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REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF LAPSSET CORRIDOR DEVELOPMENT AUTHORITY

FOR THE YEAR ENDED 30 JUNE 2016

LAPSSET CORRIDOR DEVELOPMENT AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIALYEAR ENDED JUNE 30th, 2016

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

LAPSSET Corridor Development Authority
Financial Statements For the year ended 30th June 2016

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V. ABBREVIATIONS

AfDB	African Development Bank AfDB
EIA	Environment Impact Assessment
FY	Financial Year
IFRS	International Financial Reporting Standards
IGAD	Intergovernmental Authority on Development
LAPSSET	Lamu Port South Sudan Ethiopia Transport
LCDA	LAPSSET Corridor Development Authority
NEPAD	New Partnership for Africa's Development
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
SEA	Strategic Environmental Assessment
SKETS	Support to Kenyan Energy and Transport Sector

PART I

ANNUAL REPORT 2015/2016

I. KEY AUTHORITY INFORMATION AND MANAGEMENT

Who are we

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

Our Vision

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

Our mission

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

Core values

Integrity	We are Committed to promoting transparency, accountability and professionalism in our work. Being Objective, Imperial and Unbiased in our Relations
Sustainability and Public Participation	We ensure socio-economic development is expediently achieved through adequate consultations and putting in place adequate mitigation measures.
Equity and Equality	We undertake our operations in an inclusive manner across all spheres of life irrespectively.
Commitment and Teamwork	We are dedicated to fully execute our operations while we instill a spirit of togetherness amongst the Board, staff and stakeholders to ensure Our Mandate is realized Collectively while recognizing individual efforts in complementation.
Innovation	We Respect individual capabilities and creativity demonstrated through skills, knowledge, ideas and initiatives and we mentor and nurture to grow both to the individual and the Authority. Creativity and innovativeness is encouraged in offering cost effective and appropriate interventions that feed into the overall operations.

(a) Background Information

The LAPSSET Corridor Program is a regional flagship project intended to provide transport and logistics infrastructure aimed at creating seamless connectivity between the Eastern African Countries of Kenya, Ethiopia and South Sudan. The LAPSSET Corridor is intended to operate as an Economic Corridor with the objective of providing multiple Eastern African nations access to a large scale economic trade system thereby promoting socio-economic development in the region.

To spearhead the implementation of the this program, the LAPSSET Corridor Development Authority (LCDA) which is a State Corporation was established pursuant to a Presidential Order, LAPSSET Corridor Development Authority Order, 2013 contained in the Kenya Gazette Supplement No. 51, Legal Notice No. 58 of March, 2013.

(b) Principal Mandate of the Authority

The mandate of LCDA as stipulated in the legal instrument is to plan, coordinate, sequence and provides effective leadership in implementation of the LAPSSET Corridor Program. The Authority therefore facilitates the cross cutting and overarching roles by bring together the Implementing agencies and stakeholders. Further, the Authority plays a significant role in guiding policy, mobilizing the allocation of funds, monitoring and evaluation, defining the timelines for synergies and dependency and offering operational and technical oversight for the LAPSSET Corridor program. This mandate is derived from the authority's functions as stipulated below:

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

(c) The Program Components:

The LAPSSET Corridor projects has components that are regional and which are intended to provide multimodal transport link between Republic of Kenya and the neighbouring countries of Federal Democratic Republic of Ethiopia and Republic of South Sudan. The other components are as defined in the vision 2030, Kenya's long-term development blueprint. These projects are as follow:-

i. Lamu Port at Manda Bay consisting of 32 deep sea berths;
ii. Interregional Standard Gauge Railway lines from Lamu to Isiolo, Isiolo to Nakodok (Kenya/South Sudan border) and Juba (South Sudan), Isiolo to Moyale (Kenya/Ethiopia border) and Addis Ababa (Ethiopia), and Nairobi to Isiolo;
iii. Interregional Highways from Lamu to Isiolo, Isiolo to Nakodok and Juba (South Sudan), Isiolo to Moyale and to Addis Ababa (Ethiopia), and Lamu to Garsen (Kenya);
iv. Crude Oil Pipeline from Lamu to Isiolo, Isiolo to Nakodok and Nakodok to Juba (South Sudan);
v. Product Oil Pipeline from Lamu to Isiolo, Isiolo to Moyale (Kenya) and Moyale to Addis Ababa (Ethiopia);
vi. International Airports at Lamu, Isiolo, and Lake Turkana;
vii. Resort Cities at Lamu, Isiolo and Lake Turkana;
viii. Merchant Oil Refinery at Lamu;
ix. High Grand Falls Multipurpose Dam;
x. Fiber Optic Cables and Communication Systems

(d) Pronouncements from the Public Sector Accounting Standards Board (PSASB)

The Public Finance Management (PFM) Act 2012 Section 192 provides for the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary of The National Treasury, gazetted members of the Board through Gazette Notice No. 1199 of 28th February, 2015.

Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and The International Public Sector Accounting Standards (IPSAS) for non-commercial entities, LAPSSET Corridor Development Authority has adopted the pronouncements made by the IPSAS board in preparation of its' Financial Year (FY) 2015/16 financial statements.

(e) Management team

The key management personnel who held office during the Financial Year ended 30th June 2016 and who had direct fiduciary responsibility were;

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

(f) Fiduciary Management

The Board of Directors who held office during the financial year ended 30th June 2016 are:

No.	Name	Title/Designation	Key Qualification	Responsibilities
1	Amb. Dr. Francis Muthaura	Chairman of the Board	Administrator	Chairman of the Board
2	Silvester Kasuku	Director General/CEO	Planner	Director General/CEO
3	Fauziya B. Karama	Member	Telecommunications Expert	Chairperson –Audit Committee
4	James Wachira	Member	Financial Expert	Chairman Strategy & Development Committee
5	Alice Kirenge	Member	Financial Expert	Board Member
6	Dr. Kavoo Linge	Member		
7	Prof. Gituro Wainaina	Co-opted Member	Agricultural Economist	Board Member
8	Stephen K. Kirogo	PAS Cabinet Affairs	Administrator	Board Member
9	Dr. Francis Sang	Member	Management	Board Member
10	Dr. Kamau Thugge	PS. The National Treasury	Economist	Board Member
11	Irungu Nyakera	PS. Ministry of Transport, Infrastructure, Housing & Urban Development (State Department of Transport)	Engineer	Board Member
12	Eng, Joseph Njoroge	PS. Ministry of Energy & Petroleum (State Department of Energy)	Engineer	Board Member
13	Mrs. Fatuma Hirsi Mohamed	PS. Ministry Tourism (State Department of Tourism)	Management	Board Member

(g) Fiduciary Oversight Arrangements

Committee	Membership
Audit Committee	i. Fauziya B. Karama - Chairperson ii. Dr. Francis Sang iii. James Wachira iv. Principal Secretary/Alternate, Ministry of East African Affairs, Commerce and Tourism v. Principal Secretary/Alternate, Ministry of Energy and Petroleum vi. James Muigai Ag. Chief Internal Auditor - Secretary
Administration and Finance Committee	i. Dr. Kavoo Linge Augustine - Chairperson ii. Alice Kirenge iii. Principal Administrative Secretary / alternate – Cabinet Affairs Office in the Presidency iv. Principal Secretary/ Alternate – The National Treasury v. Principal Secretary/ Alternate – Ministry of Transport and Infrastructure vi. Principal Secretary/Alternate, Ministry of Energy and Petroleum vii. Silvester Kasuku - Secretary
Strategy and Development Committee	i. James Wachira - Chairperson ii. Dr. Francis Sang iii. Fauziya B. Karama iv. Dr. Kavoo Linge Augustine v. Principal Secretary/Alternate – The National Treasury vi. Principal Secretary/Alternate– Ministry of Transport and Infrastructure vii. Principal Secretary/Alternate – Ministry of East African Affairs, Commerce and Tourism viii. Prof. Gituro Wainaina ix. Silvester Kasuku - Secretary
Lands Acquisition Committee	i. Alice Kirenge - Chairperson ii. Dr. Francis Sang iii. Fauziya B. Karama iv. Dr. Kavoo Linge Augustine v. Prof. Gituro Wainaina vi. Principal Secretary/Alternate– Ministry of Transport and Infrastructure vii. Principal Secretary/Alternate– Ministry of lands, Housing & Urban Development viii. Silvester Kasuku - Secretary

Committee	Membership
Performance Contracting Committee	i. Prof. Gituro Wainaina- Chairperson ii. Hon. Abdikadir Mohamed iii. Alice Kirenge iv. Dr. Kavoo Linge Augustine v. Fauziya B. Karama vi. Principal Secretary/Alternate– Ministry of Transport and Infrastructure vii. Principal Secretary/Alternate– Ministry of lands, Housing & Urban Development viii. Silvester Kasuku – **Secretary**

(h) Authority's Headquarters

LAPSSET Corridor Development Authority,
Chester House, 2nd Floor,
P.O Box 45008-00100,
Koinange Street.
NAIROBI.
Telephone: +254(02)20-2219098
Website: www.LAPSSET.go.ke

(i) Authority's Bankers

1. Kenya Commercial Bank
   Moi Avenue Branch
   P.O. Box 30081-00100
   Nairobi

2. CFC Stanbic Bank
   Lion Place, Waiyaki Way,
   P.O Box 72833-00200
   Nairobi

3. National Industrial Credit (NIC)
   NIC House, Masaba Road
   P.O Box 44599-00100
   Nairobi

(j) Independent Auditor

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

(k) Principal Legal Adviser

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

II. BOARD OF DIRECTORS

Amb. Dr. Francis Muthaura, EGH.
Chairman of the Board of Directors

The Chairman of the Board of LAPSSET Corridor Development Authority.

