security for forest-dependent populations. The tree planting activity provided an opportunity for community involvement and empowerment that contributed to improve the quality of life in their neighbourhoods. All cultures, ages, and genders had an important role to play at a tree planting event.

Planting a tree is an incredible symbol of hope. It symbolises a belief in the future – of our communities and our country. It brings people together – with each other and Mother Nature. It is a living, breathing gift to the generations to come.

## **IX. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2017 which show the state of the Authority affairs.

### **Principal activities**

The principal activities of the entity continue to be

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

### **Results**

The results of the entity for the year ended June 30, 2017 are set out on page 24-27.

### **Directors**

The members of the Board of Directors who served during the year are shown on page 6-8. In accordance with Cap 449 sub section 4:2-3 the non-official members shall hold office for a period of three years from dates of their respective appointments. A retiring member shall be eligible for appointment. During the year the Chairman Hon Suleiman Kamolleh and three board members (Esther Kache, Mwanasaid Makoti and Ali Korane) resigned to pursue political interests.

### **Committees of the Board**

The Board has three standing committees,

a) **Audit Committee**

The Audit committee is comprised of 7 members. The committee responsibility includes review of financial statements, compliance with accounting standards and maintain oversight on internal controls. The Authority's internal auditor attends all meetings of the committee.

b) **Finance and Establishment Committee**

The Finance and Establishment comprises of 7 members who met twice during the year. The committee is responsible for reviewing of financial statements, compliance

with accounting standards, approval of Budgets/Work plans, procurement plans and its adherence to set out budgetary levels. The committee also monitors and appraises the performance of senior management staff.

c) Research and Planning Committee

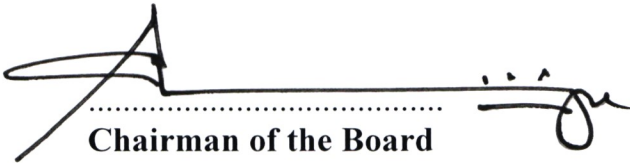
The Research and Planning committee comprises of 7 members who met twice during the year. The mandate of the committee includes review of the Strategic Plan, Annual Development Budget, monitoring of projects under implementation and operation strategies.

Above committee quorums have been affected the resignation of board members who left to pursue political interests.

**Auditors**

The Office of The Auditor General is responsible for the statutory audit of the Coast Development Authority in accordance with the Section 84 of the Public Audit Act, 2013, which empowers The Office of The Auditor General to nominate other auditors to carry out the audit on his behalf.

On behalf of the Board

  
.....  
**Chairman of the Board**

Date: 9.06.2018

**X. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

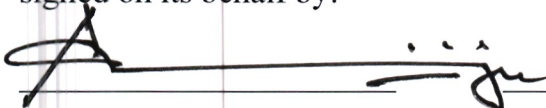
Section 8 of the Public Finance Management Act, 2012 and section 15 (2) of the State Corporations Act, 2012 require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results of the Authority for that year/period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority 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 (period) ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority 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 –Accrual (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Authority financial statements give a true and fair view of the Authority transactions during the financial year ended June 30, 2017, and of the Authority 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 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 financial statements were approved by the Board on 26.8 2017 and signed on its behalf by:



**Chairman, Board of Directors**



**Director**



**Director**

**XI. REPORT OF THE INDEPENDENT AUDITORSON COAST DEVELOPMENT  
AUTHORITY**

\_\_\_\_\_  
Auditor General

\_\_\_\_\_  
Date

# REPUBLIC OF KENYA

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## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON COAST DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2017

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#### REPORT ON THE FINANCIAL STATEMENTS

##### Qualified Opinion

I have audited the accompanying financial statements of Coast Development Authority set out on pages 23 to 50, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Coast Development Authority as at 30 June 2017, 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 Coast Development Authority Act, Cap 449 of laws of Kenya.

In addition, as required by Article 229 (6) of the Constitution, based on the procedures performed, except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

##### Basis for Qualified Opinion

###### 1. Service Deposit

As previously reported, included in the receivables from exchange transactions balance of Kshs.22,333,430 and as detailed in note 16 to the financial statement for the year ended 30 June 2017 is a service deposit of Kshs.221,250 being advance payment for purchase of computers in the year 2009/2010. Review of the status during the audit review indicated that the computers were not received during the year under review. Available information indicates that the supplier has since closed down business.

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*Report of the Auditor-General on the Financial Statements of Coast Development Authority for the Year Ended 30 June 2017*

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

## **2. Property, Plant and Equipment**

As reported in previous years, property, plant and equipment balance of Kshs.362,952,354 as at 30 June 2017 (2015/2016 – Kshs.377,242,949) excluded the aggregate value of nine (9) parcels of land located in Kwale, Kilifi, Taita Taveta and Tana River Counties. These lands are yet to be surveyed as the Authority has not settled the survey fees due. Further, the Authority only has allotment letter on the said parcels of land as proof of ownership. Also, the land rates payable has not been determined nor provided for in these financial statements.

Consequently, the accuracy and completeness of the carrying values of the property, plant and equipment totaling to Kshs.362,952,354 as at 30 June 2017 could not be confirmed.

## **3. Trade and Other Payables from Exchange Transaction**

### **3.1 Creditors**

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.32,565,498 as detailed in note 22 to the financial statements as at 30 June 2017. Included in this balance is Kshs.27,365,998 in respect to creditors. However, the creditors age analysis availed for audit revealed that an amount of Kshs.19,822,817 have remained unpaid for over four (4) years. Failure to pay creditors on time may affect Authority's service delivery to residents of coast region and may lead to unnecessary litigations from creditors.

Consequently, it has not been possible to ascertain that the creditors balance of Kshs.32,565,498 is fairly stated as at 30 June 2017.

### **3.2 Land Balance Payable**

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.32,565,498 as at 30 June 2017. Included in this balance is Kshs.5,199,500 in respect to Land balance payables. Records availed for audit revealed that the purchase price of one of the piece of land (Mwapula/Magogoni plot no. 432/1211) of 49 acres was for Kshs.9,800,000 as per the sales agreements, and the entity paid Kshs.4,600,500 and had an outstanding balance of Kshs.5,199,500 as at 4 August 2014. Further court case on the said parcel of land is ongoing. However, the Authority did not disclose about the court case in the financial statement nor any likely contingent liability emanating from the court case in relation to the said land.

In the circumstances, the ownership of the parcel of land (Mwapula/Magogoni plot no. 432/1211) of 49 acres and land payable balance of Kshs.5,199,500 as at 30 June 2017 could not be confirmed.

### **3.3 Unremitted VAT**

Note 23 to the financial statements for the year ended 30 June 2017 reflects trade and other payables from non-exchange transactions balance of Kshs.16,130,622. Included in this balance is Kshs.2,821,944 in respect to VAT which as at the time of audit it has not been remitted to the commissioner of VAT. Late remittance of the said amount attracts a penalty as per Section 83(1) of Tax Procedures Act, 2015 which states that a person who submits a tax return after the due date shall be liable to a penalty of twenty-five percent of the tax due or ten thousand shillings whichever is higher.

Consequently, the Authority is in breach of the law.

### **3.4 Audit Fees**

Note 23 to the financial statements for the year ended 30 June 2017 reflects trade and other payables from non-exchange transactions balance of Kshs.16,130,622. Excluded in balance is Kshs.1,460,360 owed to the Office of the Auditor General. Further, this amount has not been disclosed separately in the financial statements and further, the same has been outstanding since the 2015/2016 financial year. This is contrary to Public Audit Act 2015. Consequently, the Authority is in breach of the Law.

## **4. Receivables from Non-Exchange Transactions**

### **4.1 Outstanding Imprests**

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.45,713,966 as detailed in note 17 to the financial statements for the year ended 30 June 2017. Included in this balance is Kshs.29,525,938 in respect of outstanding imprests due to employees. However, imprest balance of Kshs.24,333,402 have been outstanding for more than one year contrary to Section 92(5) of The Public Finance Management (National Government) Regulations (2015) which states that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station.

