

REPUBLIC OF KENYA



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REPORT


OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
LAKE BASIN DEVELOPMENT  
AUTHORITY

FOR THE YEAR ENDED  
30 JUNE 2017

	
THE NATIONAL ASSEMBLY PAPERS LAID	
DATE:	05 DEC 2018
	DAY: Wednesday (pm)
TABLED BY:	Hon. Aden Duale, M.P. Leader of Majority Party
CLERK-AT-TABLE:	Kachek Kainu - Principal Clerk Assistant





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# LAKE BASIN DEVELOPMENT AUTHORITY

## ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30<sup>TH</sup>, 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

Lake Basin Development Authority (LBDA) is a Regional Development Agency that was established by an Act of Parliament Cap 442 on the 31<sup>st</sup> August 1979 to coordinate the socio-economic development in the Lake Victoria Basin, Western Kenya. Currently, the Authority is under the Ministry of Devolution and Planning which provides the general policy and strategic direction of the Authority. In order for the Authority to achieve its strategic objectives, it is governed by the Board who exercise control, and remain accountable to stakeholders.

### (b) Vision, Mission and Core values

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

#### VISION

To be an *authority* in integrated socio-economic development in the Region.

#### MISSION

To foster integrated socio-economic development through optimum utilization of resources using appropriate technology and innovations for improved livelihoods of the communities within the Lake Basin Region.

#### CORE VALUES

Our core values are captured in an acronym derived from the word **RESPECT**

**R** We shall **respect** diversity of opinion race creed.

We shall be **responsible** in all our action.

**E** We shall be **ethical**, uphold & sustain a culture of honesty in dealing with our stakeholders.

We shall be **emphatic** to our constituents.

**S** We shall be **socially** responsible in all our activities.

**P** We shall act with utmost **professionalism**.

We shall adopt **participatory** approaches to development and forge effective partnership with all our stakeholders.

**E** We shall respect and protect the **environment** in all we do.

**C** We shall be **committed** to our vision and mission.

We shall foster **creativity** and innovation.

**T** We shall inspire **trust** among us and in the community.

We value **team** work both internally and externally.

We shall uphold **tolerance** among us and with the communities we serve.

### (c) Key Management

The Authority's day-to-day management is under the following key organs:

- Board of Directors
- Managing Direct

- Chief Managers and
- Managers

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2017 and who had direct fiduciary responsibility were:

- Managing Director
- Chief Managers and
- Managers

**(e) Fiduciary Oversight Arrangements**

The Authority has six (6) constituted Board committees which perform key fiduciary oversight role. The committees are:

**i. Executive Board Committee**

The Executive committee is made up of the Chairman, Vice Chairperson, Managing Director and the chairpersons of all the committees. It acts as a link between the Board, Management and the Parent Ministry. The main responsibility of this committee is to assist the Managing Director in strategic issues pertaining to the Authority's general direction and for consultative purposes.

**ii. Finance and Establishment Committee**

This committee oversees the accounting and financial reporting processes of the Authority. In this regard, the Committee is charged with the responsibility of receiving, approving and recommending guidelines for the administrative and financial matters of the Authority. It is also responsible for monitoring the finances, human resource and administration policies in liaison with the Managing Director and the respective heads of divisions in the organization.

**iii. Audit and Risk Management Committee**

The Committee reviews the financial reports to establish the condition of the Authority and receives reports on the findings of the internal and external audits. The Committee tracks the actions on audit findings in addition to regularly reviewing and reporting to the Board on the effectiveness of the Authority's systems of internal controls.

The committee is responsible for reviewing the scope and operations of the Audit Function; reviews and approves audit plans and methodology. The Committee receives regular reports from the Manager, Internal Audit on internal audits, compliance and risk management reports.

**iv. Planning and Development Committee**

The Planning and Development Committee has cognizance of all matters relating to planning and development of the organization; regional planning and development activities. It is charged with the responsibility of developing a workable strategic plan and to ensure that programs

planned are implemented. The committee guides the full Board in the formulation of policies relating to Planning and development, approval of sustainable programs to be implemented within the region and work plans.

**v. Compliance and Governance Committee**

The committee is responsible for reviewing the procurement and disposal plans of the Authority. It ensures that procurement decisions are conducted in a structured, systematic and segregated manner as set forth in the provisions of the law. The committee shall provide oversight on the procurement function without infringing the principle of segregation of responsibilities.

**vi. Management Steering Committee**

The Management Steering committee is responsible for overseeing and reporting on the implementation progress of the Authority's strategic plan, quality management systems and performance contracting obligations. It ensures consistent review and enhancement of divisional and departmental work process to ensure that they facilitate cost effective service delivery, institutional and staff capacity building.

It ensures the implementation and application of performance appraisal system, including ensuring consistency and performance standards in work planning, staff development, monitoring and evaluation, mid-year and end year performance reviews. The committee is expected to champion transformation and actualization of change management action plan as well as ineptly handle managerial and leadership issues within the organization. The committee therefore has a duty to contribute towards improved organizational and individual performance, besides cultivating organizational change management.

**vii. LBDA Headquarters**

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

**viii. LBDA Contacts**

Telephone: (254) 020-2023414  
Fax : (254) 020-2023422  
Mobile : 0715-682555/0735-711933  
E-mail : [info@lbda.co.ke](mailto:info@lbda.co.ke)  
Website : [www.lbda.co.ke](http://www.lbda.co.ke)

**ix. LBDA Bankers**

1. National Bank of Kenya Ltd.  
Kisumu Branch  
P.O. Box 1152 - 40100  
**KISUMU**

**KENYA**

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

**KISUMU**

3. Cooperative Bank of Kenya Ltd.  
Kisumu Branch  
P.O. Box 1511 – 40100

**KISUMU**

x. **Independent Auditors**

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

xi. **Authority lawyers**





Wekesa & Co. Advocates  
P.o box 10299-00100,  
Nairobi.

Gumbo & Associates Advocates  
P.O Box 2718-  
Eldoret.

Amondi & Co. Advocates  
P.o Box 675-40100,  
Kisumu.

**II. THE BOARD OF DIRECTORS**

<p>1</p>	<p>HON. RAPHAEL TUJU (E.G.H) (CHAIRMAN)</p> 	<p>D.O.B: 30<sup>th</sup> March 1959</p> <p><i>Qualifications</i></p> <ul style="list-style-type: none"> <li>• Master of Arts Degree- University of Leicester UK</li> </ul> <p><i>Experience</i></p> <ul style="list-style-type: none"> <li>• Former Minister of Tourism</li> <li>• Former Minister of Communication</li> <li>• Former Minister of Foreign Affairs</li> <li>• Former Advisor to President of the Republic of Kenya</li> </ul>
<p>2</p>	<p>MR. EARLIE ALPHAYO NGANI (VICE CHAIRPERSON)</p> 	<p>D.O.B: 12<sup>th</sup> August 1964</p> <p><i>Qualifications</i></p> <ul style="list-style-type: none"> <li>• Post Graduate Diploma in Law-</li> <li>• LLB-Pune University</li> <li>• Bachelor of Commerce (Accounts)-Pune University</li> </ul> <p><i>Experience</i></p> <ul style="list-style-type: none"> <li>• Senior Partner - Ng'ani &amp; Oluoch Advocates (2004- to date)</li> <li>• B.W. Kamunge &amp; Company Advocates (1995 – 2000)</li> <li>• Gatheru Gathemia &amp; Company Advocates (1994 – 1995)</li> </ul>
<p>3</p>	<p>DR. EVANS A. ATERA (SECRETARY)</p> 	<p>D.O.B: 8<sup>th</sup> June 1968</p> <p><i>Qualifications</i></p> <ul style="list-style-type: none"> <li>• Ph.D. in Agronomy- Kobe University, Japan</li> <li>• M.Sc. Agriculture (Agronomy)- Kobe University, Japan</li> <li>• B.Sc. Agriculture -University of Eastern Africa, Baraton Kenya</li> <li>• Member: KNAS</li> </ul> <p><i>Experience</i></p> <ul style="list-style-type: none"> <li>• Chief Executive officer and Board Secretary at LBDA (2016-To date)</li> <li>• General Manager Lake Basin Development Company (2015-2016)</li> <li>• Regional Manager LBDA (2011-2015)</li> </ul>
<p>4</p>	<p>MS. AOKO MIDIWO-ODEMBO (NON EXECUTIVE DIRECTOR)</p> 	<p>D.O.B: 27<sup>th</sup> January 1959</p> <p><i>Qualifications</i></p> <ul style="list-style-type: none"> <li>• Masters of Public Administration (MPA) Atlanta University</li> <li>• B.A (History and Political Science) University of Nairobi</li> </ul> <p><i>Experience</i></p> <ul style="list-style-type: none"> <li>• Consultant and Special Assistant to the President - Corporate Council on Africa (CCA) – Washington, DC (2010 – 2013)</li> <li>• Liaison Coordinator - Carter Center - Nairobi, Kenya Office (1994 – 1997)</li> <li>• Contracts Manager - African Medical and Research Foundation (AMREF) - Nairobi, Kenya (1991 – 1994)</li> <li>• Planning Officer - International Center for Insect Physiology and Ecology (ICIPE) - Nairobi, Kenya (1989 – 1990)</li> <li>• Project Administrator - The Population Council - Nairobi, Kenya (1989)</li> <li>• Country Representative - Resources for Child Health (REACH) – Nairobi, Kenya(1988 – 1989)</li> <li>• Program Analyst - Centers for Disease Control (CDC), International Health Program Office – Atlanta, GA (1987 – 1988)</li> <li>• Assistant Personnel Manager - Kenya Industrial Estates Group of Companies (1983 – 1985)</li> </ul>

5	<p>MR. JACK BERGITA OTANA (NON EXECUTIVE DIRECTOR)</p> 	<p>D.O.B: 22<sup>nd</sup> August 1958</p> <p><i>Qualifications</i></p> <ul style="list-style-type: none"> <li>• CPA I Sec 1</li> </ul> <p><i>Experience</i></p> <ul style="list-style-type: none"> <li>• Auditor-Nokwe Adienge &amp;Co (Audit-Firm) (1990-1991)</li> <li>• Branch Accountant- Interfreight(K)Ltd (1986-1989)</li> </ul>
6	<p>MR. NELSON KIFWORO (NON EXECUTIVE DIRECTOR)</p> 	<p>D.O.B: 6<sup>th</sup> August 1968</p> <p><i>Qualifications</i></p> <ul style="list-style-type: none"> <li>• Bachelor of Science Business Admin-International Business</li> </ul> <p><i>Experience</i></p> <ul style="list-style-type: none"> <li>• Makers Enterprises Limited (Private) (1996 – todate)</li> <li>• Embassy Of Kenya, Abu Dhabi, UAE (2005-2008)</li> <li>• United Nations Regional Offices (1993-1995)</li> <li>• Trade Bank Limited (1991-1993)</li> </ul>
7	<p>MR. STEPHEN MWANGA (NON EXECUTIVE DIRECTOR)</p> 	<p>D.O.B: 30<sup>th</sup> September 1975</p> <p><i>Qualifications</i></p> <ul style="list-style-type: none"> <li>• Diploma in Banking and Finance-Kenya School of Monetary studies</li> </ul> <p><i>Experience</i></p> <ul style="list-style-type: none"> <li>• Director-Fleming Bridge Aviation Services (2009- todate)</li> <li>• Director- Global Investment Services(Nairobi) [ 2012-Todate]</li> <li>• Network Administrator- University of Nairobi</li> <li>• Harambee Sacco (2003-2007)</li> </ul>
8	<p>MR. PATICK OUYA LUMUMBA (NON EXECUTIVE DIRECTOR)</p> 	<p>D.O.B: 1964</p> <p><i>Qualifications</i></p> <ul style="list-style-type: none"> <li>• Bachelor of law (LLB)- University Of Poona India</li> <li>• Bachelor of Arts Cooperative Mangement –University of Agra India</li> </ul> <p><i>Experience</i></p> <ul style="list-style-type: none"> <li>• Town Clerk – County Council of Lamu (2010-2012)</li> <li>• - Siaya Municipal Council (2007-2010) <ul style="list-style-type: none"> <li>- Malindi Municipal Council (2005-2007)</li> <li>- Homa Bay Municipal Council (2004-2005)</li> </ul> </li> <li>• Deputy Town Clerk – Vihiga Municipal Council (2002-2004)</li> <li>• Legal Officer – Concord Insurance (1993-1995)</li> <li>• Legal Assistant – Ombija Wasuna &amp; Co. Advocates (1998-2001)</li> <li>• Research Assistant – Fredric Nauman Foundation (1995-1997)</li> </ul>