He holds of Honorary Doctorate Degree from Kenyatta University and the Kenya Methodist University.

Awarded "Moran of Burning Spear" by the retired President Daniel Arap Moi and the "Elder of Golden Heart" by the retired President Mwai Kibaki.

Former Permanent Secretary, Head of Public Service and Secretary to the Cabinet, Government of Kenya.

Worked as Permanent Secretary in the Ministries of National Security; Environment, Water & Natural Resources; and Information, Transport and Communication.

Founder Secretary General of the East African Community and Ambassador & Permanent Representative of Kenya to the UN in New York.

Former Ambassador of Kenya to the European Union, the Kingdom of Belgium and Luxembourg.

He holds a Bachelor of Arts Degree in Economics and Political Science; Post Graduate Diploma in International Relations from the University of Nairobi.

Silvester Kasuku MBS, CMILT
Director General/CEO

The Director General/ CEO, LAPSSET Corridor Development Authority.

Former Lecturer at the University of Nairobi, School of the Built Environment.

An expert in infrastructure and services management policy

Consultant/ Technical Advisor on Kenya Roads Sector Institutional and Legal Reform of Government of Kenya between 2002 to 2008.

Awarded the Moran of the Burning Spear (MBS) by H.E President Mwai Kibaki for the distinguished service he has rendered to the Kenyan nation.

Mr. Kasuku is a member of various Professional Societies. He is a Chartered Member of the Institute of Logistics and Transport (CMILT), He is a Corporate Member of the Architectural Association of Kenya - Town Planners Chapter (MAAK-TP) and also a member of the Institute of Environmental Assessment, Kenya and a Member of the Kenya Institute of Planners.

Stephen K. Kirogo
PAS Cabinet Affairs

The Principal Administrative Secretary and Assistant Secretary to the Cabinet in the Presidency and Cabinet Affairs Office, Executive Office of the President.

He has served and worked in Government since 1984, as Assistant Secretary, District Officer, Senior Assistant Secretary, Under Secretary, Deputy Secretary, and Secretary/Chief Executive Officer of State Corporations Advisory Committee (SCAC).

He has an Executive Masters in Business Administration (MBA) from Inoorero University, Post Graduate Certificate in Leading Business Development from Inoorero University, Post Graduate Diploma in Public Relations and Communications from Kenyatta University and a Bachelor of Arts Degree (Hons) - University of Nairobi.

Dr. Kamau Thugge
PS. The National Treasury

The Principal Secretary at the National Treasury

Former head of Fiscal and Monetary Affairs Department, Economic Secretary and as Senior Economic Advisor at the Ministry of Finance

He worked with the International Monetary Fund (IMF) as Economist, Senior Economist and Deputy Division Chief prior to joining the Ministry of Finance.

He holds a Bachelor of Arts (Economics) degree from Colorado College, USA; Master's degree in Economics and a Doctor of Philosophy (PhD) degree in Economics also from John Hopkins University, USA.

Eng, Joseph Njoroge
PS. Ministry of Energy

The Principal Secretary, Ministry of Energy & Petroleum,

He holds an MBA with a major in strategic management and a First Class Honours Degree in Electrical Engineering.

He is a Registered Consulting Engineer, a Chartered Engineer, a Member of the Institution of Engineering & Technology (UK), a Fellow of the Institution Engineers of Kenya, a member of the Institute of Directors of Kenya and a trainer in Corporate Governance.

He is the former Managing Director of Kenya Power & Lighting Company Limited, the country's transmitter, distributor and retailer of electricity, a position he held for six years.

Mrs. Fatuma Hirsi Mohamed
PS. Ministry Tourism (State Department of Tourism

The Principal Secretary, Ministry of Tourism

Former international civil servant of the United Nations and has previous experience in Telecom, Media and Banking sector.

She is an expert in the implementation of Marketing, PR, Business & Communication Strategies, Community and Stakeholder Relations & Development, and Corporate Social Responsibility

She holds MBA in strategy and marketing, a BA (Hons) in languages, a postgraduate diploma in Public Relations and a Certified Professional Mediator.

She is currently pursuing a PhD in Communications Studies.

Irungu Nyakera
Ps Ministry of Transport & Infrastructure

The Principal Secretary, Ministry of Transport and Infrastructure.

He holds a Masters in Finance and Decision Engineering,

Has worked at Citi Group in London after graduating from Stanford University in 2007.

He later joined NIC in 2008, then Equity Bank before he got appointed as the principal secretary to the Ministry of Transport & Infrastructure.

Prof. Gituro Wainaina
Co-opted Member

Professor Gituro Wainaina holds a PhD in Agricultural Economics, Masters in Business Administration, Bachelor of Education and Associate Professor in School of Business University of Nairobi.

Former Senior Educational Economist at World Bank, Regional Coordinator of CARE International in Kenya, Deputy Managing Director of University of Nairobi Enterprises and Services Limited and a Board Member at Capital Markets Authority

Currently he is the Director of the Social and Political Pillars, Acting Director General of Vision 2030 Delivery Secretariat, A Board Committee Member at Management University of Africa.

His research interest areas are in food security, water harvesting and management, financing of education and capacity development for effective implementation of Kenya Vision 2030.

Alice Kirenge
Director

Alice Kirenge has several years' experience in senior management roles and a proven track record in the corporate sector. She has over twenty eight years working in the Insurance/Financial sector.

Formerly she was the Director of Operations and Head of Corporate Communications and PR at CFC Life Insurance Company. She has also worked in Health Care and Property Development sectors.

She has also held the position of General Manager Nairobi Women's Hospital, General Manager Marketing and Administration at Panda Development Company Limited - the developers of the five star Aberdare Hills Golf Resort.

Currently she is the General Manager at The Monarch Insurance Company Limited.

Founder member of Starehe Girls Centre and currently sits on the board for Women's Enterprises International.

Alice holds an MBA degree in Strategic Marketing from Daystar University, BCom in Management from the University of South Africa and is a Fellow Life Management Institute (FLMI). She is extensively trained in various aspects of management including Project Management, Financial Management and Corporate Governance.

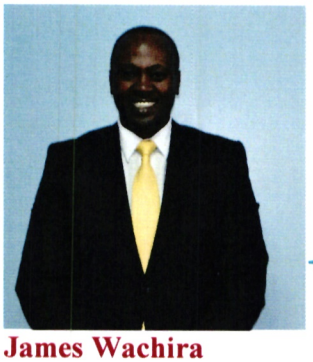
Fauziya B. Karama
Director

Fauziya has been in Telkom Kenya close to 20 years at different leadership positions in Network Planning & Design, Sales & Marketing, Process Management, Quality, Internal Audit and Call Centre Management.

She is pursuing Master in Business Administration in Strategic Management at the University of Eastern Africa - Baraton and has a Bachelor of Science in Mathematics from the University of Nairobi.

She has a Post Graduate Diploma in Telecommunication and Lead auditor in Quality Management System.

She is a registered member (2013) for Customer Operations Performance Center (COPC) International standard on Performance Management.



James Wachira
Director

Mr. Wachira is currently a Board Member and Chairman of Strategy and Development Committee - LAPSSET Corridor Development Authority.

He is also a past Chair and Chairman, Audit & Risk Management Committee, Karatina University College.

Professionally, Mr. Wachira is a founder director and financial management advisor at PPD Consultants Limited. He is a Certified Public Accountant (CPA) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

He is a holder of an MBA degree from Marquette University USA. Mr. Wachira has over 20 year's local and international consulting experience. He has worked in different capacities as a consultant including, team member, team leader as well as project director.

He has worked in Kenya, South Africa, Rwanda, Ethiopia and United States of America on medium term and long-term periods. He has also worked for short-term periods in Uganda, Netherlands, Brussels, Somaliland and Tanzania.

Awarded the Order of the Ground Warrior (OGW) honours for his outstanding and distinguished service to the Nation by His Excellency Mwai Kibaki.