Consequently, the Authority is in breach of the law and the recoverability of outstanding imprest of Kshs.29,525,938 for the year ended 30 June 2017 could not be confirmed.

### **4.2 Other Debts**

As previously reported, receivables from non-exchange transactions include an amount of Kshs.45,713,966 is Kshs.123,734 advanced to other Regional Development Authorities and which has been outstanding for more than five years. No documentary evidence has been availed for audit review to show how the lending was done and other terms and conditions for the lending. Also, an analysis of other advances amounting to Kshs.275,508 has not been provided for audit review.

Under the circumstance, the accuracy and validity of the receivables from non-exchange transactions balance of Kshs.45,713,966 as at 30 June could not be confirmed.

## 5. Project Expenses

Note 10 to the financial statement for the year ended 30 June 2017 reflects project expenses balance of Kshs.28,474,600. Further, note 6 to the financial statements reflects other income of Kshs.17,321,806 which directly relates to these projects. There was therefore a net outflow of resources from the project of Kshs.11,152,794. This brings into question the validity and sustainability of the projects.

Consequently, the validity and propriety of the project expenditure of Kshs.28,474,600 for the year ended 30 June 2017 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Coast 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 except for 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. Except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, I have determined that there are no other Key Audit Matters to communicate in our report.

## Other Matter

### 1.0. Budget Control and Performance

During the year under review, the Authority had a budget of Kshs.534,000,000 while spending a total of Kshs.474,000,000 resulting in an overall under expenditure amounting to Kshs.60,000,000 or 11% not utilized as summarized below:

| Item                      | Approved Budget<br>'000' | Actual Expenditure<br>'000' | Over Utilization<br>'000' | Under Utilization<br>'000' | % Utilization |
|---------------------------|--------------------------|-----------------------------|---------------------------|----------------------------|---------------|
| Compensation of Employees | 141,000                  | 178,000                     | 37,000                    |                            | 26            |
| Goods and Services        | 164,000                  | 103,000                     |                           | (61,000)                   | -37           |
| Finance Costs             | -                        | 1,000                       | 1,000                     | 1,000                      | 100           |

|                           |                |                |               |                 |     |
|---------------------------|----------------|----------------|---------------|-----------------|-----|
| Other Payments            | 196,000        | 159,000        |               | (37,000)        | -19 |
| Grants and Subsidies paid | 33,000         | 33,000         | -             | -               | 0   |
| <b>Total</b>              | <b>534,000</b> | <b>474,000</b> | <b>38,000</b> | <b>(98,000)</b> |     |

The management has not provided satisfactory explanation for the failure to utilize all approved budgetary provisions of Kshs.98,000,000. Underutilization of budget results in non-implementation of planned development projects negatively affecting community development and empowerment. Further, approval for the excess expenditure of Kshs.38,000,000 was not availed for audit review.

Therefore, the management was in breach of the law on Management Act, 2012 on approval of expenses of all State Corporations

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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 such 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.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to sustainability of services and using applicable basis of accounting unless the management either intends to liquidate the Authority or to cease operations, or have 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.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

### **Auditor-General's Responsibilities for the Audit of the Financial Statements**

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 of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in

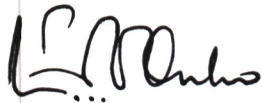
accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

**6 July 2018**

**XII. STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2017**

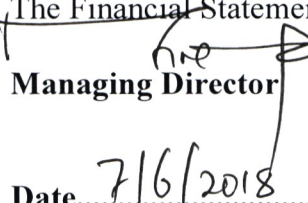
| <b>INCOME</b>   |              | <b>2016/2017</b>   | <b>2015/2016</b>    |
|---|--------------|--------------------|---------------------|
|   | <b>NOTES</b> | Ksh                | Ksh                 |
| <b>Revenue from non-exchange transactions</b>                 |              |                    |                     |
| Public contributions and donations                            | 3            | 32,540,141         | 38,665,276          |
| Transfers from other governments – gifts and services-in-kind | 4            | 353,047,648        | 80,495,019          |
|   |              |                    | -                   |
|   |              | <b>385,587,789</b> | <b>119,160,295</b>  |
| <b>Revenue from exchange transactions</b>                     |              |                    |                     |
| Finance income - external investments                         | 5            | 3,886              | 84,729              |
| Other income  | 6            | 17,321,806         | 31,344,546          |
|   |              | <b>17,325,692</b>  | <b>31,429,275</b>   |
| <b>Total Revenue</b>  |              | <b>402,913,481</b> | <b>150,589,570</b>  |
| <b>Expenses</b>   |              |                    |                     |
| Employee costs  | 7            | 177,829,549        | 129,153,256         |
| Depreciation and amortization expense                         | 8            | 16,284,246         | 15,477,854          |
| Board expenses  | 9            | 7,136,807          | 9,399,705           |
| Project expenses  | 10           | 28,474,600         | 45,808,738          |
| Repairs and maintenance                                       | 11           | 2,686,106          | 3,754,501           |
| Grants and subsidies  | 12           | 55,523,950         | 22,772,321          |
| General expenses  | 13           | 17,233,052         | 13,507,663          |
| Finance costs   | 14           | 824,526            | 770,923             |
| <b>Total expenses</b>   |              | <b>305,992,836</b> | <b>240,644,961</b>  |
| <b>Other gains/(losses)</b>                                   |              |                    | -                   |
| <b>Surplus/Deficit before tax</b>                             |              | <b>96,920,645</b>  | <b>(90,055,391)</b> |
| Taxation  |              |                    | -                   |
| <b>Surplus/Deficit for the period</b>                         |              | <b>96,920,645</b>  | <b>(90,055,391)</b> |
| Attributable to:  |              | -                  |                     |
| Deficit attributable to minority interest                     |              |                    | -                   |
| Surplus attributable to owners of the controlling entity      |              | <b>96,920,645</b>  | <b>(90,055,391)</b> |

The notes set out on pages 28 to 49 form an integral part of the Financial Statements.

**XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017**

|   | NOTES | 2016/2017            | 2015/16              |
|---|-------|----------------------|----------------------|
| <b>Current Assets</b>                                   |       | Kshs.                | Kshs                 |
| Cash and cash equivalents                               | 15    | 174,711,410          | 21,446,733           |
| Receivables from exchange transactions                  | 16    | 22,333,430           | 8,773,043            |
| Receivables from non-exchange transactions              | 17    | 45,713,966           | 48,784,651           |
| Community Projects/Work in progress                     | 18    | 406,416,510          | 561,887,759          |
| Inventories   | 19    | 1,538,175            | 1,634,360            |
|   |       | <b>650,713,491</b>   | <b>642,526,546</b>   |
| <b>Non Current Assets</b>                               |       |                      |                      |
| Property, plant and equipment                           | 27    | 362,952,354          | 377,242,949          |
| Biological Assets                                       | 20    | 691,000              | 1,284,000            |
| Investments   | 21    | -                    | 8,195,988            |
|   |       | <b>363,643,354</b>   | <b>386,722,937</b>   |
|   |       |                      |                      |
| <b>Total Assets</b>                                     |       | <b>1,014,356,845</b> | <b>1,029,249,483</b> |
| <b>Liabilities</b>                                      |       |                      |                      |
| Trade and other payables from exchange transactions     | 22    | 32,565,498           | 39,175,235           |
| Trade and other payables from Non exchange transactions | 23    | 16,130,622           | 22,206,931           |
| Deferred Income   | 26    | 55,057,250           | -                    |
| Employee benefit obligation                             | 24    | 9,550,988            | 87,441,382           |
| Taxation  |       |                      |                      |
|   |       | <b>113,304,358</b>   | <b>148,823,548</b>   |
| <b>Non Current Liabilities</b>                          |       |                      |                      |
| Non-current employee benefit obligation                 | 25    | 6,239,805            | 5,309,807            |
|   |       | <b>6,239,806</b>     | <b>5,309,807</b>     |
| <b>Total Liabilities</b>                                |       | <b>119,544,164</b>   | 154,133,354          |
| <b>Net Assets</b>                                       |       | <b>894,812,680</b>   | 875,116,129          |
| Development Grants                                      |       | 1,244,747,589        | ,327,257,237         |
| Reserves  |       | 291,226,564          | 292,896,314          |
| Accumulated Deficit                                     |       | (641,161,473)        | (745,397,423)        |
| Minority Interest                                       |       |                      | -                    |
| <b>Total Net Assets and Liabilities</b>                 |       | <b>894,812,680</b>   | <b>1,029,249,483</b> |

The Financial Statements set out on pages 23-27 were signed on behalf of the Board of Directors by:

  
Managing Director

Date.....7/6/2018.....