<p>9</p>	<p>MS. WILBRODA ODERA (NON EXECUTIVE DIRECTOR)</p> 	<p>D.O.B: 24th August 1983</p> <p><i>Qualifications</i></p> <ul style="list-style-type: none"> <li>• B.Sc.-Actuarial Science</li> </ul> <p><i>Experience</i></p> <ul style="list-style-type: none"> <li>• Head of Individual Life Business – APA Life Assurance Limited (2014 –to date)</li> <li>• ICT Project Manager – APA Life Assurance Limited (2012 –2014)</li> <li>• Team leader Client Services – Jubilee Insurance Company Limited(2012)</li> <li>• Business System Analyst-Life System Implementation Project – Jubilee Insurance Company Limited (2010–2012)</li> <li>• Team leader Product Development – Jubilee Insurance Company Limited (2008 –2012)</li> </ul>
<p>10</p>	<p>HON. WILLIAM OMONDI (NON EXECUTIVE DIRECTOR)</p> 	<p>D.O.B:1951</p> <p><i>Qualifications</i></p> <ul style="list-style-type: none"> <li>• Diploma Land, Engineering and Topo Surveys - Kenya Technical University</li> <li>• EALS International Certificate</li> </ul> <p><i>Experience</i></p> <ul style="list-style-type: none"> <li>• Private practice (2008-2016)</li> <li>• Member of Parliament, Kasarani Constituency- Nairobi (2002-2007)</li> <li>• Senior Surveyor, Nairobi City Council- Ministry of Local Government (1979- 1992)</li> <li>• District Surveyor, Kisii (1978)</li> <li>• Assistant Surveyor, Ministry of Lands &amp; Settlement (1974-1977)</li> </ul>
<p>11</p>	<p>MS. KATHERINE MUOKI (NON EXECUTIVE DIRECTOR)</p> 	<p>D.O.B:</p> <p><i>Qualifications</i></p> <ul style="list-style-type: none"> <li>• Master of Arts ( Economics)</li> <li>• Bachelor of Education ( Economics and Business Studies)</li> <li>• Member of Economic Society of Kenya</li> </ul> <p><i>Experience</i></p> <ul style="list-style-type: none"> <li>• Director of Economic Planning responsible for Infrastructure, Science, Technology and Innovations, Ministry of Planning, National development and Vision 2030, Ministry of Devolution and Planning ( 2010 to present)</li> <li>• Economist at various levels in Ministry of Planning and National Development, Ministry of Finance and Planning, Ministry of Planning, National Development and Vision 2030 ( 1988 to 2010)</li> </ul>
<p>12</p>	<p>MR. JALUO MURUNGA WILIAM (NON EXECUTIVE DIRECTOR)</p> 	<p>D.O.B: 19<sup>th</sup> September, 1961</p> <p><i>Qualifications</i></p> <ul style="list-style-type: none"> <li>• Masters – Early Childhood &amp; Primary Education</li> <li>• Bachelor of Arts in Early Childhood &amp; Primary Education</li> </ul> <p><i>Experience</i></p> <ul style="list-style-type: none"> <li>• Assistant Lecturer - University of Eldoret (2014- todate)</li> <li>• Assistant Lecturer - Maasai Mara University (2013-2014)</li> <li>• Assistant Lecturer - Mount Kenya University, Kakamega Campus (2012-2013)</li> <li>• Education Officer - Likuyani District</li> <li>• Head teacher - Musemwa and Lwanda Primary Schools</li> </ul>

CPA BONIFACE SIMBA (NON EXECUTIVE DIRECTOR)



D.O.B: 5<sup>th</sup> January 1972

*Qualifications*





- MBA in Strategic Management
- Bachelor of Commerce
- CPA (K)
- Member ICPAK






*Experience*





- Public Administration and Management at National Treasury for over 20 years.



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III. MANAGEMENT TEAM

1	<p><b>DR. EVANS A. ATERA</b></p> 	<p><b>Ag. Managing Director</b></p>	<ul style="list-style-type: none"> <li>• Ph.D. in Agronomy</li> <li>• M.Sc. Agriculture (Agronomy)</li> <li>• B.Sc. Agriculture</li> <li>• Member: KNAS</li> </ul>
2	<p><b>MR. MAURICE OBASO</b></p> 	<p><b>Ag. Chief Manager, Planning Research, Bus. Dev. &amp; Inv. Pro.</b></p>	<ul style="list-style-type: none"> <li>• B.A- Marketing</li> <li>• MBA</li> </ul>
3	<p><b>CPA(CS) FREDRICK CHERE</b></p> 	<p><b>Chief Manager- Finance ICPAK Membership No. 4745</b></p>	<ul style="list-style-type: none"> <li>• MBA Strategic Management</li> <li>• B. Com- Accounting</li> <li>• CPA(K) ,CPS (K),CFE</li> <li>• Certificates in Leadership and Governance</li> <li>• Professional Association: ICPAK, ICPSK, ACFE</li> </ul>
4	<p><b>MR. WILLIAM O. OGOLLA</b></p> 	<p><b>Chief Manager, Agricultural Services</b></p>	<ul style="list-style-type: none"> <li>• MSc. Land &amp; Water Management</li> <li>• Bachelor of Science- Agriculture</li> </ul>

5	<p><b>ENG. GODFREY M. MWANGI</b></p> 	<p><b>Ag: Chief Manager, Technical Services &amp; Operations</b></p>	<ul style="list-style-type: none"> <li>• BSc. -Civil Engineering</li> <li>• Member: EBK; IEK</li> </ul>
6	<p><b>MR. JOSEPH OKOTTO-OKOTTO</b></p> 	<p><b>Manager Planning, Research &amp; Special projects</b></p>	<ul style="list-style-type: none"> <li>• Msc- Natural Resource Management</li> <li>• BSc. –Environmental Science</li> <li>• Diploma in Cartography</li> <li>• Certificate in Policy and Planning.</li> </ul>
7	<p><b>CPA GRACE ABUTO</b></p> 	<p><b>Manager, Internal Audit ICPAK Membership No. 5629</b></p>	<ul style="list-style-type: none"> <li>• B. Com-Finance</li> <li>• CPA(K), CPS Finalist</li> <li>• Member: ICPAK, ISACA</li> </ul>
8	<p><b>MRS. MIRIAM SIWA</b></p> 	<p><b>Ag. General Manager, LBDC</b></p>	<ul style="list-style-type: none"> <li>• MSc. Entrepreneurship</li> <li>• PGD Planning &amp;Mgt of Devpt Projects</li> <li>• PGDHRM</li> <li>• Bachelor of Education</li> <li>• Diploma in Management</li> </ul>
9	<p><b>CPA CHRISTINE OTIENO</b></p> 	<p><b>Manager Finance ICPAK Membership No. 10470</b></p>	<ul style="list-style-type: none"> <li>• MBA-Strategic Management</li> <li>• PG Diploma in Banking</li> <li>• B. Com-Accounting &amp; Auditing</li> <li>• CPA (K)</li> <li>• Member ICPAK</li> </ul>

10	<p><b>MR. SAMUEL NDIRE</b></p> 	<p><b>Manager, Quality Assurance</b></p>	<ul style="list-style-type: none"> <li>• Bachelor of Arts</li> <li>• PG Diploma in Public Relations</li> </ul>
11	<p><b>MRS. BEATRICE OKOKO</b></p> 	<p><b>Manager, Corporate Affairs</b></p>	<ul style="list-style-type: none"> <li>• Masters- Project Planning &amp; Management</li> <li>• BBA - Finance</li> <li>• Advanced Diploma in Business Administration</li> <li>• Corporate Governance Training.</li> </ul>
12	<p><b>MR. PHILIP O. OLOO</b></p> 	<p><b>Manager, Agricultural Services</b></p>	<ul style="list-style-type: none"> <li>• Masters- Project Planning &amp; Management</li> <li>• BSc. Horticulture &amp; Agriculture</li> </ul>
13	<p><b>MR. JAMES NYAKWEBA</b></p> 	<p><b>Ag. Manager, Human Resource</b></p>	<ul style="list-style-type: none"> <li>• Masters in Human Resource management</li> <li>• Bachelor in Human Resource Management.</li> <li>• Member-IHRM</li> <li>• CPS-Part I</li> </ul>
14	<p><b>MR. BILDAD ONDITI</b></p> 	<p><b>Ag. Manager, Engineering Services</b></p>	<ul style="list-style-type: none"> <li>• MSc. Soil &amp; Water Engineering</li> <li>• BSc. Engineering</li> <li>• Diploma in Business Management</li> </ul>

15	<p><b>MR. EDWIN OLANG</b></p> 	<p><b>Ag. Manager, Administration Services</b></p>	<ul style="list-style-type: none"><li>• B.A. – Development Studies</li></ul>
16	<p><b>MR. RAYMOND NDOLO</b></p> 	<p><b>Ag. Manager, Procurement</b></p>	<ul style="list-style-type: none"><li>• PGD- Logistics Management</li><li>• B. Com – Marketing Management</li></ul>

#### IV. CHAIRMAN'S STATEMENT



The Lake Basin Development Authority was established by an Act of Parliament (Cap 442) on the 31st of August 1979 to provide an avenue for a quicker, more meaningful development in the Kenyan portion of the Lake Victoria Basin. The Act empowers the Authority to undertake overall integrated planning, co-ordination and implementation of programs in the basin through mobilization of resources and assets in pursuit of improving livelihoods and development in the region.

While the restructuring of government operations since the promulgation of the Constitution of Kenya 2010 has come with many operational challenges, LBDA has continued to discharge its mandate by working closely with the National and County governments in the implementation of socio-economic development initiatives. During this financial year the Authority continued with the functional analysis, policy review process and the review of the LBDA Act of parliament, which started in 2012. The aim of this exercise was to align the operations of the Authority, along with other RDAs, with the requirements of the constitution of Kenya 2010 and provide a robust legal framework within which, the Authority would continue to sustainably serve the people of the Lake Victoria Basin. Hopefully, the process will be concluded in the coming Financial Year and will give the Authority a critical leverage it requires to continue to deliver services to the people of the basin as a national institution.