Dr. Francis Sang
Director

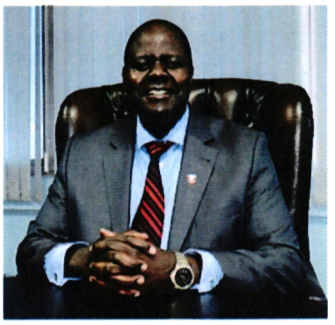
Dr. Francis Kipkemboi Sang is a member of LAPSSET Corridor Development Authority Board.

He sits at the Nandi County Public Service Board alongside lecturing in Moi and Catholic universities' Departments of Education Management and Policy Studies and Research.

He is a former high school principal.

He holds a Doctor of Philosophy Degree in Educational Management and Policy Studies, a Master of Education Degree in Educational Administration and Bachelor of Education Degree. He also holds a Post Graduate Diploma in Education Management.

III. Management

	**Silvester Kasuku MBS, CMILT.** Director General/CEO Holds a Masters Degree MA (Planning) and has Over 10 years in the service.
	John Musale Ag. Finance and Planning Manager. Holds a Masters Degree in Economic Policy Analysis and has Over 26 years in the service.
	James Achuka Ag. Human Resources and Administration Manager BA (Sociology) and Over 10 years in service
	Morris Owili Ag. Accounts Manager Masters – Finance & MIS and Over 24 Years of service
	James Muigai Ag. Chief Internal Auditor MBA- Finance (CPA K) and Over 11 years of experience

	Benjamin Mutea Ag. Procurement Officer BA (Economic) Over 12 Years of Experience
	Benson Thuita Corporate Affairs Officer BA (Communications) Over 3 years of Experience

IV. THE CHAIRMAN'S STATEMENT

"I am pleased to present the Authority's Annual Report for the year ended 30th June 2016."

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

INTRODUCTION

I am delighted to present the LAPSSET Corridor Development Authority Annual Report and the Financial Statements for the year ended 30th June, 2016. As an Authority, we celebrated three years since establishment and it has been a tremendous moment with significant lessons.

As the chairman, and the entire Board of LCDA, we take exceptional gratitude to have steered the organisation in executing the mandate and functions assigned. Indeed, the LAPSSET Corridor transport program has blossomed from a concept to reality. There is noticeable progress on the implementation and increased commitment and financial allocation by the government, and nothing can define hope for a project of this scope, than such. Again, this gives sufficient evidence that the full realization of Kenya's second strategic Corridor as an agenda that is ingrained in our long-term development blueprint, "Vision 2030" is a living covenant between the citizens and the government of the day.

LAPSSET CORRIDOR CONCEPT

Internationally, transport corridors unveil ingenious intermodal and multimodal infrastructure mix that maximizes efficiency, enhances interconnectivity and spurs logistics. Borrowing from this, the LAPSSET Corridor is designed to integrate three core and strategic infrastructure components, namely, highways, railway and pipelines. This Corridor will further host auxiliary infrastructure such as fibre optic cables, electricity transmission lines, water infrastructure among others. This Corridor with a proposed width of 500 meters will primarily eliminate the need for individual government entities acquiring way-leaves for public infrastructure and thereby increase projects delivery timelines significantly.

To ensure we create economic opportunities for the people to and that the infrastructure corridor is not a transit route to the neighbouring countries, we plan to work closely with stakeholders in mapping out all viable economic activities that will be undertaken 50kms on either side of the inner corridor. We will create jobs and enhance both financial and economic viability of the investments that will be situated along the corridor.

To ensure the LAPSSET Corridor benefits the communities and avails a greater economic transformation for the region it traverses, we have initiated discussions with stakeholders to undertake master planning for 50kms on either side of the inner Corridor. This 100 meters Corridor will provide far reaching investment opportunities for the area and help spur economies and improve livelihoods. The emerging cities and towns will have ample and well though infrastructure and social amenities including water, health, education and agricultural sectors will be put up to provide services to the communities. This concept borrows from international best practices which aim to create logistics and transport corridors that are executed with futuristic features and latent exponential ability for expansion and accommodation of any other infrastructure and investments for sustainable development.

PROGRESS

While projects of this scope and magnitude are slow to realize fully, reasonable progress has been achieved so far. Huge budgetary allocations have been given and major preparatory and preliminary works have been completed while others are ongoing. We continue to urge for fast tracking of the implementation of the core components such as the highways and the port since these are critical for timely delivery of the other components.

To date, significant progress has been achieved in the roads construction, with Isiolo – Moyale (505kms) highway being over 95 percent complete. The road section from Lokichar to Nakodok is at advanced stage of commencing construction and this will bring in an additional 338 kms into the tarmacked road network in Kenya. The rest of the road projects are either at advanced designs stage or at sourcing of finances.

In respect to the Lamu port, substantive works have been undertaken with key facilities already in place. The Port headquarter, the police station have been competed while the port management housing is ongoing. Importantly, the government committed to undertake the construction of the 1st three berths and major dredging work is currently ongoing.

It is encouraging to note that there is increased demand for more resources to be devoted to this project and revitalised enthusiasm by investors keen to cease the investment opportunities.

Given the nature and scope of the LAPSSET Corridor program, there are certain overarching activities that the Authority has initiated. The Surveying of the Corridor which necessary to determine the actual route and identification of project effects including people to be displaced and environmental concerns has been ongoing. The Authority also contracted Strategic Environmental Assessment (SEA) consultancy to undertake a comprehensive SEA exercise for the LAPSSET Corridor with a view of ensuring the individual LAPSSET Corridor projects get a proper base during the Environment Impact Assessment (EIA) stage.

PRIORITY ACTIVITIES

Identification of the catalytic projects and their timely implementation is a major task that we are ceased of in consultation with the implementing Agencies. We hold that the completion of the entire road network and the 1st three berths of Lamu port will give economic breath to the Corridor by triggering private sector investments along the Corridor.

The construction of the Lokichar – Lamu crude oil pipeline is also a priority. This is vital in availing alternative revenue base for the country and reducing reliance on taxes. Tapping of oil revenue will significantly enhance our capacity to fund mega projects such the other LAPSSET Corridor project components without relying on development partners and public debt. As an Authority, we continue to engage our stakeholders to ensure that the projects are sequenced to create necessary synergies and ensure resources are devoted in their realization.

PUBLIC PARTICIPATION

I note with pleasure that during the year, the Board completed the first phase of the Stakeholder's consultative forum. The forums provided monumental lessons and insights touching on the projects execution. The need for intensive consultations with the communities, addressing the land issue comprehensively, incorporating the LAPSSET projects in the Counties Integrated Development Plans and addressing project bottlenecks were highly articulated. As a Board, we appreciate the divergent views and interests that were clearly manifest in these forums. We commit to engage more with our stakeholders to ensure we deliver the LAPSSET Corridor projects with greater consensus on all pertinent issues and with the broader vision improving livelihoods.

CORPORATE SOCIAL RESPONSIBILITY

As the Authority continues to champion massive infrastructure projects implementation, we are alive to the new skills requirement and the need to retooling the youths to strategically position themselves to participate in Corridor projects. The Authority sponsored 176 in the FY 2015/16 students through the Presidential Scholarship programme at a total cost of Kshs 44 million.

CHANGES TO THE BOARD

There were a number of changes to the membership of the Board during the Year under review. Hon. Abdikadir Mohamed distinguishly served as a Board Member till 2nd October, 2015 who was replaced with Dr. Francis Sang. Further, my term as the Board Chairman, and other Board Member appointed on 15th February, 2013 expired on 15th February, 2016. I am grateful for the renewal of my term for three more years and that of other three Board Members on 23rd June, 2016. We sincerely extend our thanks to Dr. Kavoo Linge, whose term expired on 15th February, 2016 and wish him well in all his future endeavours. We also welcome Mr. Ali Dida Abkula who was appointed on 23rd June, 2016.

APPRECIATION

I wish to take this opportunity on behalf of the Board of Directors to convey sincere appreciation to the entire LCDA management and staff for dedicated and tireless effort in service delivery. I also wish to thank the Government of Kenya, the ministries and line agencies whom we work closely with in projects implementation. I also extend by gratitude to our stakeholders who have been instrumental in our achievements. To my fellow Board Members, I sincerely thank you for steadfast support, leadership and commitments. I look forward to a more prominent financial year 2015/2016

God bless you all.

Amb. Dr. Francis K. Muthaura, EGH

Chairman, LCDA Board of Directors

V. DIRECTOR GENERAL/CEO'S REPORT

"By winning the two prestigious awards, our transformative believe has been engrained into history, and our position as a country keen on pushing regional integration is affirmed"

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

INTRODUCTION

The Financial Year 2015/16 marks our third year in operation as an Authority. Our focus in steering the LAPSSET Corridor projects implementation has crystallised. More importantly, the implementation of the LAPSSET Corridor projects has been steadfast, the government support unwavering and the resolve to surmount challenges collectively amplified by the interventions that have been deployed. Critical milestones have been achieved and the overall implementation gained sufficient momentum with clearly defined activities that need to be undertaken. As an Authority mandated to coordinate, plan and sequence the project components, our overarching role has become more evident and relevant.