  
Chairman of the Board

Date.....07.06.2018.....

**XIV.STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017**

**Attributable to the owners of the controlling entity**

|                                      | <b>Development Grants</b> | <b>Revaluation Reserves</b> | <b>Accumulated Deficit</b> | <b>Total</b>         |
|--------------------------------------|---------------------------|-----------------------------|----------------------------|----------------------|
|                                      | Kshs.                     | Kshs.                       | Kshs.                      | Kshs                 |
| <b>As at 30 June 2015</b>            | <b>1,237,257,237</b>      | <b>109,665,564</b>          | <b>(669,800,676)</b>       | <b>677,122,125</b>   |
| Net Deficit For The year             | -                         | -                           | (90,055,391)               | <b>(90,055,391)</b>  |
| Transfer to /Accumulated deficit     | -                         | -                           | 14,458,644                 | <b>14,458,644</b>    |
| Deprecation on Revalued assets       |                           | (4,839,250)                 |                            | <b>(4,839,250)</b>   |
| Revaluation for the year             | -                         | 188,070,000                 | -                          | <b>188,070,000</b>   |
| Net GoK grants                       | 90,360,000                |                             |                            | <b>90,360,000</b>    |
| <b>Balance as at 30th June 2016</b>  | <b>1,327,617,237</b>      | <b>292,896,314</b>          | <b>(745,397,423)</b>       | <b>875,116,128</b>   |
| Net Surplus for the period           | -                         | -                           | <b>96,920,645</b>          | <b>96,920,645</b>    |
| Transfer to/from Accumulated Deficit | -                         | -                           | 7,315,305                  | <b>7,315,305</b>     |
| Adjustments on Land Revaluations     | -                         | 1,484,000                   | -                          | <b>1,484,000</b>     |
| Deprecation on Revalued assets       | -                         | (3,153,750)                 | -                          | <b>(3,153,750)</b>   |
| Net GoK grants                       | 100,000,000               |                             |                            | <b>100,000,000</b>   |
| Completed Community Projects         | (182,869,648)             | -                           | -                          | <b>(182,869,648)</b> |
| <b>Balance as at 30 June 2017</b>    | <b>1,244,747,589</b>      | <b>291,226,564</b>          | <b>(641,161,473)</b>       | <b>894,812,680</b>   |

**XV. STATEMENT OF CASHFLOWS  
AS AT JUNE 2017**

|   | Notes | 2016/17             | 2015/16             |
|---|-------|---------------------|---------------------|
|   |       | Ksh                 | Ksh                 |
| Surplus for the period  | 2     | 96,920,645          | (90,055,391)        |
| <b>Adjustment for</b>   |       |                     |                     |
| Depreciation  | 8     | 16,284,246          | 15,477,854          |
| Increase/Decrease in land payables provision                              |       | 1,484,000           | -                   |
| Increase in reserves  | 11    | 7,315,305           | 9,319,859           |
| <b>Cash flow from operating activities before working capital changes</b> |       | <b>122,004,196</b>  | <b>(65,257,678)</b> |
| Increase/Decrease in Inventory  |       | 96,185              | 1,232,841           |
| Increase/Decrease in debtors Receivables Exchange                         |       | (13,560,387)        | (1,591,685)         |
| Increase/Decrease in debtors Non Exchange                                 |       | 3,070,685           | 11,385,493          |
| Increase/Deferred Income  |       | 55,057,250          | -                   |
| Increase/Decrease in creditors  |       | (6,609,737)         | 3,334,144           |
| Increase/Decrease in Trade payable - Non Exchange                         |       | (6,076,309)         | 1,040,014           |
| Increase in Employee Obligations  |       | (76,960,394)        | (17,179,893)        |
| <b>Net cash flow from operating activities</b>                            |       | <b>77,021,489</b>   | <b>(67,036,764)</b> |
| <b>Cash flow from investment Activities</b>                               |       |                     |                     |
| Purchase of fixed assets  | 8     | (5,147,400)         | (575,641)           |
| Increase/decrease in work in progress                                     | 21    | 155,471,249         | (21,726,430)        |
| Purchase of Biological assets(Write off)                                  |       | 593,000             | 1,192,500           |
| Increase in investments   |       | 8,195,988           | -                   |
| <b>Net cash flow from investing activities</b>                            |       | <b>159,112,837</b>  | <b>(21,109,572)</b> |
| <b>Cash flow from financing Activities</b>                                |       |                     |                     |
| Development Grants  |       | (82,869,648)        | 90,360,000          |
| <b>Net cash flow from financing activities</b>                            |       | <b>(82,869,648)</b> | <b>90,360,000</b>   |
| Cash and cash equivalent generated in the year                            |       | 153,264,678         | 2,213,664           |
| Cash and cash equivalent at the beginning of the year                     |       | 21,446,733          | 19,233,069          |
| <b>Cash and cash equivalent at the end of the year</b>                    |       | <b>174,711,410</b>  | <b>21,446,733</b>   |

**XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

|                                       | <b>Original<br/>Budget</b> | <b>Adjustments</b>    | <b>Final<br/>Budget</b> | <b>Actual on<br/>Comparable<br/>Basis</b> | <b>Performance<br/>Difference</b> |
|---------------------------------------|----------------------------|-----------------------|-------------------------|---|-----------------------------------|
| <b>Revenue</b>                        | <b>Kshs '000'</b>          | <b>Kshs<br/>'000'</b> | <b>Kshs<br/>'000'</b>   | <b>Kshs<br/>'000'</b>                     | <b>Kshs<br/>'000'</b>             |
| Property Taxes                        | -                          | -                     | -                       | -   | -                                 |
| Public Contributions<br>and Donations | 33,000                     | -                     | 33,000                  | 33,000                                    | -                                 |
| Government Grants and<br>Subsidies    | 168,000                    | 312,000               | 480,000                 | 457,000                                   | 23,000                            |
| Sale of Goods                         | 17,000                     | -                     | 17,000                  | 17,000                                    | -                                 |
| Finance Income                        | 4,000                      | -                     | 4,000                   | 4,000                                     | -                                 |
| <b>Total Income</b>                   | <b>222,000</b>             | <b>312,000</b>        | <b>534,000</b>          | <b>511,000</b>                            | <b>23,000</b>                     |
| <b>Expenses</b>                       |                            |                       |                         |   |                                   |
| Compensation of<br>Employees          | 68,000                     | 73,000                | 141,000                 | 178,000                                   | (37,000)                          |
| Goods and Services                    | 121,000                    | 43,000                | 164,000                 | 103,000                                   | 61,000                            |
| Finance Cost                          | -                          | -                     | -                       | 1,000                                     | (1,000)                           |
| Rent Paid                             | -                          | -                     | -                       | -   | -                                 |
| Taxation Paid                         | -                          | -                     | -                       | -   | -                                 |
| Other Payments                        | -                          | 196,000               | 196,000                 | 159,000                                   | 37,000                            |
| Grants and Subsidies<br>Paid          | 33,000                     | -                     | 33,000                  | 33,000                                    | -                                 |
| <b>Total Expenditure</b>              | <b>222,000</b>             | <b>312,000</b>        | <b>534,000</b>          | <b>474,000</b>                            | <b>60,000</b>                     |
| <b>Surplus for the Period</b>         | <b>-</b>                   | <b>-</b>              | <b>-</b>                | <b>33,000</b>                             | <b>33,000</b>                     |

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Statement of compliance and basis of preparation – IPSAS 1

(i) The entity'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 entity. Previously the financial statements had been prepared in accordance with International Financial Reporting Standards (IFRS)

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.