Sustenance in operations has continued to be an important area of focus for the Authority. This has made it necessary for the organization to initiate and pursue a policy of restructuring and transformation of human resources, structures and Systems within the Authority to enhance efficiency in service delivery and improve fiscal management of the available financial resources. Our commitment now and in the coming years is to ensure that projects and Technology Transfer Centres spread across the basin are self-sustaining without compromising the quality of service delivery. The Authority will also ensure that mega projects with rapid multiple ripple development effects such as Magwagwa Multi-Purpose Project, among others, are concluded and implemented to stimulate socio-economic development in the basin.

The Board together with Management worked tirelessly to resolve grey areas on the LBDA Mall Complex. During the financial year, the Authority secured a concessionary loan of Kshs. 1.5 Billion for purposes of settling debt owed to the contractor for the mall. A further Kshs 1 Billion has been allocated in 2017-2018 budget for purposes of partial settlement of loan owed to Co-operative Bank of Kenya. We look forward that the mall will be commissioned to start its operations in the first quarter of 2017-2018 financial year to stimulate proper urban planning and tourism through the hotel industry. Above all the mall shall create opportunities for employment and a much needed revenue stream to enhance sustainability of the Authority's operations. We believe that the long term success of our organization depends on the health and prosperity of the communities within which we operate, and we will continue to focus funding resources on the specific areas where we can make the most difference as we open up the region for development.

A handwritten signature in black ink, appearing to read 'Raphael Tuju', written over a horizontal line.

**Hon. Raphael Tuju (E.G.H)**  
**Chairman, LBDA**

## V. REPORT OF THE AG. MANAGING DIRECTOR



The Lake Basin Development Authority (LBDA) mandate as enshrined in the establishing Act of Parliament, Cap 442 of 1979, empowers the Authority to plan, coordinate, implement and monitor development projects and programmes in the Kenyan portion of the Lake Victoria basin. Since its inception, the organization has prepared a number of proposals to address the mandate and spur socio-economic transformation and development in the area under its jurisdiction. Some of the proposals have translated into projects and programmes, which the Authority has been implementing over the years with funding from the Exchequer. Others are yet to translate into funded projects and funds are required for their implementation. The objectives of these projects are in line with the Authority's strategic Plan, Government's Medium Term Plans, the Authority's Integrated Regional Development Master Plan (IRDMP), Vision 2030 and the Sustainable Development Goals (SDGs).

In order to implement the development initiatives, the Authority received funds in form of Grants for development and recurrent from the National Treasury amounting to Kshs. 208,961,717 for the Financial Year (FY) ending 30<sup>th</sup> of June 2017. It is a mandatory requirement of the International Public Sector Accounting Standards (IPSAS) and Public Finance Management Act, 2012 that entities such as LBDA receiving public funding should make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and prepare a comprehensive financial statement at the end of every Financial Year. This financial statement has been prepared in accordance with these requirements.

During the FY 2015/2016, the Authority received funds amounting to Kshs. 208,961,717 for development and recurrent expenditure as compared to Kshs. 329,024,459 in the previous year. This reduction in funding level impacted negatively on the Authority's activities translating into a 47 % decrease on our total income from Kshs. 370,980,384 in the previous year to Kshs. 251,572,947 by end of June 2017.

The integrated basin-based are designed to have instant impacts and to enhance the living conditions of the people of the basin. Most of these community empowerment projects and programmes are based at our Technology Transfer Centres (TTC) across the Basin. In the coming year, funds will be committed to the development of these TTC's to make them self-sustaining and to support LBDA's operations in the Lake Victoria Basin. Our vision 2030 flagship projects such as Magwagwa multi-purpose dam, and Nandi Forest Multi-purpose dam are well on course. The Authority is committed that the two projects shall be operationalized in the next FY. The Authority has also pushed two projects to PPP Unit to be implemented in the next FY namely; 7.5MW Biomass Plant to be implemented by Hornbill Development Company at a cost of US\$ 12.6 million and Lime-Organic Fertilizer Production Plant to be implemented by Kenya Future New Technologies (KFNT) at a cost of US\$ 10 million.

As part of the Authority's sustainability strategy, LBDA committed funds to the construction of the ultra-modern Lake Basin Mall complex (LBM) through a partnership arrangement with Edermann properties Ltd. The LBM is complete and the property has been handed over to the Authority. Tenancy agreements are in progress while many others have been concluded. The Lake Basin Mall

complex is expected to be launched in the coming months after clarification of some pending issues which includes pending bills. When fully operational, LBM complex will increase the Authority's revenue base, create employment opportunities, conserve the environment through its bio-digestion system, promote green energy compliance through the solar lighting systems, and improve the quality of urban development planning in the city and spur socio-economic growth of the Basin. Funds were also allocated to activities targeting the transformation of structures and systems within the Authority to improve efficiency and effectiveness in Service delivery in a competitive environment. In this regard, the Kenya Bureau of standards conducted a surveillance audit and established that LBDA is be fully compliant with ISO 9001:2008. An application was made for recertification audit which was conducted and the Authority was recertified on ISO 9001:2008. Funds were also committed to the implementation of a medical scheme to improve and ensure the welfare of employees. Internet connectivity was also improved through the installation of the Wide Area Network (WAN) in the regional offices which has enabled the regions to link up with the headquarters and the website has been improved to enhance its interactivity. Implementation of an Enterprise Resource Planning System (ERP) was also accomplished and is currently operational. Further customization will continue in the next FY.

In conclusion, it is clear that the projects and programmes lined up for implementation by the Authority require huge capital investment. Experience has however demonstrated that such funds cannot be realized within the lifespan of Vision 2030 through the exchequer funding alone. The Authority must therefore continue to make deliberate steps towards the expansion of its revenue base by creating new partnerships with private investors and partners to mobilize required additional resources for some of these projects. In a macro economically stable environment these strategies will work well for the Authority's development agenda for long term development, enhanced equity and wealth creation in the Lake Victoria basin area



**Dr. Evans A. Atera**  
**AG. Managing Director, LBDA**

## VI. CORPORATE GOVERNANCE STATEMENT

### For the year ended 30<sup>th</sup> June 2017

Lake Basin Development Authority is committed to upholding the highest standards of corporate governance as key to the enhancement of the business performance; the Board of Directors seeks to discharge its duties and responsibilities in the best interest of the organization, its stakeholders, customers, development partners and the wider community. Our corporate values and ethics are entrenched in our strategic and development objectives and we are focused towards transforming and accelerating growth in value for the benefit of both the government and all our stakeholders.

### Responsibilities of the Board

- a) The Mission and the Vision of the Authority;
- b) Promoting the aims and objectives of the Authority;
- c) Setting strategic directions for the Authority;
- d) Oversight of management;
- e) The appointment and performance management review of the Managing Director;
- f) Setting and monitoring broad budget and planning framework, ensuring that the Authority finances are sound, and taking major financial decisions;
- g) Monitoring Authority performance against strategic objectives;
- h) Setting and clearly examining Authority policy and risk management;
- i) Extending links and communication between the Authority and the wider community;
- j) Ensuring that the Authority is acting without ethnic bias and is in conformity with all legal requirements;
- k) Approve budgets of the Authority;
- l) Authority performance and succession planning.

### Composition of the Board

Currently, the Board comprises of fifteen (13) members; the Chairman who is a non-executive director, one executive and twelve non-executive directors. The Managing Director is a full time executive member and Secretary to the Board. We believe that the Board has an appropriate combination of skills, knowledge and experience to perform its role effectively.

All directors are subject to periodic re-appointment in accordance with the State Corporations Act, the Office of the President and the Parent Ministry.

## COMPOSITION OF THE BOARD AND ATTENDANCE

N O.	NAME OF DIRECTOR	BOARD POSITION	BOARD ATTENDANCE	BOARD COMMITTEE	
				CHAIRMANSHIP	NO. COMMITTEES
1	HON. RAPHAEL TUJU	CHAIRMAN	7		
2	MR. EARLIE NGANI	VICE CHAIRMAN	7		2
3	DR EVANS A. ATERA	AG. MANAGING DIRECTOR	7		5
4	HON. WILLIAM OMONDI	MEMBER	7		2
5	MS. KATHERINE C. MUOKI, HSC	ALT. DIR.- MIN. DEV&PLANING	4		2
6	MR. PATRICK THOMAS O. LUMUMBA	MEMBER	7	COMPLIANCE & GOVERNANCE	2
7	MR. JACK BERGITA OTANA	MEMBER	7	AUDIT & RISK	2
8	MS. MARY A. OKEYO-OJODEH	MEMBER	6		2
9	MR. STEPHEN O. MWANGA	MEMBER	7		2
10	MR. NELSON A. KIFWORO	MEMBER	7	PLANNING & DEVELOPMENT	2
11	MS. AOKO MIDIWO-ODEMBO	MEMBER	7	LBDC BOARD	2
12	MS. WILBRODA A. ODERA	MEMBER	7		2
13	MR. WILLIAM J. MURUNGA	MEMBER	7	FINANCE & ESTABLISHMENT	2
14	CPA. BONIFACE SIMBA	ALT. DIR.- NATIONAL TREASURY	4		2

**Induction and on-going development**

On appointment, the directors receive induction training covering the organization's programmes and operations and an appreciation of the key risk areas. The programme includes specific sessions with the management across the units for clarity and better understanding of the organizations' functions, roles and accountabilities, business model and operations.

The directors are advised of the legal, regulatory and other obligations of a director of a State Corporation. The directors also receive both internal and external training on corporate governance.

**Board Meetings**

The full Board normally meets at least once a quarter and at other times as they may determine to be appropriate, chaired by the Chairman or his appointee, who has non-executive responsibilities. The directors have a formal schedule of matters reserved for discussion. The directors receive appropriate and timely information to enable them

exercise full and effective control over strategic, financial, operational, compliance and governance issues. Specifically, the directors are provided with all available information in respect to items to be discussed at a meeting of the Board or committee prior to such meetings. The Board has open access to management through the Chairman and Managing Director. Regular presentations are made by management to the Board and Board Committee meetings and directors may seek briefing from management on specific matters as well as seek independent professional advice.

#### **Independent non-executive directors**

The Board considers all of the non-executive directors to be independent and free from any business relationships or other circumstances that could materially interfere with the exercise of objective or independent judgment. In determining their independence, the directors are required to declare any interests that may give rise to a potential or perceived conflict.

Non-executive directors are appointed for an initial term of three years which is renewable subject to the provisions of State Corporations Act and the appointing authority.

The Board is aware of the other commitments of the individual non-executive directors and is satisfied that these do not conflict with other with their duties and time commitments as directors of the Authority.

#### **Role of the Chairman and Managing Director**

The separate roles of the Chairman and the Managing Director are clearly defined in written role descriptions which have been approved the Board. The Chairman is responsible for managing the Board and providing leadership to the organization, while the Managing Director is responsible to the Board for strategically overseeing and managing the organizational units in accordance with instructions given by the Board.