In the FY under review, the Authority discharged its mandate with vigour and relentlessly engaged stakeholders. The Board held consultative meetings with key stakeholders and acquired valuable lessons on championing mega infrastructure projects such as LAPSSET Corridor. The technical teams became more vibrant and this contributed to significant milestones being achieved.

PROJECT STATUS

There was significant progress in the implantation of the LAPSSET Corridor projects. Notably, every component has now received substantial ownership and acceptance from the stakeholders. The commitment by the implementing agencies has also bolstered following high level government engagements and the sustained visibility the project has received worldwide. Regionally, the three partner states have worked together in fronting the project as a core infrastructure project necessary for spurring trade and integration and this has been supported by NEPAD and IGAD

The pace of implementation of majority of the projects has been accelerated as shown below.

Project Status at a glance

Lamu Police Station 100% complete

Lamu Port headquarter 100% Complete

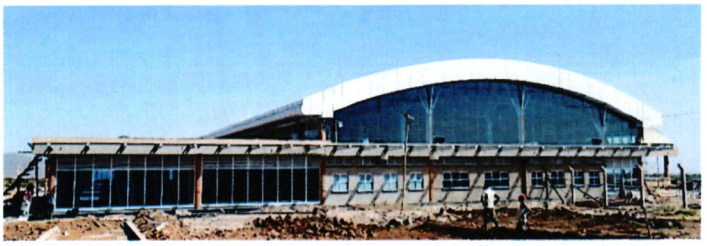
Lamu Port Management housing Scheme 66% complete

220 KV Power station at Hindi in Lamu Commissioned

Isiolo – Marsabit – Moyale Road 96% complete with less than 20 kms to be tarmacked remaining

Isiolo Airport runway expanded to by 1.1 Kms

Isiolo Airport Administration Block 96% complete



Isiolo Terminal Building 90% complete

Apart from the featured works above which are substantially complete, the other components have registered progress especially in relation to the designs studies as depicted below.

Port:

- Construction of the 1st three berths awarded;
- Project allocated Kshs 2 Billion in the FY ended 2016 by The National Treasury

Roads:

- Lokichar – Nakodok designs completed and construction to commence in 2016;
- Lamu – Garissa Designs 100% Complete;
- Isiolo – Nginyang designs 30% complete

Railway:

- Preliminary Design and Feasibility Study completed;

Crude Oil Pipeline:

- The Front End Engineering Design study ongoing

OVERARCHING ACTIVITIES

There are activities that are undertaken by the Authority given the cross-cutting nature for the various projects. The Authority in the FY there commenced three critical activities in preparation for the land acquisition process for the entire corridor. These activities are at various completion stages. It is fundamental that the process of acquiring land receives urgent attention to ensure encroachment is eliminated and that the total pace of implementation and associated cost of implementation is maintained without undue increase due to compensation.

SURVEYING OF THE CORRIDOR CONSULTANCY

Central to land acquisition and project implementation is setting an integrated corridor of 500 metres width. The Authority commenced this process by engaging a consultant to undertake surveying works. The following progress was registered as at the end of the FY.

	Section	Status
1.	**Lamu – Garissa**	140 Kms of 200 kms completed
2.	**Garissa – Isiolo**	253 kms out of 278 kms completed
3.	**Isiolo – Moyale**	380kms out of 455 kms completed
4.	**Isiolo – Nakodok**	50kms out 737 kms completed

STRATEGIC ENVIRONMENTAL ASSESSMENT CONSULTANCY

The Authority procured the consultancy services for the Strategic Environmental Assessment for the entire corridor. This is a critical process in the implementation of sustainable projects and entails identifying the scope of environmental and socio-economic factors that impacts on the livelihoods that will be affected by the project.

LAND ACQUISITION

In the year ended, the Authority acquired 28,000 ha of land at the Lamu port and an allotment letter issued by the NLC further, the Authority kick started the process of setting apart 1.4million acres of land for LAPSSET Corridor Projects in their entirety.

MOBILIZATION OF RESOURCES

In realization of the wider role to be played by the private sector and other development partners, the Authority initiated funding mechanisms discussions with various partners and stakeholders. The Authority held talks with The National Treasury (TNT) culminating to allocation of Kshs 2 Billion in the FY ended and a 10 Billion allocation in next FY for the Lamu port 1st three berths

During the ended FY, the Authority initiated process for financial support by the European Union under the Support to Kenyan Energy and Transport Sector (SKETS) Component 3 - Investment Project Preparation Facility. The funding is intended for undertaking a study for Integrated Transport Master Plan for LAPSSET Project components in Lamu County. The Authority also held discussions with African Development Bank (AfDB) to fund the Transactional Advisory Consultancy for the Crude Oil Pipeline and 10 berths of Lamu port.

HUMAN RESOURCE REVIEW

The Authority is aware of the significant input the management and the staff of the Authority make in realizing vision and implementing the strategies. In the FY ended, the Authority undertook an Institutional Establishment Consultancy and identified staffing gaps. The staff capacity increased marginally and the process of enhancing capacity is underway.

PROJECT IMPACTS

The LAPSSET program has made tremendous contribution to the economy since inception. The nine (9) counties traversed and which host the project components have also gotten huge exposure with investors keen on starting ventures in all facets of the economy. The Isiolo – Moyale road has singingly transformed the northern region and immediate impacts and benefits are being witnessed. Access to critical services such as health case referrals, security response and trade have improved in folds. A good practical example is the reduced time spent travelling from Moyale to Nairobi, a journey which used to take three days with sleep-overs in Isiolo and Marsabit now takes a day. Other immediate benefits that have been documented are:-

a. Reduction in travel time from about 3 days to 10 hours and the transport cost for goods and services reduced significantly by elimination of sleep over's, wear and tear and other cost of vehicle maintenance. In addition, the road infrastructure as resulted to change of the medium of transport changed from Lorries to busses, public service vehicles and personal cars;

b. Enhanced access to markets and cross border trade with Kenya goods making imprints to Ethiopia market;

c. Improved public services delivery by government institutions and agencies;

d. Stabilization of security among communities and reduction in inter-community conflicts;

e. Improved maternal health care with referral cases fatalities reduced significantly;

f. Enhanced market access to goods and livestock produced from the region with Nairobi being a key destination market;

g. Over 5100 direct employments in the completed and ongoing projects;

h. Improved incomes and poverty reduction through provision of opportunities to invest in heavy industries;

i. New business opportunities for the local community leading to the establishment of new trade centres and the growth of the existing ones especially where the contractors established their camps;

j. More households and institutions connected to the national grid;

INTERNATIONAL AWARD

Owing to its importance in promoting trade, investment integration and enhancing logistics in the regional, the of the LAPSSET corridor program received accolades from global forums. The program was voted the best and winner of the "Global Infrastructure Leadership Project of the Year 2016 Award" under the Job / Opportunity Creation category for its potential in creating thousands of jobs and investment opportunities across Eastern Africa and impacting greatly on East Africa's transformation and wealth creation potential.

The other award "The Regional Infrastructure Investment Project Initiative of the Year 2016" which was awarded during Africa Investor Award 2016 ceremony and was given because provides an integrated infrastructure corridor with the focus on inter-connecting Eastern African countries of Kenya, Ethiopia, South Sudan and ultimately providing a land bridge across the entire Great Lakes region from Eastern Coast of Africa (Lamu) to Western Coast of Africa at Douala, Cameroon.

By winning the two prestigious awards, our transformative believe has been engrained into history, and our position as a country keen on pushing regional integration affirmed.

PRESIDENTIAL SCHOLARSHIP PROGRAM

In the FY ended, an additional 176 needy and deserving students from Lamu County were enrolled into the Presidential Scholarship program. This component is vital in ensuring the youth skills are enhanced and professionally trained to fully participate in the emerging opportunities that are availed by the LAPSSET Corridor Projects. Below is summary of the scholarships statistics.

Academic Level	FY 2014/2015		FY 2015/2016		Total
	Male	Female	Male	Female	
Degree	13	11	29	27	80
Diploma	90	36	30	37	193
Certificate	32	17	52	19	120
TOTAL	**135**	**64**	**111**	**83**	**393**

The scholarship is a compressive one to ensure the youths are insulated from any challenges that may result to deserting learning institutions. The courses are also deliberately selected to make sure that the youths will be gainfully employed in the emerging opportunities and are

mainly in marine engineering, Civil engineering, Chemical engineering, Electrical engineering, Transport & Logistics, Nautical engineering among others.