### 2. Summary of significant accounting policies

#### a) Revenue recognition

##### i) Revenue from non-exchange transactions – IPSAS 23

###### Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

##### ii) Revenue from exchange transactions – IPSAS 9

###### Sale of goods

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

###### Interest income

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

##### b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

#### Sales tax

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**e) Property, plant and equipment – IPSAS 17**

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

The recorded cost of land includes the contract price, the costs of closing the transaction and obtaining title, including commissions, options, legal fees, title search, insurance, and past due taxes, the costs of surveys, the cost of preparing the land for its particular use such as clearing and grading.

**g) Intangible assets–IPSAS 31**

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

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

**h) Financial instruments – IPSAS 29**

**Financial assets**

**Initial recognition and measurement**

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

**Held-to-maturity**

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

### **i) Inventories – IPSAS 12**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

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

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

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

### **j) Provisions – IPSAS 19**

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

### **Contingent liabilities**

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

### **Contingent assets**

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

Coast Development Authority owns a piece of land (LR No 10841, 29.78HA) in Malindi town which was invaded by squatters. The matter is pending in court. (HCC 2076/2011)

### **k) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. Entity to state the reserves maintained and appropriate policies adopted.

The entity has not made any reserve in the current financial year.

**l) Changes in accounting policies and estimates – IPSAS 3**

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

**m) Employee benefits – IPSAS 25**

**Retirement benefit plans**

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

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

The Authority operates a defined contribution retirement benefit scheme for its employees. The assets of the scheme are held in separate trustee administered fund, which is funded by contributions from both the Authority and employees. The Authority contributes 15% and employees 7.5% to the scheme.

|                       |   |
|-----------------------|---|
| Scheme Administrator: | Liaison Insurance Brokers Company Limited |
| Fund Manager:         | Insurance Company of East Africa Ltd.     |

The Authority and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme.

Total number of Staff as at 30<sup>th</sup> June 2017 was 133.

**p) Related parties – IPSAS 20**

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

**r) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

**s) Comparative figures**

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

**t) Significant judgments and sources of estimation uncertainty – IPSAS 1**

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

There were no material judgements, estimates and assumptions in the current financial year.

**Estimates and assumptions**

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

**Useful lives and residual values**

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

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

**Depreciation Method**

The Authority applies the straight-line method for depreciating all fixed assets. Depreciation will begin in the month the asset is placed in service. Under the straight-line depreciation method, the basis of the asset is written off evenly over the useful life of the asset.

**Revaluation**

After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a devalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

### Provisions

Provisions were raised and management determined an estimate based on the information available.

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.

### u) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

### 3. Public Contributions and Donations

|   | 2016/17           | 2015/16           |
|---|-------------------|-------------------|
|   | Ksh               | Ksh               |
| Kenya Coastal Development Program me (KCDP)                 | 8,178,433         | 25,614,401        |
| Kenya Climate Change Adaptation Program (KCCAP)             | 8,553,786         | 13,050,875        |
| KWSCRIP Mwache  | 15,807,922        | -                 |
| <b>Total</b>  | <b>32,540,141</b> | <b>38,665,276</b> |
| <b>Reconciliation of Public Contributions and Donations</b> |                   |                   |
|   | <b>KSH</b>        | <b>KSH</b>        |
| Balance unspent at beginning of the Year                    | -                 | 198,181           |
| Current Year Receipts                                       | 100,070,368       | 38,665,276        |
| Conditions met transferred to revenue                       | 45,013,118        | (22,237,878)      |
| Conditions to be met remain liabilities                     | <b>55,057,250</b> | <b>16,625,579</b> |

Public contributions and donations represent those funds received for specific projects funded by the World Bank. The activities are to enhance livelihoods of Coastal communities. These funds were received on the basis of the project budget submitted. Accordingly the entity is contractually bound to spend these funds only in connection to the project. Furthermore, the contract stipulates that the funds received for the project may only be applied to the costs incurred for the project.

#### 4. Transfers from other Governments – Gifts and Services in Kind

|  |  | 2016/17            | 2015/16           |
|--|--|--------------------|-------------------|
|  |  | Ksh                | Ksh               |
| <b>Unconditional Grants</b>                  |  |                    |                   |
| Operational Grants                           |  | 335,047,648        | 80,495,019        |
| Other  |  | -                  | -                 |
| <b>Total Government Grants and Subsidies</b> |  | <b>335,047,648</b> | <b>80,495,019</b> |

These are grants given by the government for recurrent expenditures.

#### 5. Finance Income –External Investments

|   |  | 2016/17      | 2015/16       |
|---|--|--------------|---------------|
|   |  | Ksh          | Ksh           |
| Cash Investments and Fixed Deposits               |  | 3,886        | 84,729        |
| <b>Total Finance Income –External Investments</b> |  | <b>3,886</b> | <b>84,729</b> |

The finance income interest earned from bank accounts.

#### 6. Other Income

|                                    |  | 2016/17            | 2015/16           |
|------------------------------------|--|--------------------|-------------------|
|                                    |  | Ksh                | Ksh               |
| Appropriation in Aid (AIA)         |  | 540,562            | 29,727            |
| Wananchi Cottages                  |  | 4,747,913          | 7,751,968         |
| Coral Block                        |  | 10,657,194         | 19,784,474        |
| Magalana /Slates                   |  | 9,000              | 545,203           |
| Fruit Processing                   |  | -                  | 575,812           |
| Cultural Village                   |  | 797,886            | 2,135,236         |
| Water Boozer                       |  | 293,900            | 67,782            |
| Rent Income                        |  | 70,000             | 55,500            |
| Other incomes                      |  | 196,810            | 398,844           |
| Sale of slate                      |  | -                  | -                 |
| Decrease in provision of Bad Debts |  | 8,540              | -                 |
| <b>Total</b>                       |  | <b>17, 321,805</b> | <b>31,344,546</b> |

Income earned from income generating projects initiated by the Authority.

## 7. Employee Costs

|                                      | 2016/17            | 2015/16            |
|--------------------------------------|--------------------|--------------------|
|                                      | Ksh                | Ksh                |
| Group Life Policy Insurance          | -                  | 715,439            |
| Group Personal Accident              | -                  | -                  |
| Medical                              | 938,102            | 7,765,053          |
| NSSF Expenses                        | 230,400            | 357,800            |
| Pension 15%                          | 68,766,063         | 7,839,464          |
| Pension Trustee                      | 14,000             | -                  |
| Personal Emoluments CDA Main         | 102,479,702        | 110,234,420        |
| Training                             | 902,825            | 697,106            |
| Travelling & Accommodation CDA       | 3,932,415          | 1,395,921          |
| Wages                                | 305,942            | 103,371            |
| Stipend Allowance                    | 63,750             | -                  |
| Funeral cost                         | 185,150            | 44,682             |
| Subscriptions to Professional Bodies | 11,200             | -                  |
| <b>Total Employee Costs</b>          | <b>177,829,549</b> | <b>129,153,256</b> |

## 8. Depreciation

|  | 2016/17           | 2015/16           |
|--|-------------------|-------------------|
|  | Ksh               | Ksh               |
| Property, Plant and Equipment              | 16,284,246        | 15,477,854        |
| <b>Total Depreciation and Amortization</b> | <b>16,284,246</b> | <b>15,477,854</b> |