The Managing Director directs the implementation of Board decisions and instructions and the general management of the organizational units with the assistance of the management teams.

#### **Board effectiveness evaluation**

In pursuit of the objective of promoting Board effectiveness, the Board undertook a self-evaluation exercise facilitated by a consultant. The recommendations from this evaluation are being considered with a review to implementing them.

#### **Managing Directors Evaluation and Succession**

The Board is responsible for viewing and approving goals and objectives relevant to the compensation of the Authority's Managing Director, evaluating the performance of the Managing Director in light of the goals and objectives and recommending to the Cabinet Secretary the compensation based on such evaluation.

The Board plans for succession to the position of Managing Director of the Authority, which involves consideration of its policies and principles regarding selection and performance or the retirement of the Managing Director. To assist the Board, the Managing Director shall provide the Board with an assessment of members of senior management and their succession potential at least annually.

## **The Management**

The Management is responsible for the following:

- a) Overseeing the day to day running of the Authority;
- b) Efficient management of the human, physical and financial resources of the Authority;
- c) Coordinating and controlling the development, planning, management, and administration of the Authority and its resources in accordance with approved policies, rules and regulations;
- d) Submitting proposals to the Board concerning annual financial statements, development priorities, staff development plans, terms and conditions of service, resource mobilization strategies, public relations policies, partnerships and linkages with other institutions, collaboration with other agencies, as well as any policies and any matters related to the development, management and administration of the Authority;
- e) Authorising the initiation of legal proceedings on behalf of the Authority;
- f) Performing any other duties relating to the management of the Authority.

## **Director's Remuneration**

The remuneration of all non-executive directors is subject to laid out regulations as contained in the State Corporations Act. The Chairman is entitled to a monthly honorarium while the other non-executive directors are paid sitting allowances and other related allowances subject to attendance at the Board or Committee meetings.

## **Going Concern**

The Board confirms that it is satisfied that the organization has adequate resources to continue in its activities for the foreseeable future. For this reason, it continues to adopt the going concern basis when preparing the financial statements.

## **Conduct of Activities and Performance Reporting**

The Authority's activities are conducted in accordance with a carefully formulated strategy, annual business plans and budgets which set out very clear objectives. Roles and responsibilities have been clearly defined with approved authority being delegated. Performance against the objectives is reviewed and discussed monthly and quarterly by the management teams in the organization.

**Communication with stakeholders**

The Authority places a great deal of importance on the quality and detail disclosures to its stakeholders. The organization has also embraced technology to ensure this is done efficiently and regular communication with stakeholders also takes place via the organization’s website.

The Board believes that it is in general, the responsibility of management to speak for the Authority in communications to outside parties. Directors only engage in such communications at the request of or after consultation with the management.

**Corporate Governance Review**

The Board shall review this Statement no less than annually and shall recommend any changes for its approval.

**Committees of the Board**

The Board has five committees with specific delegated authorities. These are the Board Executive Committee, the Audit & Risk Committee, Finance and Establishment Committee, Development & Planning Committee, Compliance & Governance Committee and LBDC Board Committee. The specified members and detailed terms of reference are indicated below:

**Board Executive Committee Members**

- Hon. Raphael Tuju (E.G.H) - Chairman
- Dr. Evans A. Atera - Ag. MD – Secretary
- Mr. Nelson Kifworo - Chair Planning & Dev committee
- Ms. Aoko Midiwo- Odembo - Chair, LBDC Co. Ltd
- Mr. Jack Otana - Chair Audit & Risk Mgt. Committee
- Mr. Jaluo Murunga William - Chair Finance & Est Committee
- Mr. Patrick Ouya Lumumba - Chair Compliance and Governance Committee
- CPA Boniface Simba - Representative-The National Treasury
- Dr. Michael Obora - Rep. Min of Agric. Livestock & Fisheries
- Ms. Katherine Muoki, HSC - Rep. Min. of Devolution and Planning

**Finance and Establishment Committee Members**

- Mr. Jaluo Murunga William - Chair Finance & Est Committee
- Dr. Evans A. Atera - Ag. MD - Secretary
- Ms. Katherine Muoki, HSC - Rep. Min. Devolution & Planning
- Ms. Aoko Midiwo- Odembo - Member
- Mr. Earlie Ng’ani - Member
- Ms Wilbroda Odera - Member

- Reviewing the Authority’s financial strategy for approval by the Board;
- Reviewing the Authority’s annual financial statements and reporting to the Board;

- Reviewing the Authority's financial regulations from time to time and recommending any necessary changes in those regulations to the Board;
- Overseeing the Authority's financial management and financial control systems and making quarterly reports to the Board;
- Reviewing and monitoring the implementation and effectiveness of the Authority's employment policies through regular reports provided by the Management Board;
- Overseeing the relations between the Authority and its employees
- Reviewing and making recommendations to the Board, on the salaries, allowances and other terms and conditions of service of staff
- Receiving and considering proposals on strategy and policy in all matters relating to the recruitment, reward, retention, motivation, and development of the Authority's staff and make recommendations to the Board.
- Receiving reports from management relating to promotion.

#### Planning and Development Committee Members

- Mr. Nelson Kifworo - Chairman
- Dr. Evans A. Atera - Ag. MD – Secretary
- CPA Boniface Simba - Representative-The National Treasury
- Mr. Jaluo Murunga William - Member
- Hon. William Omondi -Member

The committee is responsible for the following:

- i. Review and recommend to the Board the Strategic Plan as developed and updated by the management of LBDA.
- ii. Review and recommend to the Board the LBDA annual work plans and budgets.
- iii. Review and recommend to the Board the LBDA annual Performance Contract between the Board and the Ministry and between the CEO and the Board
- iv. Review and recommend to the Board LBDA's concept papers and proposals.
- v. Oversee the implementation of LBDA projects and programmes
- vi. Advise the Board of existing and future development opportunities.
- vii. Monitor the following to ensure adherence to Board policies and report to the Board:
  - a. Strategic Plan;
  - b. Development Projects
  - c. Land Use Plan and land development to ensure compliance with Board policies.

- viii. Networking with other bodies for development purposes on behalf of the Board and in liaison with Management

#### **Audit & Risk Management Committee Members**

- Mr. Jack Otana - Chairman
- CPA Boniface Simba - Member
- Hon William Omondi -Member
- CPA Grace Abuto - Manager Internal Audit- Secretary

The committee is responsible for the following:

- Providing leadership and advising Authority on strategic issues related to risk management, quality management, and compliance with bench mark standards and Statutory Regulations;
- Reviewing and monitoring the effectiveness of the Authority's risk Management Policies and strategies in mitigating against identified potential risks and in improving management and control;
- Receiving and considering proposals from the internal audit department on the internal audit and compliance work plans, and making recommendations to Board for approval;
- Receiving and considering quarterly internal audit and compliance reports and making recommendations to the Board;
- Receiving and considering annual external audit report submitted by external auditors and making recommendations to the Board;
- Receiving and considering proposals on quality review cycle and internal quality assessment plans from the management and making recommendations to Board for approval.

#### **LBDC Board Committee Members**

- Ms. Aoko Midiwo - Odembo - Chairperson
- Dr. Evans A. Atera - Ag. MD – Secretary
- Ms. Katherine Muoki, HSC - Rep. Min. Devolution & Planning
- Mr. Stephen Mwanga - Member
- Mr. Nelson Kifworo - Member
- Mr. Patrick Ouya Lumumba - Member

#### **Compliance & Governance Committee**

- Mr. Patrick Ouya Lumumba - Chairman
- Dr. Evans A. Atera - Ag. MD – Secretary
- Mr. Jack Otana - Member
- Ms Wilbroda Odera - Member
- Mr. Stephen Mwanga - Member
- Mr. Earlie Ng'ani - Member

The committee is responsible for the following:

- Monitoring key performance indicators as agreed by Board

## VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Lake Basin Development Authority Corporate Social Responsibility is centred on three pillars:

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

### (1) People and Community

#### The Authority as an employer

Lake Basin Development Authority is committed to being a good employer, and to contribute positively to the local community through social economic initiatives. As an employer LBDA is committed in ensuring that all staff members are fully supported in their work, have a decent working environment, and are fairly rewarded. The Authority also encourages and supports staff to engage in activities which benefit the wider community and society.

In order to achieve this, the Authority commits to:

- Embedding equality and diversity into all operations
- Ensuring staff can achieve their full potential through training, mentoring, and other staff development activities.
- Achieving the highest practical standards of health and safety for our staff and visitors.

#### Local Community

The Authority is a major employer in the local community with considerable activities in over 18 counties. It participates in specific community engagement projects.

In support of the local community, the Authority undertake training to the farmers on the modern technology transfers with a view to enhancing farmers knowledge and skills on how to generate more farm produce from their farms.

**(2) Finance and Economic activity**

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

**(3) Environmental Sustainability**

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

**(4) Other CSR Activities**

The Corporate Affairs Department was allocated 700,000.00 for Corporate Social Responsibility (CSR) activities for the Financial Year 2016/17. This was a reduction from the intended 2 Million from the department's proposal. This was due to budgetary allocation from the exchequer. The department spent Ksh. 680,000.00 in the activities below:

**Fencing of Odienva Mixed Day Secondary School**

We undertook the fencing of Odienva Mixed Day School, to improve security of the school and its properties to limit outside interference and interruptions during school hours to encourage students to continue working hard to achieve their goals.

The whole activity cost us Ksh. 600,000/- in terms of material and labour.

**Output**

- i) Enhance Community relationship within Authority's jurisdiction
- ii) Promote youth and education within Authority's jurisdiction
- iii) LBDA Brand recognition

**Donation to National Holidays**

The Authority contributes to county secretariats in order for them to achieve success in preparation of National Holidays. The Authority's Choir performs during the events and Authority contributes towards the luncheons and Choir allowances. In this Financial Year we participated in two National Holiday events in which we spent a sum of Ksh.80, 000/-

Output

- i) County relationship
- ii) Brand recognition through our choir

Below is a summary table of the activities for 2016/17 Financial Year.

County World Environmental Day

Output

- iii) County relationship
- iv) Brand recognition through our choir

Below is a summary table of the activities for 2016/17 Financial Year.

No	Organisation/ Activity	Date	Amount (Kshs)
1	Fencing Odiénya Mixed Day Sec. School	11 <sup>th</sup> January 2017	600,000.00
2	National Holidays(donations+ choir allowances)	Various	80,000.00
<b>TOTAL</b>			<b>680,000.00</b>

## VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30<sup>th</sup> 2017., which show the state of the Authority's affairs.

### Principal activities

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

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

### Results

The results of the entity for the year ended June 30, 2017 are set out on page one

### Directors

The members of the Board of Directors who served during the year are shown on page vi - viii.

### Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with Section 14 of the Public Audit Act 2015 and Article 229 of the Constitution of Kenya.

*for* Hon. Raphael Tuju (E.G.H)  
CHAIRMAN

Dr. Evans A. Atera  
AG. MANAGING DIRECTOR

Date: 27/09/2017.....

Date: 27<sup>th</sup> Sep 2017.....

**IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and Section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period. The Directors are also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Directors are also responsible for safeguarding the assets of the entity.