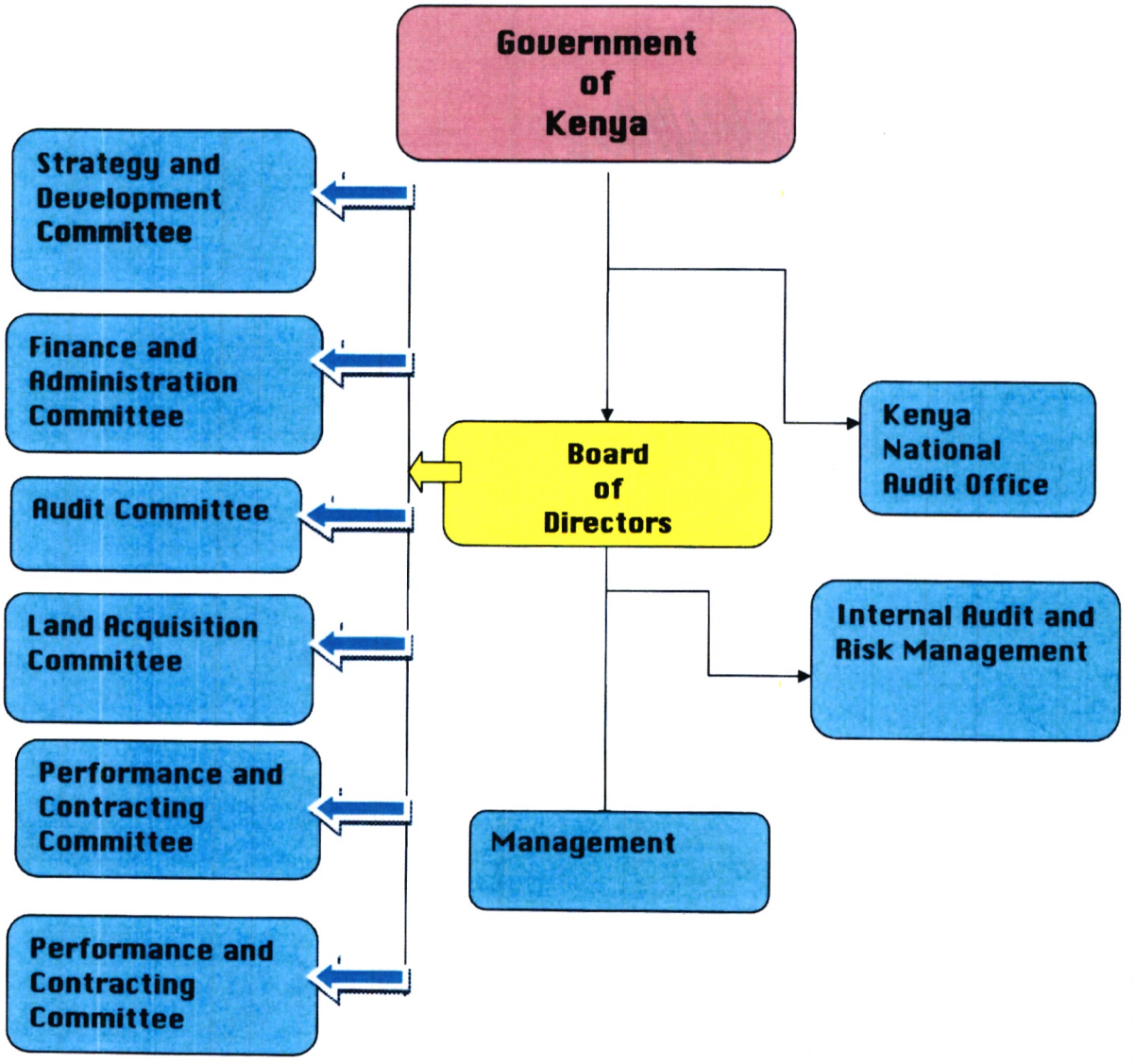
APPRECIATION

I would like to thank our customers, our dedicated and talented staff, our service providers, the National and County Governments, Agencies implementing the LAPSSET Corridor projects and all other stakeholders for their contribution during the year. I optimistically look forward to their continued support as we strive to transform Africa into a seamlessly connected and integrated continent.

Silvester Kasuku, MBS, CMILT
DIRECTOR GENERAL/CEO

VI. CORPORATE GOVERNANCE STATEMENT

At LAPSSET Corridor Development Authority (LCDA), the Board of Directors and senior management are committed to the highest level of corporate governance which we consider critical to integrity and to further strengthen stakeholder trust in the Authority. The Authority's organogram is as shown below:-



BOARD OF DIRECTORS

The Board including the Chairman and Secretary comprises of thirteen (13) members. The Board has however co-opted three (3) members. The Board defines the Authority's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The Directors bring a wealth of experience and knowledge to the Board's deliberations. The Board delegates authority of its day-to-day business to the Management through the Director General/ CEO but is nonetheless responsible for the stewardship of the Authority and assumes responsibilities for the effective control over the Authority. The Board Secretary attends all meetings, save for the Audit Committee meetings.

BOARD MEETINGS

The Board held a total of 12 Meetings in the Financial Year.

COMMITTEE'S OF THE BOARD

The Board set up the following principal Committee's which meet under clearly defined terms of reference set out by the Board. This is intended to facilitate efficient decision making of the Board in discharging its duties and responsibilities. In the year under review, the following Committees of the Board were operational.

COMMITTEE	• MEMBERSHIP	• RESPONSIBILITIES
Strategy & Development Committee	• James Wachira – **Chairperson** • Dr. Francis Sang • Fauziya B. Karama • Dr. Kavoo Linge Augustine • Principal Secretary / Alternate – The National Treasury • Principal Secretary / Alternate – Ministry of Transport and Infrastructure • Principal Secretary / Alternate – Ministry of East African Affairs, Commerce and Tourism • Prof. Gituro Wainaina • Silvester Kasuku – **Secretary**	• Assists the Board in fulfilling its corporate governance responsibilities; • Devise mechanisms and strategies for implementing the LAPSSET Corridor Projects; • Spearhead project planning and sequencing; • Spearhead financial modelling for implementing the Project and finance mobilization; • Develop periodic strategic plans on direction that needs to be taken up by the Authority; • Oversee monitoring and evaluation of LAPSSET projects; • Make recommendations to the Board regarding strategies that LAPSSET can adopt; • Approve development briefs and master plans; • Develop mechanisms for promotion of project components to attract funding; • To review and approve the LCDA's annual work plan to ensure that it is in line with the Strategic Plan;

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

COMMITTEE	• MEMBERSHIP	• RESPONSIBILITIES
Land Acquisition Committee	• Alice Kirenge - **Chairperson** • Dr. Kavoo Linge Augustine • Fauziya B. Karama • Prof. Gituro Wainaina • Principal Secretary / Alternate – Ministry of Transport and Infrastructure • Principal Secretary/Alternate– Ministry of Lands Housing & Urban Development • Silvester Kasuku - **Secretary**	• Oversee the preparation of LCDA's Performance Contract; • Identify for inclusion in the Performance Contract targets for the financial year; • Participate in vetting of the Performance Contract; • Review quarterly and annual reports of the Performance Contract before submission to the Performance Contracting Division of the Ministry of Devolution and Planning; • Participate in the evaluation of the Performance Contract; • Map out stakeholders and their significance in LAPSSET projects implementation; and • Spearhead Stakeholders engagement.
Performance Contracting Committee	• Prof. Gituro Wainaina- **Chairperson** • James Wachira • Fauziya B. Karama • William Karari • Silvester Kasuku - **Secretary**	• Oversee the survey and mapping process for all the land falling within the LAPSSET Corridor • Oversee the Strategic Environmental Assessment process for the LAPSSET Corridor • Review and guide measures put in place to sensitize the PAPs on Land Acquisition for the LAPSSET Corridor and the compensation process. • Develop a policy framework for compulsory land acquisition through engaging counties and other stakeholders. • Ensure that any land disputes arising from the acquisition of land along the Corridor are effectively addressed. • Guide the process of allocating land to the Authority • Oversee the allocation of land to various users and/or investing firms ensuring that leases are issued to legitimate beneficiaries, and that they are only issued for the required time frame. • Review the Administration of ground rent and demand notices

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The LAPSSET Corridor Development Authority (LCDA) was established through the Presidential Order Kenya Gazette Supplement No. 51, Legal Notice No. 58, and The LAPSSET Corridor Development Authority Order 2014, tasked with the mandate of planning, coordinating and management of the implementation of the Lamu Port-South Sudan-Ethiopia Transport (LAPSSET) Corridor.

The LAPSSET Corridor Project is the first gigantic, integrated, transformative and game changer infrastructure project the Government has initiated and prepared under the vision 2030 strategy framework. The project endeavours to deliver a just and prosperous middle income Kenya by the year 2030.
Among the numerous benefits of the LAPSSET Project, the creation of employment, poverty reduction as well as improved accessibility and enhanced social economic development, will be the most felt specifically by the local community along the LAPSSET Corridor who have often felt left behind in terms of the country's development agenda.