## 9. Board Expenses

|                             | 2016/17          | 2015/16          |
|-----------------------------|------------------|------------------|
|                             | Ksh              | Ksh              |
| Board Expenses              | 7,136,807        | 9,399,705        |
| <b>Total Board Expenses</b> | <b>7,136,807</b> | <b>9,399,705</b> |

## 10. Project Expenses (Income Generating)

|                               | 2016/17           | 2015/16           |
|-------------------------------|-------------------|-------------------|
|                               | Ksh               | Ksh               |
| CDA Cultural Centre           | 822,694           | 3,047,568         |
| CDA Wananchi Cottages         | 4,330,009         | 7,516,019         |
| Slates/Magalana Restaurant    | 23,603            | 1,180,707         |
| Coral Block                   | 15,464,869        | 25,142,078        |
| Fishing Project               | 10,540            | 372,667           |
| Integrated Hola Plant         | 5,403,005         | 5,581,754         |
| Chakama                       | 856,225           | 1,552,480         |
| Shimoni                       | -                 | 54,350            |
| Samburu Ranch                 | 708,915           | 801,631           |
| Water Boozer Expenses         | 261,740           | -                 |
| Production                    | -                 | 559,484           |
| Loss of Biological Asset      | 593,000           | -                 |
| <b>Total Project Expenses</b> | <b>28,474,600</b> | <b>45,808,738</b> |

### 11. Repairs and Maintenance

|                           | 2016/17          | 2015/16          |
|---------------------------|------------------|------------------|
|                           | Ksh              | Ksh              |
| Building Maintenance      | 112,520          | 277,314          |
| Office Equipment          | 160,066          | 75,592           |
| Motor Vehicle Maintenance | 2,256,301        | 3,251,201        |
| Computer Maintenance      | 157,219          | 150,394          |
| <b>Total</b>              | <b>2,686,106</b> | <b>3,754,501</b> |

### 12. Grants and Subsidies (Donor Funded Project Expenses)

|  | 2016/17           | 2015/16           |
|--|-------------------|-------------------|
|  | Ksh               | Ksh               |
| Kenya Coastal Development Project (KCDP) Expenses            | 13,876,221        | 19,251,330        |
| Malindi Integrated Social Health Development Program(MISHDP) | 178,983           | 1,428,150         |
| Kenya Climate Change Adaptation Project (KCCAP)              | 13,993,257        | 2,092,840         |
| KWSCRIP-MWACHE   | 14,858,884        | -                 |
| Special Programs-Drought Mitigation                          | 12,616,605        | -                 |
| <b>Total Grant and Subsidies</b>                             | <b>55,523,950</b> | <b>22,772,321</b> |

### 13. General Expenses

|                                      | 2016/17           | 2015/16           |
|--------------------------------------|-------------------|-------------------|
|                                      | Ksh               | Ksh               |
| Administration Costs                 | 2,933,307         | 1,643,647         |
| Bank Charges                         | 135,300           |                   |
| Electricity And Water                | 863,636           | 523,005           |
| Internet                             | 876,749           | 539,700           |
| Postage                              | 126,772           | 45,978            |
| Stationery                           | 886,882           | 684,132           |
| Telephone Exp                        | 144,000           | 164,000           |
| Advertising And Publicity            | 208,260           | -                 |
| Insurance                            | 1,370,044         | 1,705,251         |
| Transport & Operation                | 987,402           | 940,906           |
| Legal expense                        | 8,086,877         | 6,102,449         |
| PPP                                  | 118,984           | 991,505           |
| General Office Supplies              | 490,539           | 167,089           |
| COTU Union                           | 4,300             | -                 |
| <b>Total General Office Expenses</b> | <b>17,233,052</b> | <b>13,507,663</b> |

### 14. Finance Costs

|                            | 2016/17        | 2015/16        |
|----------------------------|----------------|----------------|
|                            | Ksh            | Ksh            |
| Bank Charges               | 210,526        | 156,123        |
| Audit Fee                  | 614,000        | 614,800        |
| <b>Total Finance Costs</b> | <b>824,526</b> | <b>770,923</b> |

**15. Cash and Cash Equivalents**

|                                       |  | <b>2016/17</b>     | <b>2015/16</b>    |
|---------------------------------------|--|--------------------|-------------------|
|                                       |  | <b>Ksh</b>         | <b>Ksh</b>        |
| Barclays Coral Block                  |  | 404                | 20,689            |
| Barclays Coral Block B                |  | 40,320             | 15,740            |
| Barclays Wananchi Cottages            |  | 1,365,538          | 6,650             |
| Cash Account-Wananchi Cottages        |  | 5,710              | 7,180             |
| Cash A/C CDA Main                     |  | 465,249            | 0                 |
| Cash Account Coral Block              |  | -                  | 129,560           |
| Cash Account Cultural Village         |  | -                  | 1,310             |
| Cash Account Development              |  | 21,800             | 250               |
| Cash KaziKwaVijana                    |  | 1                  | 1                 |
| Cash Account KCDP                     |  | -                  | 850               |
| Equity Kilifi                         |  | 187,251            | 152,751           |
| KCB Kenya Climate Change Adapt        |  | 16,032,414         | 10,848,134        |
| KCB Main Account                      |  | -                  | 5,520             |
| KCBTry Sq Farms                       |  | 242,148            | 13,609            |
| NBK-Malindi Integrated Project        |  | 94,478             | 128,478           |
| NBK EEZ Project                       |  | 111,959            | 329,267           |
| NBK FFSs                              |  | 83,168.05          | 77,046            |
| NBK FFS RH                            |  | 39,225.05          | 40,225            |
| NBK Main Account                      |  | 116,811,721        | 3,789,628         |
| Standard Chartered KCDP               |  | 172,174            | 5,777,445         |
| NBK Development                       |  | 30,027,023         | 41,275            |
| MPESA Cash Account                    |  | 14                 | 24,014            |
| Equity Bank-KWSCRП-Mwache             |  | 8,997,813          | -                 |
| MPESA PAYBILL                         |  | 13,000             | 37,110            |
| <b>Total Cash and Cash Equivalent</b> |  | <b>174,711,410</b> | <b>21,446,733</b> |

### 16. Receivables from Exchange Transactions

|  |  | 2016/17           | 2015/16          |
|--|--|-------------------|------------------|
|  |  | Ksh               | Ksh              |
| Surcharge  |  |                   | -                |
| Staff Advances                                     |  | 1,163,843         | 906,674          |
| Other Staff Receivables                            |  | 1,690,804         | 1,690,804        |
| Staff Telephone                                    |  | 15,485            | 15,485           |
| Wananchi Cottages Receivables                      |  | 2,861,040         | 3,084,486        |
| COTU   |  | -                 | 1,200            |
| Payroll Liabilities                                |  | 771,000           | 771,000          |
| Coral Block Receivables                            |  | 1,424,400         | 1,424,400        |
| NSSF   |  | -                 | -                |
| Pension (EvarestinaNyambu)                         |  | 25,760            | 25,760           |
| Service Deposits                                   |  | 13,537,864        | 10,000           |
| Service Deposits: Computer                         |  | 221,250           | 221,250          |
| Service Deposits: Kenya Power Deposit              |  | 398,984           | 398,984          |
| Service Deposits: Land Deposit                     |  | -                 | -                |
| Service Deposits:Pandya M Hospital                 |  | 30,000            | 30,000           |
| Service Deposits:Rent Deposit                      |  | 193,000           | 193,000          |
| <b>Total Receivable from Exchange Transactions</b> |  | <b>22,333 430</b> | <b>8,773,043</b> |