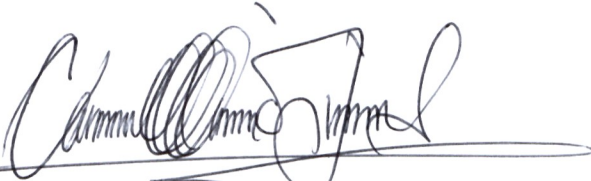
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year (period) ended on June 30, 2017. This responsibility includes: (i) maintaining 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 entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

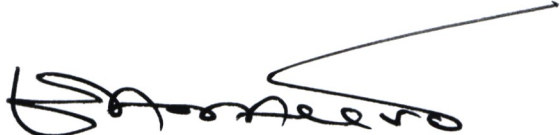
The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2017, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

The Authority's financial statements were approved by the Board on 28<sup>th</sup> September 2017 and signed on its behalf by:

*for*   
Hon. Raphael Tuju (E.G.H)  
**CHAIRMAN**  
Date:.....27/09/2017.....

  
Dr. Evans A. Atera  
**AG. MANAGING DIRECTOR**  
Date...27<sup>th</sup> Sep 2017

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON LAKE BASIN 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 Lake Basin Development Authority set out on pages 1 to 27, 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.

In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of Lake Basin 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 Reporting Standards (Accrual Basis).

In addition, as required by Article 229 (6) of the Constitution, based on the procedures performed, 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. Going Concern

The Authority financial performance recorded a deficit of Kshs.112,138,766 (2015/2016- surplus Kshs.16,685,219) and which brought its accumulated surplus to Kshs.66,204,140 (2015/2016 - Kshs.178,342,906), the current liabilities of Kshs.2,635,935,771 exceeded the current assets of Kshs.156,770,164 leading to a negative working capital of Kshs.2,479,165,607. Evidently, the Authority is technically insolvent and its continued operation as going concern is dependent upon continued support from the Government, trade payables and its bankers.

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*Report of the Auditor-General on the Financial Statements of Lake Basin Development Authority for the year ended 30 June 2017*

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

### **2.1 Capital Work in Progress - Lake Basin Mall**

The property, plant and equipment figure of Kshs.5,001,675,695 as at 30 June 2017 include work in progress of Kshs.4,563,157,486 in respect of Lake Basin Mall. However, the following were noted:

- i. Examination of documents relating to the project which included the certificate of practical completion and the project final accounts indicated that the project was completed on 19 April 2016 and project final accounts prepared by a consultant issued on 10 May 2016.
- ii. The final accounts of the project was valued by the Quantech consultancy at Kshs.4,138,895,105 as on 20 June 2016. Although this was a clear indication that the project was complete, the project has not been transferred from work in progress to completed project and capitalized accordingly as required by International Public Sector Accounting Standards (IPSAS) 17.
- iii. It was also noted that the Lake Basin Mall project has not been launched officially for revenue generation one and a half year after completion.
- iv. Further, for one year, no depreciation has been charged on the asset thereby inflating the fair value and the loss has been understated by the depreciation that was not charged.

There is loss of revenue resulting from non-operationalization and opening of the project for intended use.

Under, the circumstances, the accuracy of the property, plant and equipment figure of Kshs.5,001,675,696 could not be confirmed.

### **2.2 Ownership Documents**

- i. The property, plant and equipment figure of Kshs.5,001,675,695 in the non-current assets includes one bulldozer and two hydraulic excavators valued at Kshs.50,000,000 whose log books have not been availed for audit review.
- ii. In addition, the management did not avail ownership documents for the five parcels of land and therefore exposing the same to acts of encroachment or misuse

Consequently, it has not been possible to confirm the ownership of property, plant and equipment figure of Kshs.5,001,675,695.

### **3. Receivables from Exchange Transaction**

Included in trade receivables under note 19 is gross figure of Kshs.198,678,967 as at 30 June 2017 which comprises of ex-board members, ex-staff, current staff and trade debtors of Kshs,569,689, Kshs.10,335,504, Kshs.290,831 and Kshs.187,482,943 respectively resulting to a net figure of Kshs.50,854,576 net of provision for bad debts.. However, the following anomalies were observed:

- i. The amount of debt from ex board members and ex staff members total to Kshs.10,529,496. The ages of the debts cast doubt on their possible recoveries if the ex-officers have been paid their terminal dues and ex board members could be reached with some dating back to over twenty (20) years.
- ii. Various officers have held un-surrendered imprest totaling Kshs.1,250,750 for over twenty-two (22) years and no recovery has been effected contrary to the regulations on imprest management. The management is in breach of the regulations.
- iii. Included in trade debtors is a debt of Kshs.122,269,659 owed to the Authority in respect of overpayment relating to construction of a rice mill.
- iv. The provision for bad debts figure of Kshs.147,824,390 has no clear basis for it

Consequently, the accuracy and validity of Kshs.50,854,576 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Lake Basin 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **Key Audit Matter**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of financial statements. Except for the matter described in the Basis of Qualified Opinion section, I have determined that there are no Key Audit Matters to communicate in my report.

#### **Other Matter**

##### **Employee Cost**

The compensation to employees figure increased by Kshs.16,943,678 from Kshs.162,037,614 in 2015/2016 to Kshs.178,981,292 in 2016/2017. However, the wage bill compared to the total income and expenditure of Kshs.251,237,605 and

Kshs.369,141,631 constitutes 71% and 48% which is not sustainable in the long run.

### **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 sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern 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 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 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 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 and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

**Nairobi**

**25 October 2018**

## X. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

	Note	2016-2017 Kshs	2015-2016 Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from other governments	3	<u>208,961,717</u>	<u>329,024,459</u>
		<b>208,961,717</b>	<b>329,024,459</b>
<b>Revenue from exchange transactions</b>			
Sale of rice	4	15,359,091	20,376,695
Sale of Agricultural produce	5	13,463,261	11,578,417
Rental revenue from facilities and equipment	6	10,215,175	8,128,725
Finance income-external investments	7	2,547,918	331,822
Other income	8	<u>690,443</u>	<u>1,540,266</u>
		<b>42,275,888</b>	<b>41,955,925</b>
<b>Total revenue</b>		<b><u>251,237,605</u></b>	<b><u>370,980,384</u></b>
<b>Expenses</b>			
Employee costs	9	178,981,292	162,037,614
Board Expenses	10	13,945,462	17,816,393
Depreciation and amortization expense	11	25,684,902	23,025,446
Repairs and maintenance	12	13,059,062	9,225,882
Contracted services	13	11,498,556	20,482,694
General expenses	14	126,133,069	117,591,635
Finance costs	15	<u>359,258</u>	<u>631,340</u>
<b>Total expenses</b>		<b><u>369,661,601</u></b>	<b><u>350,811,004</u></b>
<b>Operating profit/(loss)</b>		<b><u>(118,423,996)</u></b>	<b><u>20,169,380</u></b>
<b>Other gains/(losses)</b>			
Gain on sale of assets	16	57,000	1,994,860
Gain/Loss on Biological Asset	17	6,228,230	(5,479,021)
<b>Total Other gains/Losses</b>		<b><u>6,285,230</u></b>	<b><u>(3,484,161)</u></b>
<b>Surplus/(deficit)for the period</b>		<b><u>(112,138,766)</u></b>	<b><u>16,685,219</u></b>

The notes set out on pages 1 to 24 form an integral part of the Financial Statements

## XI. STATEMENT OF FINANCIAL POSITIONS AT 30 JUNE 2017

	Note	2016-2017 Kshs	2015-2016 Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	18	94,281,778	78,523,531
Receivables from exchange transactions	19	50,854,576	58,714,505
Inventories	20	10,261,948	10,193,670
Staff Advances	21	1,371,862	1,591,464
		<b>156,770,164</b>	<b>149,023,170</b>
<b>Non-current assets</b>			
Property, plant and equipment	22	5,001,675,695	4,856,925,078
Biological Assets	23	18,462,260	12,234,030
Intangible assets	24	998,856	1,234,108
		<b>5,021,136,811</b>	<b>4,870,393,216</b>
<b>Total assets</b>		<b>5,177,906,975</b>	<b>5,019,416,386</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade & other payables	25	2,635,935,771	3,885,032,573
<b>Non-current liabilities</b>			
Government loan		1,500,000,000	-
<b>Total liabilities</b>		<b>4,135,935,771</b>	<b>3,885,032,573</b>
<b>Net Assets</b>			
Capital Grants	26	583,940,769	583,940,769
Revaluation Reserves	27	391,826,295	372,100,138
Accumulated surplus	28	66,204,140	178,342,906
<b>Total Net assets</b>		<b>1,041,971,204</b>	<b>1,134,383,813</b>
<b>Total net assets and liabilities</b>		<b>5,177,906,975</b>	<b>5,019,416,386</b>

The Financial Statements set out on pages 1 to 24 were signed on behalf of the Board of Directors by:

  
Ag. Managing Director

Date... 27<sup>th</sup> Sep 2017

  
for Chairman of the Board

Date... 27/09/2017

## XII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Capital Grants Kshs	Capital Reserves Kshs	Accumulated surplus Kshs	Revaluation Reserves Kshs	Total Kshs
<b>Balance at 30 JUNE 2015</b>		<b>583,940,769</b>	-	<b>161,855,334</b>	<b>372,100,138</b>	<b>1,117,896,241</b>
Surplus/(deficit) for the period		-	-	16,685,219	-	16,685,219
Adjustment		-	-	(197,647)	-	(197,647)
<b>Balance as at 30 JUNE 2016</b>		<b>583,940,769</b>	-	<b>178,342,906</b>	<b>372,100,138</b>	<b>1,134,383,813</b>
Surplus/(deficit) for the period	29	-	-	(112,138,766)	-	(111,618,796)
Revaluation Gain	22	-	-	-	19,726,157	19,726,157
<b>Balance as at 30 JUNE 2017</b>		<b>583,940,769</b>	-	<b>66,204,140</b>	<b>391,826,295</b>	<b>1,042,491,174</b>

## NOTE

- Capital Reserves relate to capital projects undertaken by the Authority which have been capitalized over a period of time
- Revaluation Reserves relate to Assets (Buildings, Motor vehicles, Tractors Motorbikes and others) which have been revalued by the Authority over the years.
- Accumulated Reserves /Surplus are the Net Surplus /Deficit brought forward over a number of years.
- The revaluation of Ksh 19,726,157 relate to the revaluation of Tractors and Motor vehicles

## XIII. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2016-2017 Kshs	2015-2016 Kshs
Surplus for the year before tax		(112,138,766)	16,685,219
Adjusted for:			
Depreciation		25,684,902	23,025,446
Prior year Adjustment		-	197,647
Gains on disposal of assets		(57,000)	(1,994,860)
Losses on Biological Assets		(6,228,231)	5,479,021
<b>Working capital adjustments:</b>			
Increase/Decrease in inventory		(68,278)	6,007,448
Decrease/Increase in receivables		7,859,929	(589,115)
Decrease/Increase in Staff Advances		219,602	(397,495)
Decrease/Increase in payables		(1,249,096,802)	1,572,623,017
<b>Net cash flows from operating activities</b>		<b>(1,333,824,644)</b>	<b>1,621,036,328</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets	23	(150,474,500)	(1,590,563,921)
Proceeds from sale of property, plant and Equipment	16	322,000	2,005,050
<b>Net cash flows used in investing activities</b>		<b>(150,152,500)</b>	<b>(1,588,558,871)</b>
<b>Cash flows from financing activities</b>		1,500,000,000	
Government loan			
<b>Net cash flows used in financing activities</b>		<b>1,500,000,000</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at 1 <sup>st</sup> July 2016	18	78,523,531	32,477,457
<b>Cash and cash equivalents at 30 June 2017</b>	18	<b>94,281,779</b>	<b>45,606,095</b>

## XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

Revenue	Original budget 2016-2017 Kshs	Adjustments 2016-2017 Kshs	Final budget 2016-2017 Kshs	Actual on comparable basis 2016-2017 Kshs	Performance difference 2016-2017 Kshs
Transfers from other Government	234,212,717	24,000,000	258,212,717	208,961,717	49,251,000
Sale of Rice	15,000,000	-	15,000,000	15,359,091	(359,091)
Sale of Agricultural Produce	18,500,000	-	18,500,000	13,463,261	5,036,739
Rental revenue from facilities and equipment	10,000,000	-	10,000,000	10,215,175	(215,175)
Other incomes	1,000,000	-	1,000,000	690,443	309,557
Finance Income-external investments	2,000,000	-	2,000,000	2,547,918	(547,918)
National Treasury		1,500,000,000	1,500,000,000	1,500,000,000	
<b>Total income</b>	<b>280,712,717</b>	<b>1,524,000,000</b>	<b>1,804,712,717</b>	<b>1,751,237,605</b>	<b>53,475,112</b>
<b>Expenses</b>					
Compensation of employees	162,000,000	-	162,000,000	178,981,292	(16,981,292)
General expenses (Civil Works)	99,212,717	-	99,212,717	126,133,069	(26,920,352)
Finance cost	500,000	-	500,000	359,258	140,742
Board expenses	10,000,000	-	10,000,000	13,945,462	(3,945,462)
Repairs and Maintenance	9,000,000	-	9,000,000	13,059,062	(4,059,062)
Capital Expenditure	0	1,500,000,000	1,500,000,000	1,420,097,691	79,902,309
Contracted services	0	24,000,000	24,000,000	11,498,556	12,501,444
<b>Total expenditure</b>	<b>280,712,717</b>	<b>1,524,000,000</b>	<b>1,804,712,717</b>	<b>1,764,074,390</b>	<b>40,158,297</b>

## NOTES:

- During the financial year, the Authority received a concessional loan Kshs. 1.5 Billion for payments of LBDA Mall from the government.

**Explanation /Justification of Material difference on the statement of comparison of Budget and Actual amounts.**

- a) **Transfer from GOK**  
The disbursement from Exchequer decreased from Ksh. 258,212,717 to Ksh. 208,961,717 due to 50% budget cut of development allocation during the financial year 2016/2017.
- b) **Sale of Agriculture produce**  
The revenue arising from the sale of agriculture produce dropped from budgeted figure of Ksh. 18,500,000 to Ksh. 13,463,261 due to unfavourable weather conditions resulting to low milk production as well as low sale of seedlings.
- c) **Compensation of employees**  
The expenditure increased from budgeted figure of Ksh. 162,000,000 to ksh 178,981,292 mainly due to unbudgeted amount of Ksh. 11,458,954 during the financial year 2016/2017 relating to the former Managing Director's Terminal dues
- d) **General Expenses ( civil works)**  
The expenditure increased from budgeted figure of Ksh. 99,212,717 to ksh. 126,133,069 mainly due to increased rent and rates for non residential properties.
- e) **Board Expenses**  
The expenditure increased from budgeted figure of ksh. 10,000,000 to ksh. 13,059,062 mainly due to special board meetings on matters related to mall.
- f) **Repair and Maintenance**  
The expenditure increased from budgeted figure of ksh. 9,000,000 to ksh. 13,059,062 mainly due to anticipated high cost of repairs and maintenance during the financial year
- g) **Contracted Services**  
The expenditure dropped from budgeted figure of Ksh. 24,000,000 to ksh. 11,498,556 mainly due to the value of work completed as at the close of financial year 2016/2017.

**XV. NOTES TO THE LBDA FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2017**

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

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

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

**2. Summary of significant accounting policies**

**a) Going Concern**

The Authority incurred a deficit of Kshs. 112,138,766., during the year which was reduced from the accumulated surplus of Kshs. 178,342,906=. In addition the Authority was in a net current liability position of Kshs. 4,135,935,771.

Based on the above, the directors believe that the Authority will continue in operational existence for at least 12 months from the date of these financial statements. The directors believe that it is appropriate to prepare the Authority's financial statements on a going concern basis which assumes that the Authority will continue to meet its obligations as they fall due for the foreseeable future.

**b) 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 Authority and can be measured reliably.

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

***Sale of goods (Agricultural produce & Rice)***

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 Authority.

iii) **Adoption of new and revised IPSAS that were effective in the current year that had impact on the amounts reported in these financial statements**

a) *New standards and amendments to published standards effective for the period ended 30 June 2017.*

There were no new and revised IPSAS that were effective in the current year that impact on the amounts reported in these financial statements.

b) *Impact of new and amended standards and interpretations on the financial statements for the period ended 30 June 2017 and future annual periods.*

The Authority has evaluated the impact of new standards not yet effective for the year and none of them had an impact on the Authority's financial statements.

c) *Early adoption of standards.*

The Authority did not early-adopt new or amended standards in the financial period.

**Rental income**

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

**c) 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 Authority. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Authority 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.

**d) 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 Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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

	%
a) Tractors .....	37.5
b) Motor Vehicles/Cycles .....	25.0
c) Farm Implements .....	12.5
d) Buildings.....	2.0

e)	Loose Tools & Equipment .....	12.5
f)	Furniture, Fittings & Fixtures .....	12.5
g)	Office Machines & Equipment .....	12.5
h)	Computer & Other Class II Equipment .....	30.0
i)	Property Plant & Equipment.....	12.5
j)	Computer Software.....	20.0

**e) 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.

**f) 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 conditions are accounted for, as follows:

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

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

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

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

**g) 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.

**h) 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.

**i) Employee benefits – IPSAS 25**

**Retirement benefit plans**

The Authority 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.

**Retirement Benefits Obligations**

The Authority operates a defined contribution staff retirement scheme for its permanent and pensionable employees. The scheme is administered by an insurance company. The Authority's contributions to the defined contribution scheme are charged to the statement of financial performance in the year to which they relate.

The Authority and its employees contribute to the National Social Security Fund (NSSF) a statutory defined contribution scheme registered under NSSF Act. The Authority's contribution to the defined contribution scheme are charged to the statement of statement of financial performance in the year to which they relate

**j) Cash and cash equivalents**

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

**k) Comparative figures**

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

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

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

***Estimates and assumptions***

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

***Useful lives and residual values***

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

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

***Provisions***

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

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.

The increase in the Debtors provision due to passage of time is recognized as finance cost in the statement of financial performance.

**m) Related Party**

The Authority regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Authority, or vice versa. Members of key management are regarded as related parties. The Authority has related party relation with Lake Basin Development Company (LBDC) whose key management personnel is the General Manager. LBDC is the commercial wing of the

Authority and the Authority has influence on its management. The Authority also has related party relations with the Board Members of the Authority and the Board of the Lake Basin Development Company.

#### **n) Treatment of Biological Asset (IPSAS 27)**

A biological asset shall be measured on initial recognition and at each reporting date at its fair value less costs to sell, except for the case where the fair value cannot be measured reliably.

Agricultural produce harvested from the Authority's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying IPSAS 12.

In order to arrive at the value of Livestock, the Authority determines the market price (fair value) of the animals and multiplies it by 75%. This rate cushions against high-low fetching price for the animal.

On growing crops (Work-in-progress), estimated yield less expected total expenditure is determined and then multiplied by 85% to arrive at the value.

On Tilapia fish, after the determination of the number of fish, 80% is used on survival rate then multiplied by the market price which is then multiplied by 75% to arrive at its value. On Clarias, 60% survival rate is applied on adults and 40% on fingerlings.

On counting tree seedlings, a rate of 80% is applied on survival rate and 85% on market price.

A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in surplus or deficit for the period in which it arises.

#### **o) Financial Instruments**

The Authority's assets which include cash and Bank balances, trade and other receivables and tax recoverable fall into the following category.

- **Loans and Receivables** Financial Assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within twelve months of reporting date. All assets with maturity greater than twelve months after the reporting date are classified as non-current assets. Such assets are carried at amortized cost using the effective interest rate method. Changes in the carrying amount are recognized in the surplus or deficit
- Purchase and sale of financial assets are recognized on the trade date i.e the date on which the Authority commits to purchase or sell the asset.

#### **Financial Liabilities**

The Authority's financial liabilities which include borrowings and trade and other payables fall into the following category.

- **Financial Liabilities amortized at cost.** These are initially measured at fair value and subsequently measured at amortized cost, using the effective rate method

- Borrowings are initially recognized at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction cost) and the redemption value is recognized as interest expense in the surplus or deficit under finance costs.
- Fees associated with acquisition of borrowing facilities are recognized as transaction costs of the borrowing to the extent that it is possible that some or all of the facilities will be acquired. In this case the fees are deferred until the draw down occurs. If it is not possible that some or all of the facilities will be acquired the fees are accounted for as prepayments under trade and other receivables and amortized over the period of the facility.
- All financial liabilities are classified as current liabilities unless the Authority has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.
- Financial liabilities are derecognized when and only when the Authority's obligations are discharged cancelled or expired

**p) Risk management objectives and policies**

**Financial risk management**

The Authority's activities expose it to a variety of financial risks including credit, liquidity and market risks. The Authority's overall risk management policies are set out by the board and implemented by the management, and focus on the unpredictability of changes in the business environment and seek to minimize the potential adverse effects of such risks on the Authority's performance by setting acceptable levels of risk. The Authority does not hedge against any risks.

**i) Liquidity Risk**

Liquidity risk is the risk that the Authority will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the Authority's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due. The Authority manages liquidity risk by continuously reviewing forecasts and actual cash flows.

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

	Less than 1 Yr	Between 1-3 Years	Over 5 Years	Total Shs
	Shs	Shs	Shs	
<b>At 30<sup>th</sup> June 2017</b>				
Trade payables	29,097,306	2,542,604,364	64,234,101	<b>2,635,935,771</b>
<b>At 30<sup>th</sup> June 2016</b>				
Trade payables	1,604,673,546	2,227,382,831	52,976,196	<b>3,885,032,573</b>

## ii) Credit risk

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

	Fully performing	Past due	Impaired	Total
	Shs	Shs	Shs	Shs
<b>At 30<sup>th</sup> June 2017</b>				
Trade receivables	7,820,317	35,380,000	155,478,650	<b>198,678,967</b>
Bank balances	91,795,822	-	-	<b>91,795,822</b>
<b>At 30<sup>th</sup> June 2016</b>				
Trade receivables	20,860,608	30,227,392	155,450,894	<b>206,538,894</b>
Bank balances	76,004,002	-	-	<b>76,004,002</b>

## iii) Capital Risk

The Authority objective of managing capital is to safe guard the organizations ability to continue as a going concern in order to meet its strategic mandate as regional agency. The organizations capital risk is limited to amounts invested in the Mall.