However in order for the local community to be better placed in seizing the wealth creation and job opportunities that will emerge during and after the completion of the LAPSSET Infrastructure projects, LCDA initiated the LAPSSET Scholarship Project, a youth empowerment initiative through education and capacity building to enhance the skills of the local youth.

The LAPSSET Scholarship is a program that falls in line with a presidential directive to invest in the education of the youth along the Northern Corridor, part of measures to ensure that the local community is actively involved and stand to benefit from the Mega Infrastructural Developments.

The LAPSSET Scholarship Project was initiated in early February 2015 through a well-coordinated selection process that involved the Ministry of Higher Education, Science and Technology and the Lamu County leaders who ensured a successful interview of eligible candidates through a transparent and equitable manner whereby over 1500 youth were shortlisted. The exercise also identified and selected relevant technical training institutes that equip students with technical skills such as; Marine engineering, Transport & Logistics, Nautical engineering etc. skills that will qualify the Lamu youth to gain meaningful employment in the proposed Lamu Port and other infrastructure developments.

The LAPSSET Corridor Development Authority (LCDA) awarded Scholarships to 220 Lamu youth for the year 2013/2014 and additional 200 more Lamu youths were selected to join various learning institutions in September 2015. The Authority seeks to subsequently enrol a total 1,000+ students for the massive scholarship program. Currently, students have been enrolled in different parts of the country in an attempt to expand their worldview and appreciate the cultural diversity of Kenya.

Prior to the LAPSSET Scholarship, majority of the students confessed to having lost hope about their future expectations having stayed out of school for many years after completion of their secondary education. A number of the students interviewed also praised the LAPSSET Scholarship Program for having taken them away from a life of idling, and potential drug addiction, to learning institutional environments where they are actively engaged in educational and vocational activities, rekindling the flame of their future hopes and dreams of

being productive citizens, empowered through education to seize job and entrepreneur opportunities.

Indeed, education is key to a brighter future and the Lamu youth under the LAPSSET Scholarship feel without a doubt, they are part and parcel of that bright future considering the huge investment LCDA has made towards their education, providing full scholarship as well as facilitating for their meals, accommodation, transport and subsistence, a clear sign that they are part and parcel of the LAPSSET Project whereby their education and skills will place them in suitable employment positions as opposed to the casual low ranking cadres that many local communities have complained of being subjected to.

PART II
ANNUAL REPORT
2015/2016

VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30th, 2016 which show the state of the Authority's affairs as at that date.

Principal activities

The principal activity of the Authority is to coordinate the development of a transport Corridor consisting of a Port at Lamu; highways from Lamu to Isiolo to Moyale and Isiolo to Lokichar Nakadok; Standard Gauge Railway from Lamu to Isiolo to Moyale and Isiolo to Lokichar to Nakadok; International Airports at Lamu, Isiolo and Turkana; crude oil pipeline and refined oil pipeline and oil refinery. It will also plan for development of resort cities in Lamu, Isiolo and Turkana as well as other supporting infrastructure such as power supply, water supply and fiber optic cable along the Corridor.

Results

The results of the Authority for the year ended June 30, 2016 are set out on page 1-5

Directors

The members of the Board of Directors who served during the year are shown on page vii

Auditors

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

By Order of the Board

Secretary to the Board
Nairobi

Date 27th Sept. 2016

IX. STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 15 of the State Corporations Act, require the Directors to prepare financial statements in respect of that Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year and the operating results of the Authority for that year. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30th, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30th ,2016, 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.

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE LAPSSET CORRIDOR DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the LAPSSET Corridor Development Authority set out on pages 1 to 23, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility 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 misstatements, whether due to fraud or error.

The 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.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report 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. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. And audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statement.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion

Basis for Qualified Opinion

1. LAPSSET Youth Scholarship Programme

The statement of financial performance for the year ended 30 June 2016 reflects expenditure of Kshs.57,425,750 on grants and subsidies. The expenditure as disclosed under Note 8 to the financial statements relates to LAPSSET presidential youth scholarship programme under which one thousand students from Lamu County are to be sponsored for studies in various institutions. Audit of related records, however, revealed that the Authority sponsored and incurred expenditure totalling Kshs.1,807,232 during the year under review on ten students who are non-residents of Lamu County. In the circumstances, the propriety of the expenditure of Kshs.1,807,232 cannot be confirmed.

2. Consultancy Services

2.1. Consultancy Services for Development of Institutional Framework/ Organizational Structure

The Authority awarded a contract for provision of consultancy services for development of institutional framework / organizational structure to an audit firm at Kshs.13,799,650 on 4 May 2015. Evidence of negotiation as expected under Clause 1.9 of the Contract Agreement and in line with Section 128(1) of the Public Procurement and Disposal Act 2015 has, however, not been made available for audit review.

2.2. Consultancy Services for Strategic Environmental Assessment

The Authority also awarded a contract for strategic environmental assessment to a local firm at Kshs.80,738,320 on 28 January 2016. Evidence made available for audit revealed that technical and financial negotiations were not undertaken contrary to the requirements of clauses 6.2 and 6.3 of the contract document and in line with Section 128 (1) of the Public Procurement and Disposal Act 2015.

In the circumstance therefore, it was not possible to confirm that the Authority, as required under Section 38 of the Public Audit Act 2015, obtained value-for-money on the two consultancy service contracts procured at a total contract sum of Kshs.94,537,970.

3. Actual Expenditure Differences

The actual expenditure reflected in the statement of financial performance differs with the actual amount reflected in the statement of comparison of budget and actual amounts for the year ended 30 June 2016 as follows:

Item	Statement of Financial Performance (Kshs)	Statement of Comparison of budget and Actual Amounts (Kshs)
Employee costs	79,747,620	81,673,607
Depreciation	10,545,474	Nil
Grants and subsidies	57,425,750	43,977,852
Operating expenses	227,764,523	227,927,445
Total expenses	383,318,885	361,414,422

No satisfactory explanation has been provided for these expenditure differences.

Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the LAPSSET Corridor Development Authority as at June 30, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Public Finance Management Act, 2012.

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

Nairobi

31 May 2017

XI. STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30th June 2016

		FY 2015/2016 kshs	FY 2014/2015 Kshs
Revenue from non-exchange transactions	**Notes**		
Transfers from other governments	3	293,000,000	416,000,000
Amortized capital grant	3	9,312,694	10,647,388
Revenue from exchange transactions		0	-
Other income	4	37,204	9,360
Total revenue		**302,349,898**	**426,656,748**
Expenses			
Employee costs	5	79,747,620	85,915,047
Board expenses	6	7,835,518	11,247,964
Depreciation expenses	7	10,545,474	9,979,560
Grants and subsidies	8	57,425,750	40,503,900
Operating expenses	9	227,764,523	101,632,844
Total expenses		**383,318,885**	**249,279,316**
Surplus for the period		**(80,968,988)**	**177,377,432**

The notes set out from pages 6 to 18 form an integral part of the Financial Statements

XII. STATEMENT OF FINANCIAL POSITION

As at 30th June 2016

		2015-2016 Kshs	2014-2015 Kshs
Assets	**Notes**		
Current assets			
Cash and cash equivalents	10	126,416,563	195,550,981
Receivables from exchange transactions	11	11,403,926	13,580,554
Grant receivables		-	-
Total current assets		**137,820,488**	**209,131,535**
Non-current assets			
Property, plant and equipment	15	27,633,193	37,421,468
Total assets		**165,453,682**	**246,553,003**
Liabilities			
Current liabilities			
Provisions and payables	12	17,440,848	4,108,247
Employee benefit obligation	13	3,417,478	7,567,718
Total liabilities		**20,858,326**	**11,675,965**
Net assets		**144,595,356**	**234,877,037**
Capital grants		24,716,324	34,029,018
Accumulated surplus		119,879,031	200,848,019
Total net assets and liabilities		**165,453,682**	**246,553,003**

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

Director General/C.E.O

Chairman of the Board

Date.....27/9/2016.....

Date.....27/9/2016.....

XIII. STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30th June 2015

	Revenue Reserve 2014/2015	Capital Grants ** 2014/2015	Total 2014/2015
	Kshs	Kshs	Kshs
Reserves as at 1st July 2014	23,470,587	44,676,406	68,146,993
Amortized during the year		(10,647,388)	(10,647,388)
Surplus for the year	177,377,432	-	177,377,432
30th June 2015	**200,848,019**	**34,029,018**	**234,877,037**

For the year ended 30th June 2016

	Revenue Reserve	Capital Grants**	Total
	Kshs	Kshs	Kshs
Reserves as at 1st July 2015	200,848,019	34,029,018	**234,877,037**
Amortized during the year	-	(9,312,694)	**(9,312,694)**
Surplus for the year	(80,968,988)	-	**(80,968,988)**
30th June 2016	**119,879,031**	**24,716,324**	**144,595,356**

Note

**Capital grants relate to donated assets by The Parent Ministry and various Authorities at the time of establishment of the Authority was amortized during the year under review.