### 17. Receivables from Non Exchange Transactions

|  |  | 2016/17           | 2014/15           |
|--|--|-------------------|-------------------|
|  |  | Ksh               | Ksh               |
| Claims   |  | 5,601,578         | 4,223,383         |
| Journal Book CDA                                       |  | 942,176           | 1,214,175         |
| Imp rests Outstanding                                  |  | 29,525,938        | 38,008,403        |
| Other Advances   |  | 275,508           | 277,274           |
| Advance to MRD   |  | 510,336           | 510,336           |
| Advances to Other RDA's                                |  | 123,734           | 123,734           |
| PambazukoDev Co  |  | 1,018,317         | 1,018,317         |
| Pledges  |  | 6,132             | 6,132             |
| MISHDP   |  | 317,757           | 1,013,648         |
| Ukunda Showground                                      |  | 1,756,138         | 1,756,136         |
| Advance to MSHDP                                       |  | 633,113           | 633,113           |
| NHIF   |  | 116,800           | -                 |
| NSSF   |  | 10,400            | -                 |
| PAYE   |  | 4,607,582         | -                 |
| UNION  |  | 4,800             | -                 |
| VAT  |  | 263,657           | -                 |
| <b>Total Receivable from Non Exchange Transactions</b> |  | <b>45,713,966</b> | <b>48,784,651</b> |

### 18. Community Projects /Work in Progress

|   | 2016/17            | 2015/16            |
|---|--------------------|--------------------|
|   | Ksh                | Ksh                |
| Project Accounts  | 12,600             | 12,600             |
| Ballast Crushing  | 6,386,577          | 6,370,609          |
| Boji Irrigation Scheme                                    | 12,398,954         | 12,878,954         |
| Catchment & Conservation                                  | -                  | 36,926,593         |
| Dam Construction  | 48,100             | 48,100             |
| Development Expenditure: Ask<br>Show/CDTF/Pension Trustee | 10,178,188         | 7,955,538          |
| Fisheries   | 9,011,601          | 9,011,601          |
| Guruguru Borehole(W-Progress)                             | -                  | 60,378             |
| Institutional Capacity                                    | 104,575,698        | 98,560,899         |
| Integrated Community Enterprise                           | 20,970,553         | 21,511,853         |
| Integrated Fruit Processing                               | 68,150,132         | 68,172,666         |
| Lake Challa   | 92,600,976         | 83,114,161         |
| Livestock Development                                     | 10,938,373         | 10,938,373         |
| Malindi Integrated Project                                | 6,885,659          | 6,885,659          |
| Micro Enterprises   | -                  | 7,962,578          |
| Milk Cooling Plant  | 1,468,207          | 1,468,207          |
| Mineral Exploration                                       | 16,714,548         | 16,409,433         |
| Minor Irrigation  | 31,982,109         | 51,295,322         |
| Mwache Dam  | 2,690,140          | 2,690,140          |
| Non Residential Kwale                                     | -                  | 164,500            |
| Sabaki Integrated Project                                 | -                  | 1,150,929          |
| Treecrops Vote  | -                  | 27,625,390         |
| Water Pans  | -                  | 87,530,270         |
| Dry Port  | 3,208,106          | 3,143,006          |
| Marikani Milk SCHEME                                      | 8,195,988          | -                  |
| <b>Total Community Projects</b>                           | <b>406,416,510</b> | <b>561,887,759</b> |

**19. Inventories**

|                             |  | 2016/17          | 2015/16          |
|-----------------------------|--|------------------|------------------|
|                             |  | Ksh              | Ksh              |
| Consumable Stores           |  |                  |                  |
| Coral Block                 |  | -                | -                |
| Wananchi                    |  | -                | 32,478           |
| Slates                      |  | -                | -                |
| Hola                        |  | 1,378,095        | 1,415,722        |
| Other Goods Held for Resale |  |                  |                  |
| Coral Block                 |  | 100,420          | 91,080           |
| Slates                      |  | 59,660           | 95,080           |
| <b>Total Inventories</b>    |  | <b>1,538,175</b> | <b>1,634,360</b> |

**20. Biological Assets**

|                                |    | 2016/17        | 2015/16          |
|--------------------------------|----|----------------|------------------|
|                                |    | Ksh            | Ksh              |
| Animals                        |    |                |                  |
| Samburu Ranch                  |    |                |                  |
| Mature Cows                    | 7  | 220,000        | 1,155,000        |
| Calves                         | 4  | 40,000         | -                |
| Breeding Bull                  | 1  | 50,000         | 45,000           |
| Bulls(Medium Size)             | 25 | 300,000        | -                |
| Chakama Farm                   |    |                |                  |
| Mature Cows                    | -  | -              | -                |
| Calves                         | -  | -              | -                |
| Sheep 10 Male /14 Female Sheep | 27 | 81,000         | 84,000           |
| <b>Total Biological Assets</b> |    | <b>691,000</b> | <b>1,284,000</b> |

**21. Investments**

|                          |  | 2016/17     | 2015/16          |
|--------------------------|--|-------------|------------------|
|                          |  | Ksh         | Ksh              |
| Mariakani Milk Dairy     |  | 8,195,988   | 8,195,988        |
| Community Projects       |  | (8,195,988) |                  |
| <b>Total Investments</b> |  | <b>-</b>    | <b>8,195,988</b> |

**22. Trade and Other Payables from Exchange Transactions**

|  |  | 2016/17           | 2015/16           |
|--|--|-------------------|-------------------|
|  |  | Ksh               | Ksh               |
| Creditors  |  | 27,365,998        | 32,871,735        |
| Land Balance Payables  |  | 5,199,500         | 6,303,500         |
| <b>Total Trade and Other Payables from Exchange Transactions</b> |  | <b>32,565,498</b> | <b>39,175,235</b> |

### 23. Trade and Other Payables from Non Exchange Transactions

|   | 2016/17           | 2015/16           |
|---|-------------------|-------------------|
|   | Ksh               | Ksh               |
| Advance Recovery  | -                 | -                 |
| Surcharge   | 699,689           | 693,115           |
| Claims  | 2,149,789         | 1,043,909         |
| Imprest   | 359,529           | 740,274           |
| Advance to Wananchi Cottages                            | 190,258           | 190,258           |
| Amedo Hire Purchase                                     | 2,415             | 2,415             |
| Farmers Rev Fund Kilifi and Taita                       | 105,310           | 105,310           |
| Miscellaneous Accruals                                  | -                 | 510,000           |
| Provisions for Bad and Doubtful Debts                   | 2,774,453         | 2,774,453         |
| Kenya National Audit Office                             | -                 | -                 |
| MISHDP  | 2,790,043         | 3,244,361         |
| VAT   | 2,821,944         | 9,068,280         |
| Wetland Lagoon  | 2,440,145         | 2,440,145         |
| Staff Claim Refund                                      | 1,746,617         | 1,272,815         |
| Imprest Recovered                                       | -                 | 121,596           |
| COTU  | 10,850            | -                 |
| Debt Recovery   | 39,579            | -                 |
| <b>Total Trade and Other Payables from Non Exchange</b> | <b>16,130,621</b> | <b>22,206,931</b> |

### 24. Employee Benefit Obligation

|  | 2016/17          | 2015/16           |
|--|------------------|-------------------|
|  | Ksh              | Ksh               |
| CDA Sacco                                | 1,245,000        | 1,890,731         |
| CDA Staff Welfare                        | 919,110          | 1,084,200         |
| CIC Insurance                            | 218,554          | 220,737           |
| DPM Dues                                 | 207,399          | 207,399           |
| Group Life And Accident                  | 9,073            | 9,073             |
| HELB                                     | 146,646          | 142,420           |
| ICEA Endowment Plan                      | 63,644           | 63,644            |
| KUFCAW                                   | 37,198           | 171,531           |
| National Social Security Fund            | -                | 75,400            |
| NBK Loan Administration Costs            | 6,574            | 6,574             |
| NHIF                                     | -                | 114,800           |
| NSSF                                     | -                | -                 |
| PAYE                                     | -                | 44,115,731        |
| PAYE: 30% WITHHOLDING TAX                | 756,000          | 756,000           |
| Pension 20%                              | 4,872,207        | 32,293,673        |
| Salary Control                           | 52,284           | 5,426,548         |
| Training Levy                            | 990,880          | 990,880           |
| Ukulima Sacco                            | 26,419           | 26,419            |
| <b>Total Employee Benefit Obligation</b> | <b>9,550,988</b> | <b>87,441,382</b> |