## q) Leases – IPSAS 13

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

## r) 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.

## s) Provisions – IPSAS 19

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources

embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**t) Contingent Liability**

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

- During the financial year, the former Managing Director sued the Authority for wrongful dismissal. The court awarded him Kshs. 11,458,954= as terminal dues. The management has since filed an appeal to contest the amount awarded.
- In respect to the Government loan of Kshs. 1,500,000,000=, given to the Authority, this was a bailout to assist the organization offset/settle the outstanding debt owed to M/S Erderman Property Ltd ; the appropriate records will be maintained and interest charged accordingly as there is evidence of a loan agreement between the Government and Lake Basin Development Authority(LBDA)
- Currently the Authority has no contractual agreement signed directly with Co-operative bank of Kenya. The borrower of the loan was M/S Erderman Property Ltd who is the contractor for the Mall. However we have initiated the process of taking over the Loan by writing to the Ministry and the National Treasury for approval. Co-operative Bank of Kenya has further written an offer letter requesting the Authority to take over the liability.

**u) Borrowings**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest method. Any differences between proceeds (net of transaction cost) and the redemption value is recognized in the income statements over the period of the borrowings using the effective interest method.

Included in the financial statements is a government loan of Kshs. 1,500,000,000= to facilitate the Authority to settle outstanding Debts in regard to LBDA MALL Complex project. An addendum to the loan agreement between the Government of Kenya and Lake Basin Development Authority for the stated amount. LBDA shall pay interest on the principal amount of the loan at the rate of 5% per annum on a reducing balance. The loan period covered shall be 20 years with a 3 year grace period all inclusive.

Borrowing are classified as current liabilities unless the Organization has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

**v) Taxation**

The Tax expense for the period comprises the current Tax is recognized in the statement of financial performance. Current Tax is provided on the results for the year, adjusted in accordance with Tax legislation

**3. Transfers from other**

	2017 Shs	2016 Shs
<b>Unconditional grants</b>		
Recurrent Grants	135,711,717	118,431,959
Development Grants	49,250,000	210,592,500
Construction of Water Pans & Dams	24,000,000	-
	<b>208,961,717</b>	<b>329,024,459</b>

**4. Sale of rice**

	2017 Shs	2016 Shs
Sale of rice	15,359,091	20,573,219
Sales Returns	-	(196,524)
<b>Total revenue from sale of rice</b>	<b>15,359,091</b>	<b>20,376,695</b>

**5. Sale of Agricultural produce, Bricks & Related income**

	2017 Shs	2016 Shs
Sale of sugar cane	900,306	1,375,943
Sale of bricks	977,680	51,000
Sale of milk	4,744,968	3,642,819
Sale of animals & steers	4,181,090	1,564,180
Sale of pigs	-	-
Sale of seedlings	310,680	1,246,345
Sale of vegetables & fruits	33,150	104,605
Sale of Honey	756,295	575,610
Sale of fingerlings & table size fish	1,118,712	1,301,656
Sale of fish/chicken feeds	284,347	644,093
Sale of bran meal, colored rice	156,032	885,516
Sale of poultry & products	-	186,650
<b>Total revenue from the sale of goods</b>	<b>13,463,261</b>	<b>11,578,417</b>

**6. Rental Revenue from facilities and equipment**

	2017 Shs	2016 Shs
Commercial Rent	4,634,500	2,511,900
Lease Rentals	5,396,000	5,396,000
Hire of Tractors & Excavator	184,675	220,825
<b>Total rentals</b>	<b>10,215,175</b>	<b>8,128,725</b>

**7. Finance income**

	2017 Shs	2016 Shs
Cash investments and fixed deposits	2,547,918	331,822
<b>Total finance income</b>	<b>2,547,918</b>	<b>331,822</b>

**8. Other income**

	2017 Shs	2016 Shs
Insurance recoveries	-	186,810
Boarded Stores	49,651	100,637
Hire of Grounds	487,307	580,930
Milling/Airing Charges	65,435	63,700
Sale of Tender Documents	-	10,000
Surcharge Services	26,000	40,469
Tour Fees	62,050	557,720
<b>Total other income</b>	<b>690,443</b>	<b>1,540,266</b>

**9. Employee costs**

	2017 Shs	2016 Shs
Casual wages	12,053,329	8,691,371
Ex-Gratia Payments	-	5,000
Medical Expenses	11,248,815	10,289,823
NSSF Employers Contribution	2,897,580	3,459,445
Provident Fund Employers Contribution	11,363,676	10,715,408
Service Gratuity	103,230	1,482,556
Salaries	127,328,501	125,770,220
Terminal Dues	11,458,954	11,211
Training	2,359,457	1,382,130
Welfare	167,750	230,450
<b>Total Employee costs</b>	<b>178,981,292</b>	<b>162,037,614</b>

**10. Board Expenses**

	2017 Shs	2016 Shs
Sitting Allowance & Accommodation	8,147,260	12,937,506
Travelling (Air tickets)	2,339,580	3,328,242
Entertainment	3,458,622	1,550,645
<b>Total Board Expenses</b>	<b>13,945,462</b>	<b>17,816,393</b>

**11. Depreciation and amortization expense**

	2017 Shs	2016 Shs
Property, plant and equipment	25,435,188	22,716,919
Intangible assets	249,714	308,527
<b>Total depreciation and amortization</b>	<b>25,684,902</b>	<b>23,025,446</b>

**12. Repairs and maintenance**

	2017 Shs	2016 Shs
Building Repairs-Non Residential	220,492	1,113,747
Building Repairs - Residential	25,500	-
Plant & Machinery Repairs	1,741,205	898,100
Repair of Office Equipment	628,845	261,908
Repair of Office Furniture	26,350	134,384
Motor Vehicle Running	10,416,670	6,817,743
<b>Total repairs and maintenance</b>	<b>13,059,062</b>	<b>9,225,882</b>

**13. Contracted services**

	2017 Shs	2016 Shs
Construction of Small Dams	11,498,556	13,322,765
Construction of Water Pans	-	7,159,929
<b>Total contracted services</b>	<b>11,498,556</b>	<b>20,482,694</b>

**14. General expenses**

	2017 Shs	2016 Shs
Advertising	2,945,623	197,536
Animal Feeds	1,743,185	2,327,206
Ask Show	6,604,148	2,904,516
Audit fees	870,000	719,754
Bad debts	166,520	-
Computer expenses	1,140,720	940,132
Compound Maintenance	1,949,531	1,813,682
Consulting fees	5,798,477	4,290,894
Dairy expenses	58,129	75,871
Donation & Subscriptions	1,452,918	970,075
Drugs & Chemicals	1,465,673	2,518,390
Electricity	2,213,107	2,966,658
Entertainment	10,420,469	7,252,015
General Hardware	2,877,658	3,744,121
Hire of Plant & Machinery	134,200	132,500
Hire of Transport	412,282	322,786
Horticulture	2,600	62,900
Fuel and oil	469,375	59,248

Insurance & Licences	1,785,186	1,102,432
Legal & Penalty expenses	6,319,759	14,564,037
Library	358,140	278,880
Loss on Downgrading of Paddy	-	30,507
Loss on Tablets	-	486,080
Maintain. Water & Sewerage & Sanitation	2,336,942	3,003,003
Packaging Material	155,233	891,746
Purchase of Raw Materials	6,014,905	18,825,645
Postage & Stamps	185,080	220,940
Purchase of Milled Rice	5,367,376	999,648
Purchase of Seeds & Seedlings	3,894,524	1,046,707
Rent & Rates-Non Residential	8,087,240	4,004,298
Sales & Marketing Expenses	109,960	492,830
Security Expenses	8,420,407	7,324,695
Stationary & Office Supplies	2,771,631	3,619,247
Tax Penalty/WHT	13,602	3,500
Telecommunication	4,108,288	1,358,963
Travelling & Accommodation	34,491,319	27,847,493
Uniforms & Clothing	661,407	93,300
Veterinary Expenses	327,455	99,400
<b>Total general expenses</b>	<b>126,133,069</b>	<b>117,591,635</b>

**15. Finance costs**

	2017 Shs	2016 Shs
Bank Charges (Commissions & Ledger Fees)	359,258	631,340
Bank overdrafts	-	-
<b>Total finance costs</b>	<b>359,258</b>	<b>631,340</b>

**16. Gain on sale of assets**

	2017 Shs	2016 Shs
Revaluation/Cost	16,649,633	4,229,295
Less: Accum. Depreciation	(16,384,633)	(4,219,105)
Net Book Value	265,000	10,190
Cash Proceeds	322,000	2,005,050
<b>Gain on sale of assets</b>	<b>57,000</b>	<b>1,994,860</b>

**17. Gain/Loss on Biological Assets**

	2017 Kshs	2016 Kshs	Gain/(Loss) Kshs	
			2017	2016
Bulls	72,000	88,500	(16,500)	1,500
Lactating / Dry Cows	3,912,000	4,156,050	(244,050)	(282,450)
Heifers	3,665,750	4,793,625	(1,127,875)	(1,874,250)
Local Breed	82,500	37,500	45,000	7,500
Pigs	11,250	11,250	-	(285,750)
Fish / Poultry	5,123,935	2,418,225	2,705,710	725,536
Crops WIP	5,594,825	728,880	4,865,945	(3,771,107)
<b>Total Gain/Loss on Biological Assets</b>	<b>18,462,260</b>	<b>12,234,030</b>	<b>6,228,230</b>	<b>(5,479,021)</b>

**18. Cash and Cash equivalents**

	2017 Shs	2016 Shs
Cooperative Bank Ltd	12,246,461	339,846
Development Bank of Kenya	484,470	488,650
Kenya Commercial Bank Ltd	1,287,518	8,738,956
National Bank of Kenya Ltd	77,777,373	66,436,550
Cash-on-hand and in transit	2,485,956	2,519,529
<b>Total Cash and Cash equivalents</b>	<b>94,281,778</b>	<b>78,523,531</b>

**19. Trade Receivables**

	2017 Shs	2016 Shs
Ex-board Debtors	569,689	569,689
Ex-staff Debtors	10,335,504	10,281,630
Staff Debtors	290,831	727,010
Trade Debtors	187,482,943	194,960,565
Less: Provision for bad debts	(147,824,390)	(147,824,390)
<b>Total current receivables</b>	<b>50,854,576</b>	<b>58,714,505</b>

**20. Inventories**

	2017 Shs	2016 Shs
General Hardware	1,885,995	1,268,880
Automotive Spares	717,590	651,274
Drugs & Chemicals	56,810	100,510
Animal Feeds	520,450	95,510
Uniform & Clothing	3,500	-
Stationary	1,158,192	1,267,800
Seeds/Seedlings	3,041,646	2,190,908
Purchase of Firewood	-	15,000
Bricks	22,000	-
Computer Items	45,040	-
Raw Materials	753,900	2,090,550
Packaging Materials	1,576,660	937,491
Finished Products	480,165	1,575,747
<b>Total inventories</b>	<b>10,261,948</b>	<b>10,193,670</b>