V. STATEMENT OF CASH FLOWS

	Note	2015/2016 Kshs	2014/2015 Kshs
Cash Flow from Operating Activities			
Receipts			
Transfers from other governments	3	293,000,000	442,500,000
Other revenue	4	37,204	9,360
		293,037,204	**442,509,360**
Payments			
Employee costs	5	81,673,607	80,192,228
Board expenses	6	7,835,518	11,247,964
Grants and subsidies	8	43,977,852	36,743,287
General expenses/operating	9	227,927,445	126,231,063
		361,414,422	**254,414,542**
Net Cash from Operating Activities	14	**(68,377,218)**	**188,094,818**
Purchase of Fixed assets	15	(757,200)	(2,344,990)
Net cash from investing activities		**(757,200)**	**(2,344,990.00)**
Net increase in cash and cash equivalents		**(69,134,418)**	**185,749,828**
Cash and cash equivalents at the beginning of the year		195,550,981	9,801,153
Cash and cash equivalents at the end of the Year	10	**126,416,563**	**195,550,981**

VI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference
	2015-2016 Kshs	2015-2016 Kshs	2015-2016 Kshs	2015-2016 Kshs	2015-2016 Kshs
Revenue					
Revenue from non-exchange transactions					
Transfers from other governments	335,422,752	153,128,229	488,550,981	293,000,000	195,550,981
Revenue from exchange transactions				0	0
Other income		-	-	37,204	37,204
Total revenue	**335,422,752**	**153,128,229**	**488,550,981**	**293,037,204**	**195,513,777**
Expenses		-			-
Employee costs	76,326,000	11,880,000	88,206,000	81,673,607	6,523,393
Board expenses	4,280,000	5,420,000	9,700,000	7,835,518	1,864,482
Grants and subsidies	23,000,000	23,500,000	46,500,000	43,977,852	2,522,148
Operating expenses	231,816,752	112,328,229	344,144,981	227,927,445	116,217,536
Total expenses	**335,422,752**	**153,128,229**	**488,550,981**	**361,414,422**	**127,136,559**
Deficit for the period	-	-	-	**-68,377,218**	**-68,377,218**

Note: Refer to Note No 14 for Budget-Actual variances explanations.

VII. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

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

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

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

Amortization of Capital Grants

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

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The annual budget is prepared on the cash basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Authority and grants given to the Authority is budgeted for by National Government on cash-basis.

c) Taxes

Current income tax

The Authority is exempted from paying corporate taxes

d) Property, Plant and Equipment

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

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

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

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

e) Leases

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

f) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Impairment of financial assets

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

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

g) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Authority determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

h) Provisions

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

Where the Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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

Contingent assets

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

i) Nature and purpose of reserves

The Authority creates and maintains reserves in terms of specific requirements. Capital grants relate to donated assets: five vehicles, furniture and partitions.

NATURE OF THE RESERVES

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

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j) Changes in Accounting Policies and Estimates

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

k) Employee benefits

Retirement benefit plans

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

l) Foreign policy transactions

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

m) Related parties

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

n) Cash and cash equivalents

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

p) Comparative figures

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

q) Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Authority's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts

of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Authority based its assumptions and estimates on parameters available when the consolidated 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.

Financial risks

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

Credit risks

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

Although this risk is unlikely to occur in the short term, it is mitigated as follows:

i. Cash and short term deposits are placed with well established financial institutions of high quality and credit standing and approved by Central Bank of Kenya.

ii. The Authority does not raise debtors in its ordinary course of operations. The Credit risk in respect to accounts receivable is limited due to the nature of the Authority's operations.

iii. When it comes to Office rent, the Authority entered into agreement with landlord to be paying on quarterly instead of yearly basis.

r) Liquidity Risk

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

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

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

Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30th , 2016

3. TRANSFERS FROM GOVERNMENT, GIFTS AND SERVICES-IN-KIND

3.1 Detailed analysis of the grants by the Authority

Name of the Entity sending the Grant	Amount recognized to statement of the comprehensive Income	Amount deferred	Total grant income during the year 2016 Shs"000"	Total grant income during the year 2015 Shs "000"
Presidency (Office of Deputy President)	293,000,000	Nil	293,000	416,000
Total			293,000	416,000

Note: All transfers for the period meant for the Authority were received

3.2 Amortized Capital Grant

	Year	Amount Kshs
1	2014/2015	10,647,388
2	2015/2016	9,312,694

4. OTHER INCOME

	2015/2016	2014/2015
Interest income earned	37,204	9,360

5. EMPLOYEE COMPENSATION, STATUTORY DEDUCTIONS AND LAMU STEERING COMMITTEE

5.1

	2015/2016 Ksh	2014/2015 Ksh
Basic Salaries of Permanent Employees	49,413,947	48,183,178
Medical Aids	-	410,754
Gratuity	8,341,561	2,002,782
Leave allowance	3,037,335	3,696,456
Pension	728,405	18,400
Sub-Total	**61,521,248**	**54,311,570**

5.2 STATUTORY DEDUCTIONS

	2015/2016 Ksh	2014/2015 Ksh
PAYE	19,700,009	25,260,757
NHIF	452,350	126,900
Sub - Total	**20,152,359**	**25,387,657**

5.3 LAMU STEERING COMMITTEE

	2015/2016 Ksh	2014/2015 Ksh
Lamu Emoluments/Reimbursements	-	493,000.00
Sub-Total	-	**493,000.00**
Total	**81,673,607**	**80,192,228**

Reconciliation

Employees Compensation	
Statement of Cash Flow 2015/2016	**81,673,607**
Add: Prepayments 2014/2015	Nil
Add: Accruals 2015/2016	6,252,565
Less: Accruals 2014/2015	7,693,718
Less: Prepayments 2015/2016	484,833
Statement of Performance 2015/2016	**79,747,671**

6. BOARD COST

	2015/2016 Ksh	2014/2015 Ksh
Board expenses	6,791,518	10,491,964
Chairman's Honoraria	1,044,000	756,000
Total	**7,835,518**	**11,247,964**

7. DEPRECIATION

	2015/2016 Ksh	2014/2015 Ksh
Motor vehicles	5,577,512	5,562,231
Computer and Accessories	1,092,065	586,486
Furniture and Fittings	140,716	105,895
Partitions	3,735,182	3,724,948
Total	**10,545,474**	**9,979,560**

8. GRANTS AND SUBSIDIES

	2015/2016 Ksh	2014/2015 Ksh
Presidential Youth Scholarship programme**	43,977,852	36,743,287

Reconciliation

Grant and Subsidies	
Statement of Cash Flow 2015/2016	**43,977,852**
Add: Prepayments 2014/2015	2,824,383
Add: Accruals 2015/2016	11,225,824
Less: Accruals 2014/2015	(602,310)
Less: Prepayments 2015/2016	0
Statement of Performance 2015/2016	**57,425,750**

**Note: Grants and subsidies relate to Presidential Youth Scholarship Programme whereby students from Lamu County were sponsored in various institutions of higher learning. During the year ended 2015/2016 a total of Ksh 43,977,852 was paid.

9. OPERATING EXPENSES

	2015/2016 Ksh	2014/2015 Ksh
Telephone, Postage and Courier	2,061,039	1,631,396
Domestic travel/Workshop	4,858,035	5,021,639
Investment Meetings (Domestic Travel)	2,731,689	1,730,846
Monitoring –Presidential Scholarship programme (Domestic Travel)	418,645	2,397,563
Project Counties & Stakeholders Consultative meetings/Air Transport	5,883,205	10,470,736
Lamu Project Ground breaking Preparation	0	1,420,890
Survey of Corridor	46,200,830	4,507,342
Corridor Security Master Planning Activities (Domestic Travels)	179,775	4,333,205
International Project Investor engagement meetings (Foreign travel)	26,859,902	8,364,814
Printing, Advertising and Information Supplies & Services	10,035,420	6,405,133
Rent Expenses	25,325,921	20,242,812
Training Expenses	4,126,850	1,016,528
Hospitality Supplies and Services	3,261,371	2,805,958
Strategic Planning Costs	2,805,925	1,829,957
Project Coordination Assignments	5,745,696	3,302,750
Office and Project Operation stationeries	4,158,577	2,702,837
Project Planning and Preparation Activities	1,543,462	3,875,500
Project Vehicles Operation Cost	9,019,386	2,735,804
Cleaning Services	378,270	884,150
Insurance	7,264,605	7,418,619
Consultancy	53,062,887	9,135,327
General Expenses**	11,596,583	2,590,187
Repair and Maintenance	409,371	4,539,151
Accrued Expenses 2014/2015	0	17,152,512
Sub Total	**227,927,445**	**126,231,063**