**25. Non Current Employee Benefit Obligation**

|  |  | <b>2016/17</b>   | <b>2015/16</b>   |
|--|--|------------------|------------------|
|  |  | <b>Ksh</b>       | <b>Ksh</b>       |
| Service Gratuity                                     |  | 108,500          | 108,500          |
| Service Gratuity: Abdalla Lugogo                     |  | 70,208           | 70,208           |
| Service Gratuity 31%                                 |  | 5,756,319        | 4,826,319        |
| Service Gratuity 31% Account                         |  | 304,779          | 304,779          |
| <b>Total Non Current Employee Benefit Obligation</b> |  | <b>6,239,806</b> | <b>5,309,807</b> |

**26. Deffered Income**

|                              |  | <b>2016/17</b>    | <b>2015/16</b> |
|------------------------------|--|-------------------|----------------|
|                              |  | <b>Ksh</b>        | <b>Ksh</b>     |
| Deferred Income              |  | 55,057,250        | -              |
| <b>Total Deffered Income</b> |  | <b>55,057,250</b> | <b>-</b>       |

**27. Property, Plant and Equipment  
PROPERTY PLANT AND EQUIPMENT SCHEDULE AS AT 30 JUNE, 2017**

| COST / VALUATION                       | LAND        | BUILDING   | COMPUTER/<br>PHOTOCOPIER | FURNITURE & FITTINGS | PLANT & EQUIPMENT | M/VEHICLE  | TOTAL       |
|--|-------------|------------|--------------------------|----------------------|-------------------|------------|-------------|
| DEPRECIATION RATE IN %                 | 1.00%       | 2.00%      | 30.00%                   | 12.50%               | 12.50%            | 25.00%     | (KSHS)      |
| BAL.30.6.2016 (COST)                   | 280,386,000 | 65,270,966 | 5,268,936                | 12,948,785           | 79,013,744        | 43,000,000 | 485,888,431 |
| ADDITIONS                              | -           | 572,100    | -                        | -                    | -                 | 4,575,300  | 5,147,400   |
| Write offs/Adjustments                 | -           | -          | (3,733,072)              | (1,741,625)          | -                 | -          | (5,474,697) |
| BAL.30.6.2017 (COST)                   | 280,386,000 | 65,270,966 | 2,107,964                | 11,207,160           | 79,013,744        | 47,575,300 | 485,561,134 |
| DEPRECIATION                           |             |            |                          |                      |                   |            |             |
| BAL.1.7.2016                           | -           | 8,587,678  | 4,638,328                | 7,538,754            | 53,113,221        | 34,767,500 | 108,645,481 |
| Write offs/Adjustments                 | -           | -          | (3,733,072)              | (1,741,625)          | -                 | -          | (5,474,697) |
| CHARGE FOR THE YEAR ON REVALUED ASSETS | -           | -          | -                        | -                    | -                 | 3,153,750  | 3,153,750   |
| CHARGE FOR THE YEAR                    | -           | 1,305,419  | 632,389                  | 1,400,895            | 9,876,718         | 3,068,825  | 16,284,246  |
| BAL.30.6.2017 (ACC DEP)                |             | 9,893,097  | 1,537,645                | 7,198,024            | 62,989,939        | 40,990,075 | 122,608,780 |
| NBV AS AT                              |             |            |                          |                      |                   |            |             |
| 30.6.2017                              | 280,386,000 | 55,377,869 | 570,319                  | 4,009,136            | 16,023,805        | 6,585,225  | 362,952,354 |

OAST DEVELOPMENT AUTHORITY  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR FINANCIAL YEAR ENDED JUNE 30, 2017

**PROPERTY PLANT AND EQUIPMENT SCHEDULE AS AT 30TH JUNE 2016**

| <b>COST / VALUATION</b>                       | <b>LAND</b>        | <b>BUILDING</b>   | <b>COMPUTER / PHOTOCOPIER</b> | <b>FURNITURE &amp; FITTINGS</b> | <b>PLANT EQUIPMENT</b> | <b>M/VEHICLE</b>  | <b>TOTAL (KSHS)</b> |
|---|--------------------|-------------------|-------------------------------|---------------------------------|------------------------|-------------------|---------------------|
| <b>DEPRECIATION RATE IN %</b>                 | <b>1.0%</b>        | <b>2.0%</b>       | <b>30.0%</b>                  | <b>12.5%</b>                    | <b>12.5%</b>           | <b>25.0%</b>      |                     |
| <b>BAL.1.7.2014</b>                           | 92,316,000         | 65,130,021        | 5,255,936                     | 12,948,785                      | 78,610,065             | 43,000,000        | 297,260,807         |
| <b>ADDITIONS</b>                              | -                  | 140,945           | 13,000                        | -                               | 421,696                | -                 | 575,641             |
| <b>REVALUATIONS</b>                           | 188,070,000        | -                 | -                             | -                               | -                      | -                 | 188,070,000         |
| <b>BAL.30.6.2016 (COST)</b>                   | <b>280,386,000</b> | <b>65,270,966</b> | <b>5,268,936</b>              | <b>12,948,785</b>               | <b>79,031,761</b>      | <b>43,000,000</b> | <b>485,906,448</b>  |
| <b>DEPRECIATION</b>                           |                    |                   |                               |                                 |                        |                   |                     |
| <b>BAL.1.7.2014</b>                           | 5,156,802          | 7,282,259         | 4,111,297                     | 6,079,210                       | 43,313,112             | 27,542,500        | 93,485,180          |
| Write offs/Adjustments                        | (5,156,802)        | -                 | -                             | -                               | -                      | -                 | 5,156,802           |
| <b>CHARGE FOR THE YEAR ON REVALUED ASSETS</b> |                    | 768,000           |                               |                                 |                        |                   | 4,839,250           |
| <b>CHARGE FOR THE YEAR</b>                    | -                  | 537,419           | 527,031                       | 1,459,544                       | 9,800,109              | 3,153,750         | 15,477,854          |
| <b>BAL.30.6.2015 (ACC DEP)</b>                | -                  | 8,587,678         | 4,638,328                     | 7,538,754                       | 53,113,221             | 34,767,500        | 108,645,482         |
| <b>NBV AS AT</b>                              |                    |                   |                               |                                 |                        |                   |                     |
| <b>30.6.2016</b>                              | 280,386,000        | 56,683,288        | 630,608                       | 5,410,031                       | 25,918,540             | 8,232,500         | 377,260,967         |
| <b>30.6.2015</b>                              | 87,159,198         | 57,847,761        | 1,144,639                     | 6,869,574                       | 35,296,953             | 15,457,500        | 203,775,626         |

## 28. Related Party Disclosures

The Authority paid a total of Ksh915, 000 as Chairman's Allowance during the year to Hon. Suleiman Kamolleh. The Chairman resigned in May to pursue political interests.

## 29. Commitments and Contingencies

There were no commitments during the year.