**21. Staff Advances**

	2017 Shs	2016 Shs
Salary Advances	1,371,862	1,591,464
<b>Total Salary Advances</b>	<b>1,371,862</b>	<b>1,591,464</b>

LAKE BASIN DEVELOPMENT AUTHORITY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

22. Property Plant and Equipment for the year ended 30 June 2017

	COST	LAND Kshs.	BUILDINGS Kshs.	PLANTS & EQUIPMENT Kshs.	ADAPTIVE RESEARCH Kshs.	RURAL ACCESS ROADS Kshs.	WORK IN PROGRESS Kshs.	FURNITURE & FIXTURES Kshs.	COMPUTER & OTHER CLASS II Kshs.	M/ VEHICLES Kshs.	TRACTORS	TOTAL Kshs.
At 1 July 2015	62,674,333	403,725,711	296,197,805	36,158,175	36,065,225	2,823,441,433	16,184,772	23,938,167	78,609,158	63,773,860	3,840,768,640	1,590,563,921
Additions			475,785			1,589,716,053	96,483	275,600	(464,295)	(3,765,000)		(5,221,295)
Disposals								(992,000)				
Transfer/Adjustments			(992,000)					992,000				
At 30 June 2016	62,674,333	403,725,711	295,681,590	36,158,175	36,065,225	4,413,157,486	16,281,255	24,213,767	78,144,863	60,008,860	5,426,111,266	150,474,500
Additions			163,400			150,000,000	36,100	275,000	(449,485)	(15,000,000)	(15,449,485)	
Disposals									14,652,994	5,073,163	19,726,157	
Revaluation												
Balance as at 30/6/17	62,674,333	403,725,711	295,844,990	36,158,175	36,065,225	4,563,157,486	16,317,355	24,488,767	92,348,372	50,082,023	5,580,862,438	
Depreciation and impairment												
As at 1.7. 2015	-	113,802,150	205,857,551	36,158,175	36,065,225	-	11,747,823	19,111,243	64,459,527	63,643,405	550,845,099	
Charge for the year		5,798,471	11,257,067				566,679	1,530,757	3,517,703	46,242	22,716,919	
Disposal								(505,920)	(461,248)	(3,757,856)	(4,725,024)	
Transfer/Adjustments			(232,500)					505,920	75,773		349,193	
As at 1.7. 2016	-	119,600,621	216,882,118	36,158,175	36,065,225	-	12,314,502	20,642,000	67,591,755	59,931,791	569,186,187	
Charge for the year		5,682,502	9,870,359				500,357	1,154,030	6,300,231	1,927,710	25,435,188	
Disposal									(444,305)	(14,990,328)	(15,434,633)	
Transfers/Adjustments												
Balance as at 30/6/17	-	125,283,123	226,752,477	36,158,175	36,065,225	-	12,814,859	21,796,030	73,447,681	46,869,173	579,186,743	
<b>NET BOOK VALUE</b>												
Revaluation												
At 30th June 2017	62,674,333	278,442,588	69,092,513	-	-	4,563,157,486	3,502,497	2,692,737	18,900,692	3,212,850	5,001,675,696	
At 30th June 2016	62,674,333	284,125,090	78,799,472	-	-	4,413,157,486	3,966,753	3,571,767	10,553,108	77,069	4,856,925,079	

Note: Included in the Work in Progress figure of Kshs. 4,563,157,486 is an amount of Kshs. 4,288,895,104.89 that relates to the construction of Lake Mall.

	2017	2016
	Shs	Shs
<b>23. Biological Assets</b>		
Bulls	72,000	88,500
Lactating/Dry Cows	3,912,000	4,156,050
Heifers	3,665,750	4,793,625
Local Breed	82,500	37,500
Pigs/Turkey	11,250	11,250
Fish/Poultry	5,123,935	2,418,225
Crops WIP	5,594,825	728,880
<b>Total inventories at the lower of cost and net realizable value</b>	<b>18,462,260</b>	<b>12,234,030</b>

**24. Intangible assets-software**

<b>Cost</b>	<b>Shs</b>
At 1 July 2015	3,012,960
Additions	-
At 30 June 2016	3,012,960
Additions-internal development	-
At 30 June 2017	3,012,960
<b>Amortization and impairment</b>	
At 1 July 2015	1,470,325
Amortization	294,065
At 30 June 2016	1,764,390
Amortization	249,714
Impairment loss	-
At 30 June 2017	2,014,104
<b>Net book values</b>	
At 30 June 2017	998,856

At 30 June 2016

1,248,570**25. Trade and other payables**

	2017 Shs	2016 Shs
Contractors Claims	2,528,372,029	3,798,900,823
Gratuity & Terminal Dues	11,640,539	181,585
Inter-Ministerial Dues	11,522,342	11,583,963
Legal claims	8,468,248	8,468,248
Services & Utilities	2,027,266	1,891,177
Staff Claims (Workmen Compensation)	151,605	151,605
Unremitted deductions	499,130	499,130
Trade Suppliers	73,254,612	63,356,042
<b>Total trade and other payables</b>	<b><u>2,635,935,771</u></b>	<b><u>3,885,032,573</u></b>

Included in the Contractors' claims figure of Kshs. 2,528,372,029 is an amount of Kshs. 2,499,999,999 that relates reimbursable claims to contractor Edermann Property Limited in respect of construction of Lake Basin Mall.

**26. Capital Grants**

	2017 Shs	2016 Shs
Capital Grants	583,940,769	583,940,769
<b>Total Capital Grants</b>	<b><u>583,940,769</u></b>	<b><u>583,940,769</u></b>

These are direct payments to suppliers by African Development Bank (ADB) for Rice Mill building, Revolving Fund, Consultancy, Rural Access Roads, Rice Mill machinery, Adaptive Research, Vehicles, Staff houses and Transit Stores.

**27. Revaluation Reserves**

	2017 Shs	2016 Shs
Revaluation Reserves	391,826,295	372,100,138
<b>Total Revaluation Reserves</b>	<b>391,826,295</b>	<b>372,100,138</b>

Revaluation Reserves is arrived at after revaluation of Authority's Assets (Yala Swamp houses, Plant & Machinery, Motor Vehicles and Rice Mill Buildings).

Included in the Revaluation Reserves in 2014/2015, is an amount of Kshs. 121,412,536 which relates to Assets that were given to the Authority by investors/stakeholders whose cost on acquisition could not be determined.

**28. Accumulated Reserves**

	2017 Shs	2016 Shs
As Previously stated	178,342,906	161,885,334
Adjustment	-	(197,647)
Surplus/deficit for the year	(112,138,766)	16,685,219
<b>Total Accumulated Surplus</b>	<b>66,204,140</b>	<b>178,342,906</b>

**29. Surplus/(deficit) for the period**

	2017 Shs	2016 Shs
Total Revenue	251,237,605	370,980,384
Total Expenditure	(369,661,601)	(350,811,004)
Operating Profit/(loss)	(118,423,996)	20,169,380
Other Gains/(losses)	6,285,230	(3,484,161)
Surplus/(deficit)	(112,138,766)	16,685,219

**30. Related Party Transactions**

	2017 Shs	2016 Shs
i) Board Members of the Authority's remuneration		
Authority Board Members Allowances	13,945,462	17,816,393

**ii) Key Management Compensation**

Salaries and other employment benefits	1,832,880	1,832,880
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**31. Operating Lease Commitments**

<b>Receipts under Operating Leases</b>	<b>40,643,625</b>	<b>40,643,625</b>
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At the end of the reporting period, the Authority had outstanding commitments under non-cancellable operating leases for rental of the Authority's premises, which fall due as follows:

	2017 Shs	2016 Shs
Within one year	8,128,725	8,128,725
In second to fifth years inclusive	32,514,900	32,514,900
After five years	-	-
	<b>40,643,625</b>	<b>40,643,625</b>

**XVI. 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)
1.0	Going concern	<p>The decline in the Authority's financial performance for the year under review arose due to an increase in provision of bad and doubtful debts of Kshs 85,872,129.</p> <p>The negative working capital reflected in the statement of financial position of Kshs 2.1 billion (valuation as at 30th June 2015) is owing to the cost of construction of the LBDA Mall complex by M/s Edermann Property Ltd who were contracted to put up the building.</p> <p>Latest Financial Statement of 2015/16 which is yet to be audited has a surplus of Kshs. 16,685,219. However working capital has not improved due to increase in contractor's liabilities on the unpaid certificates for the Shopping Mall. As at 30th June 2016, working capital was (Kshs. 3,727,391,054). The Authority is seeking Government support to offset this liability and there are positive indications that the pending bill will be settled.</p> <p>Hence, the Authority's future is optimistic; that as a going concern, we will still continue our operations and mandate as a regional development body within the Lake Basin Region.</p>	Managing Director	The Financial Performance of the Authority has improved following reported surplus of Kshs 16,855,334. The working capital is expected to improve following release of Kshs 1,500,000,000 from National Treasury arising from supplementary budget. Kshs 500,000 has also been allocated in the financial year 2017/2018. The Authority continue to engage the National Treasury with a view to settle unpaid contractors liabilities for the Mall.	Expected to be fully resolved by 30 <sup>th</sup> June 2019.


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)
2.0	Land Ownership Documents	<p>. Land Ownership Documents</p> <p>The Authority has fast tracked the process of acquiring all land ownership documents so as to avert any possible encroachment on LBDA Parcels of land. There have been numerous efforts by the management on the parcels of land with a view to secure titles to Authority's property.</p> <p>In regard to logbooks for one bulldozer and the two hydraulic excavators , registration process stalled due to misplaced importation documents</p>	Managing Director	<p>The management is making good progress towards acquiring land ownership documents. Several communications have been made to relevant authorities in regard to registration of the bulldozer and the two hydraulic excavators but so far, no response has been received</p>	Expected to be fully resolved by 30 <sup>th</sup> June 2019.
3.0	Receivables from Exchange Transactions	<p>It is correct that income from the sale of rice made through invoice No.1537 and supplied to Kibabii High school was incorrectly recorded in the sales analysis records as Kshs. 200,000.00 while the correct invoice amount recorded in the customer's account and subsequently paid was Kshs. 320,000.00. This resulted in an understatement of revenue of Kshs. 120,000.00 in the financial statements. This error has since been rectified.</p> <p>In regard to underperformance in sale of rice, the efficiency of the milling machine has been compromised due to age of the machinery.</p>	Managing Director	<p>Additional budgetary provision for overhaul of rice milling machinery has been factored in the budget estimates for 2018/2019.</p> <p>The Treasury has also earmarked development funds for the procurement of paddy from farmers to jumpstart the revenue base.</p>	Expected to be fully resolved by 30 <sup>th</sup> June 2019.

LAKE BASIN DEVELOPMENT AUTHORITY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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)
4.0	Employee costs	The depressed revenues arising from unforeseeable budgetary cut mainly contributed to increased percentage of wage bill when compared to total income and expenditure.	Managing Director	Expansion of revenue streams to include income from the LBDA MALL when fully operationalized.	Expected to be fully resolved by 30 <sup>th</sup> June 2019.

  
Ag. Managing Director

Date... 27<sup>th</sup> Sep 2017

  
Chairman of the Board

Date... 27/09/2017



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