Reconciliation

Operating Expenses	
Statement of Cash Flow 2015/2016	**227,927,445**
Add: Prepayments 2014/2015	10,756,171
Add: Accruals 2015/2016	0
Less: Accruals 2014/2015	0
Less: Prepayments 2015/2016	10,818,093
Statement of Performance 2015/2016	**227,764,523**

10. CASH AND CASH EQUIVALENTS

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

Banks/Cash

Name of the Bank	Bank Account Number	Currency	2016 Shs	2015 Shs
Kenya Commercial Bank	1142485498	Kenya Shilling	54,236,424	195,421,938
NIC	1001309354	Kenya Shilling	10,150,472	120
CFC Stanbic	0100004036397	Kenya Shilling	61,991,946	128,226
Cash (KCB)		Kenya Shilling		
Cash (NIC)		Kenya Shilling	580.57	
Imprest(KCB)		Kenya Shilling	37,140	
Total			**126,416,563**	**195,550,284**

11. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2015/2016 Kshs	2014/2015 Kshs
Balance at the Beginning of the Year	**13,580,554**	**9,337,151**
Additional provision Raised	-	
Rent	3,648,687	3,331,752
Presidential Scholarships	-	2,824,383
Post Office	5,800	5,800
Medical Insurance	7,264,605	7,418,619
Salary Advances	484,833	128,226
Provision Utilized During the Year	13,580,554	9,337,151
Total	**11,403,926**	**13,580,554**

12. PROVISIONS AND PAYABLES

	2015/2016 Kshs	2014/2015 Kshs
Leave accrual	-	126,000
Presidential Youth Scholarship	11,225,824	602,310
Pension payable	6,215,023	3,379,937
Other Accrued Expenses	-	-
Deloitte	-	-

Deloitte	-	-
Repcon Associate	-	-
Geodev Kenya Ltd	-	-
Total	**17,440,848**	**4,108,247**

13. GRATUITY

	2015/2016 Kshs	2014/2015 Kshs
Balance at the beginning of the year	7,567,718	4,258,465
Additional provisions raised	5,565,116	5,312,036
Provisions utilized	9,715,356	2,002,782
Closing Balance	**3,417,478**	**7,567,718**

Note: Gratuity is payable to qualifying employees at a rate of 31% of the basic salary. This being the gratuity balance due amounting to Ksh **3,417,478** relating back to the time Authority was established

14. CASH GENERATED FROM OPERATIONS

	2015/2016 Ksh	2014/2015 Ksh
Surplus for the Year	**(80,968,988)**	**177,377,432**
Adjusted for:		
Depreciation	10,545,474	9,979,560
Amortized capital grant	(9,312,694)	(10,647,388)
Working capital changes		
Increase in prepayments	2,176,628	(4,243,403)
Increase in provision		
Increase in grant receivable		26,500,000
Increase in provisions and payables	13,332,601	(14,180,636)
Increase in gratuity	(4,150,240)	3,309,253
Net cash flow from operating activities	**(68,377,218)**	**188,094,818**

15 PROPERTY AND EQUIPMENT

Cost/Valuation	Motor Vehicles Ksh	Furniture and Fittings Ksh	Partitions Ksh	Computers Ksh	Totals Ksh
As at 1st July 2015	22,310,048.00	1,068,875.00	22,366,358.00	3,074,041.65	**48,819,322.65**
Additions during the year	-	250,000.0	-	507,200.00	**757,200.00**
As at 30th June 2016	22,310,048.00	1,318,875.00	22,366,358.00	3,581,241.65	**49,576,522.65**
Depreciation and impairment					
As at 1st July 2015	5,745,601.40	114,134.41	4,901,786.51	636,332.76	**11,397,855.08**
Charge for the Year	5,577,512.00	140,715.54	3,735,181.79	1,092,064.85	**10,545,474.17**
As at 30th June 2016	11,323,113.40	254,849.95	8,636,968.29	1,728,397.61	**21,943,329.26**
NBV as at 30th June 2016	**10,986,934.60**	**1,064,025.05**	**13,729,389.71**	**1,852,844.04**	**27,633,193.39**

16.0 COMMENTS ON PERFOMANCE DIFFERENCES

	Final budget 2015-2016 Kshs	Actual on comparable basis 2015-2016 Kshs	Performance difference 2015-2016 Kshs	Remarks
Transfers from other governments	488,550,981	293,000,000	195,550,981	Financed by cash& cash equivalent of 2014/2015
Revenue from exchange transactions	-	9,312,694	(9,312,694)	
Other income		37,204	(37,204)	Bank Interest during the year
Total revenue	**488,550,981**	**302,349,898**	**186,201,083**	
Expenses				
Employee costs	88,206,000	79,747,620	8,458,380	
Board Expenses	9,700,000	7,835,518	(1,864,482)	
Depreciation expense	0	10,545,474	(10,545,474)	Depreciation was not included in the budget
Grants and subsidies	46,500,000	57,425,750	(10,925,750)	Funds were meant for the ongoing presidential scholarship programme. A number of invoices had not been received from various institutions as at 30th, June, 2016.Hence some fee payments are payable in 2016/2017
Operating expenses	344,144,981	227,764,523	116,380,458	Amount budgeted/committed for various ongoing contracts whose payments were to be made in phases based on performance. Hence some payments are payable in 2016/2017
Total expenses	**488,550,981**	**383,318,885**	**105,232,096**	
Surplus for the period			**(80,968,988)**	

DISCLOSURE NOTES

RELATED PARTIES DISCLOSURES

a) **Government of Kenya**

The Government of Kenya through the presidency (Office of Deputy President) is the principal shareholder of LAPSSET Corridor Development Authority, holding 100% of the equity interest.

There were no other related party transactions involving the Government of Kenya.

b) **Key Management Remunerations**

Item	FY 2015/2016	FY 2014/2015
Emoluments	30,653,998.00	30,653,998.00
Total	**30,653,998.00**	**30,653,998.00**

c) **Directors**

Item	FY 2015/2016	FY 2014/2015
Board Expenses	6,791,518	10,491,964
Chairman's Honoraria	1,044,000	756,000
Total	**7,835,518**	**11,247,964**

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 12

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.

FINANCIAL RISK MANAGEMENT DISCLOSURE

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

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

(i) Credit risk

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

The amount that best describes the Authority's exposed to credit risk at the end of the financial year is made up as follows.

	2015/2016 Kshs	2014/2015 Kshs
Cash at Bank	126,378,842	195,422,000
Post Office Box	5,800	5,800
Prepaid Rent	3,648,687	3,331,752
Prepaid Medical Insurance	7,264,605	7,418,619
Staff Travel Imprest	37,140	48,000
Salary Advance	484,833	128,226

(ii) Liquidity risk management

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

The amount that best describes the Authority liquidity risk at the end of the financial year is made up as follows.

	2015/2016 Ksh	2014/2015 Ksh
Staff Pension	6,215,023	3,379,937
Presidential Youth Scholarships	11,225,824	602,310
Staff Gratuity	3,417,478	7,567,718
Provisions	68,685,933	4,108,247

(iii) Market risk

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

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

The Authority's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the Authority's exposure to market risks or the manner in which it manages and measures the risk.

The Authority has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid within 14 days from the date of the invoice and conversion at the time of payment is done using the exchange rate prevailing at the date of opening of contract.

Interest rate risk

Interest rate risk is the risk that the Authority's financial condition may be adversely affected as a result of changes in interest rate levels. The Authority's interest rate risk arises from bank deposits. This exposes the Authority to cash flow interest rate risk.

The interest rate risk exposure arises mainly from interest rate movements on the Authority's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavored to bank with institutions that offer favourable interest rates.

r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to

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

	2015/2016	2014/15	2013/14
	Kshs'000	Kshs'000	Kshs'000
Liquid cash	.581	0.8	789
Imprest	37.140	48	549
Salary Advance	484.833	80	0
Total	**522.554**	**128.8**	**1,338**

iv) Operating leases

The Authority is exposed to operating lease risks, where the Authority may enter into lease agreement with another entity and Authority may fail to receive services as it ought to be.

The Authority is accommodated at Chester House 2nd floor, Koinange Street, Nairobi under Five (5) years and (1) month agreement at a quarterly payment of Ksh.5, 473,031.00

s) Capital commitments

	2015/2016 Kshs	2014/2015 Kshs
Contracted (Balances)	49,022,528	Nil

Capital commitments are disclosed in respect of contracted amount for which delivery by the contractor is outstanding at the accounting date.

The Authority has contractual obligation with consultants of various contracted services some of the running beyond 30th, June, 2016

v) Contingent liabilities

During the year under review the Authority had no contingent liabilities

vi) Ultimate holding entity

Ultimate holding entity for the Authority is the Government of Kenya.

Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30th , 2016