## 30. Cash Generated from Operations

|   | Notes | 2016/17             | 2015/16             |
|---|-------|---------------------|---------------------|
|   |       | Ksh                 | Ksh                 |
| Surplus for the period  |       | 96,920,645          | (90,055,391)        |
| <b>Adjustment for</b>   |       |                     |                     |
| Depreciation  |       | 16,284,246          | 15,477,854          |
| Decrease in land payables   |       | 1,484,000           | -                   |
| Increase/Decrease in reserves   |       | 7,315,305           | 9,319,859           |
| <b>Cash flow from operating activities before working capital changes</b> |       | <b>122,004,196</b>  | <b>(65,257,678)</b> |
| Increase/Decrease in Inventory  |       | 96,185              | 1,232,841           |
| Increase/Decrease in debtors Receivables Exchange                         |       | (13,560,387)        | (1,591,685)         |
| Increase/Decrease in debtors Non Exchange                                 |       | 3,070,685           | 11,385,493          |
| Increase /Decrease in prepayments   |       | 55,057,250          | -                   |
| Increase /Decrease in creditors   |       | (6,609,737)         | 3,334,144           |
| Increase/Decrease in Trade payable - Non Exchange                         |       | (6,076,309)         | 1,040,014           |
| Decrease in Employee Obligations  |       | (76,960,414)        | (17,179,893)        |
| <b>Net cash flow from operating activities</b>                            |       | <b>77,021,489</b>   | <b>(67,036,764)</b> |
| <b>Cash flow from investment Activities</b>                               |       |                     |                     |
| Purchase of fixed assets  |       | (5,147,380)         | (575,641)           |
| Increase/Decrease in work in progress                                     |       | 155,471,249         | (21,726,430)        |
| Purchase of Biological assets(Write off)                                  |       | 593,000             | 1,192,500           |
| Increase in investments   |       | 8,195,988           | -                   |
| <b>Net cash flow from investing activities</b>                            |       | <b>159,112,857</b>  | <b>(21,109,572)</b> |
| <b>Cash flow from financing Activities</b>                                |       |                     |                     |
| Development Grants  |       | (82,869,648)        | 90,360,000          |
| <b>Net cash flow from financing activities</b>                            |       | <b>(82,869,648)</b> | <b>90,360,000</b>   |
| Cash and cash equivalent generated in the year                            |       | 153,264,678         | 2,213,644           |
| Cash and cash equivalent at the beginning of the year                     |       | 21,446,733          | 19,233,069          |
| <b>Cash and cash equivalent at the end of the year</b>                    |       | <b>174,711,410</b>  | <b>21,446,733</b>   |

## 31. Events after the reporting period.

There are no material non adjusting events after the reporting date.

## XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

| Reference No. on the external audit Report | Issue / Observations from Auditor       | Management comments  | Focal Point person to resolve the issue (Name and designation)                                      | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved ) |
|--|---|--|---|-----------------------------------|---|
| 1  | Financial Performance/<br>Going Concern | <ul style="list-style-type: none"> <li>Management has put measures in place to strengthen the internal controls and seal any possible loopholes and reduce operating expenses e.g. Staff reshuffled on some projects site as one of the control measures.</li> <li>The Business Development is reviewing performance viability and sustainability of income generating projects, Those projects that are loss machining will be closed and efforts concentrated on profit making ventures</li> </ul> | Mr.FentusMng'ong<br>'o<br>Ag.Chief<br>ManagerBusiness<br>Development And<br>Investment<br>Promotion | Resolved                          | 31 <sup>st</sup> Dec<br>2016                                      |
| 2  | Excess Expenditure                      | <ul style="list-style-type: none"> <li>There was no excess expenditure. The Authority is spending as per the approved budget</li> </ul>  | Manager Finance<br>and Accounts<br>Pamela M. Ngure  | Resolved                          | 30 <sup>th</sup> June<br>2016                                     |

| Reference No. on the external audit Report | Issue / Observations from Auditor                       | Management comments  | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved ) |
|--|---|--|--|-----------------------------------|---|
|  |   | year.  |  |                                   |   |
| 3  | Trade and Other Payables from Exchange Transactions     | Some outstanding creditors mainly AGPO have been paid. The other creditors outstanding have been forwarded as pending bills to the National Treasury for settlement. The bills accumulated due to budget cuts and delayed financing in previous years. | Manager Finance and Accounts<br>Pamela M. Ngure                | Not Resolved                      | 30 <sup>th</sup> June 2018  |
| 4  | Trade and Other Payables from Non Exchange Transactions | The VAT was for MISHDP project phase 1 which was tax – exempt. The VAT has been approved for w/off by Treasury and was posted out of the system  | Manager Finance and Accounts<br>Pamela M. Ngure                | Resolved                          |   |
| 5  | Employee Benefit Obligation                             | The Authority received supplementary budget and cleared the PAYE. The Authority is paying PAYE within the stipulated deadline  | Manager Finance and Accounts<br>Pamela M. Ngure                | Resolved                          |   |
| 6  | Pension   | The Authority received supplementary budget and paid the unremitted pension and deficit on the same. The Authority has accrued the interest from unremitted pension Ksh 31M, The Authority is remitting pension regularly every month                  | Manager Finance and Accounts<br>Pamela M. Ngure                | Resolved                          |   |

| Reference No. on the external audit Report | Issue / Observations from Auditor          | Management comments  | Focal Point person to resolve the issue (Name and designation)   | Status: (Resolved / Not Resolved)      | Time me: (Put a date when you expect the issue to be resolved ) |
|--|--|--|--|--|---|
| 7  | Property Plant and Equipment               | <ul style="list-style-type: none"> <li>The aggregate value of the 9 parcels of land is pending survey and valuation. The Authority is working with County surveys to ascertain the value of these parcels of land</li> <li>The PPE has been correctly calculated. Some computers values are on the 10 % and older vehicles values were revalued</li> </ul> | <p>Mr.FentusMng'ong<br/>'o<br/>Ag.Chief<br/>ManagerBusiness<br/>Development And<br/>Investment<br/>Promotion</p> <p>Manager Finance<br/>and Accounts<br/>Pamela M. Ngure</p> | <p>Unresolve<br/>d</p> <p>Resolved</p> | 30 <sup>th</sup> April<br>,2018                                 |
| 8  | Receivables from Non Exchange Transactions |  |  |  |   |
| 8.1  | Long Outstanding Imprest                   | <ul style="list-style-type: none"> <li>Stringent measures have been put in to manage outstanding Imprest. There is no incidence of multiple Imprest</li> <li>The Ex staff have not finished clearing with the Authority. The outstanding Imprest will be offset against their terminal dues upon clearance</li> </ul>                                      | <p>Manager Finance<br/>and Accounts<br/>Pamela M. Ngure</p>  | Not<br>Resolved                        |   |
| 8.2  | Other Debts                                | These were payments made on behalf of the other Authorities.   |  |  |   |
| 9  | Service Deposits                           | The company directors  |  |  |   |

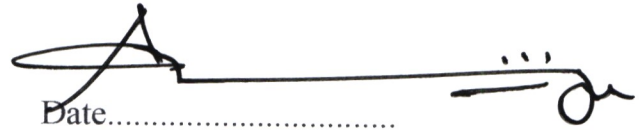
| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments  | Focal Point person to resolve the issue (Name and designation)                          | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved ) |
|--|-----------------------------------|--|---|-----------------------------------|---|
|  |                                   | cannot be traced, The Authority has requested permission from The National Treasury to write off the amount.   |   |                                   |   |
| 10   | Project Expenses                  | The non performing projects have been closed. The Business Development Department has taken over supervision and management of these projects to they are run profitably<br>The Human Resource Dept is involved in recruiting of casuals   | Mr. Fentus Mng'ong'o<br>Ag. Chief Manager Business Development And Investment Promotion | Resolved                          |   |
| 11   | Audit Fees                        | The Audit fee has been settled in due course. The cost has been provided for in the financial statements   | Manager Finance and Accounts<br>Pamela M. Nguere  | Resolved                          |   |
| 12   | Community Projects                | The community projects reported as work in progress are assets for the community and are handed over after completion. These assets cannot be reported in the PPE as the depreciation charge cannot be absorbed by the Authority as we have no ownership over any of the assets<br>Budget cuts and delayed funding interfered with the project | Manager Finance and Accounts<br>Pamela M. Nguere  | Resolved                          |   |

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments       | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Time: (Put a date when you expect the issue to be resolved ) |
|--|-----------------------------------|---------------------------|--|-----------------------------------|--|
|  |                                   | implementation time line. |  |                                   |  |

  
 Managing Director

Chairman of the Board

Date: 7/6/2018

  
 Date: .....