

REPUBLIC OF KENYA



Enhancing Accountability

PARLIAMENT
OF KENYA
LIBRARY

REPORT

OF

THE AUDITOR-GENERAL

ON

LAKE BASIN DEVELOPMENT AUTHORITY

THE NATIONAL ASSEMBLY
PAPER PAID
DATE: 01 DEC 2022 Thursday

**FOR THE YEAR ENDED
30 JUNE, 2021**

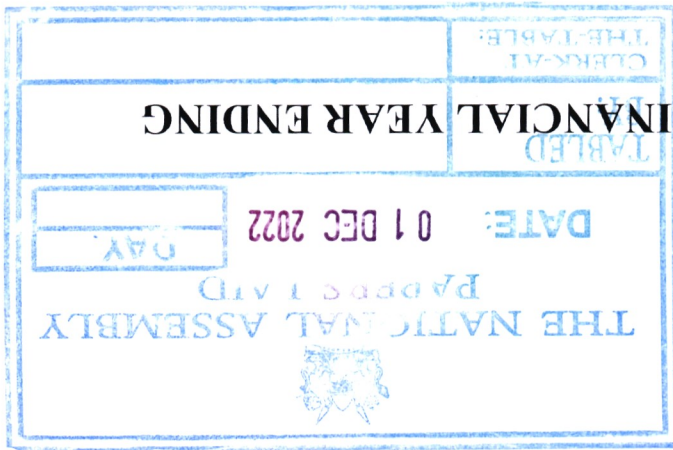
TABLED
BY:
CLERK AT
THE TABLE:

Low
Tray chebet



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

30TH JUNE 2021



ANNUAL REPORT AND FINANCIAL STATEMENTS

LAKE BASIN DEVELOPMENT AUTHORITY



TABLE OF CONTENTS

1.	KEY LAKE BASIN DEVELOPMENT AUTHORITY INFORMATION AND MANAGEMENT.....	1
2.	THE BOARD OF DIRECTORS	5
3.	MANAGEMENT TEAM	12
4.	CHAIRMAN'S STATEMENT	15
5.	REPORT OF THE CHIEF EXECUTIVE OFFICER	16
6.	STATEMENT OF LAKE BASIN DEVELOPMENT AUTHORITY PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021	18
7.	CORPORATE GOVERNANCE STATEMENT	20
8.	MANAGEMENT DISCUSSION AND ANALYSIS	28
9.	ENVIRONMENTAL AND SUSTAINABILITY REPORTING	31
10.	REPORT OF THE DIRECTORS	36
11.	STATEMENT OF DIRECTORS' RESPONSIBILITIES	37
12.	REPORT OF THE INDEPENDENT AUDITOR FOR THE FINANCIAL STATEMENTS OF LAKE BASIN DEVELOPMENT AUTHORITY	39
13.	STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021	41
14.	STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021	42
15.	STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021	43
16.	STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021	44
17.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021	45
18.	NOTES TO THE FINANCIAL STATEMENTS	47
19.	APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	73
20.	APPENDIX II: INTER-ENTITY TRANSFERS	77
21.	APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES	78

1. KEY LAKE BASIN DEVELOPMENT AUTHORITY INFORMATION AND MANAGEMENT

(a) Background information

The Lake Basin Development Authority was established by an Act of Parliament (Cap 442) on the 31st of August 1979. The Lake Basin Development Authority is domiciled in Kenya and has branches in Nzoia Basin, Yala Nyando/Sondu basin and Kuja Migori/Kibuon Tende Basin.

The organization's area of jurisdiction covers a land area of approximately 39,000 Km² with an estimated population of 16.2 million people (KNBS, 2009). This region is endowed with an immense resource base, which include Land, water and human resources, which could anchor and stimulate economic Growth in the basin area and the entire country.

(b) Principal Activities

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

VISION

To be a leader on sustainable integrated socio-economic development in Kenya.

MISSION

To catalyse, promote and implement resource-based programmes for sustainable basin-based integrated socio-economic development for improved livelihoods of the communities in the Lake Victoria Basin.

CORE VALUES

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

- R** We shall respect diversity of opinion race creed.
We shall be responsible in all our action.
- E** We shall be ethical, uphold & sustain a culture of honesty in dealing with our stakeholders.
We shall be emphatic to our constituents.
- S** We shall be socially responsible in all our activities.
- P** We shall act with utmost professionalism.
We shall adopt participatory approaches to development and forge effective partnership with all our stakeholders.
- E** We shall respect and protect the environment in all we do.
- C** We shall be committed to our vision and mission.
We shall foster creativity and innovation.
- T** We shall inspire trust among us and in the community.
We value team work both internally and externally.
We shall uphold tolerance among us and with the communities we serve.

(c) Key Management

The Lake Basin Development Authority day-to-day management is under the following key organs:

- Board of Directors
- Managing Director
- Management Team

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Managing Director	Dr. Raymond Omollo, PhD
2.	Head of Finance	CPA Christine Otieno
3.	Head of Procurement	Mr. Raymond Ndolo
4.	Head Planning Research, Business Development & Investment Promotion	Mr. Maurice Obaso
5.	Head Agriculture & Natural Resources	Mr. Philip Oloo
6	Head Internal Audit	CPA Grace Abuto
7	Head Corporate Affairs	Mr. Andrew Osoro
8	Head Human Resource	Mr. James Nyakweba
9	Head Administration	Mr. Edwin Olang
10	General Manager LBDC	Mrs. Beatrice Okoko
11	Head of Legal services	Mr. Michael Okuk

(e) Fiduciary Oversight Arrangements

The Authority has **four** committees with specific oversight responsibilities.. These are the **Human Resource Committee**, the **Finance & Budget Committee**, **The Planning Strategy & Development Committee** and **The Audit Committee**.

(f) Lake Basin Development Authority Headquarters

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

(g) Lake Basin Development Authority Contacts

Telephone : (254) 020-2023414
Mobile : 0715-682555/0735-711933
E-mail : info@lbda.go.ke
Website : www.lbda.go.ke

(h) Lake Basin Development Authority Bankers

1. National Bank of Kenya Limited
Kisumu Branch
P.O. Box 1152-40100
Kisumu, Kenya

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

3. Cooperative Bank of Kenya
Kisumu Branch
P.O Box 1511 -40100
Kisumu, Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

- (ii) Gumbo & Associates Advocates
P.O Box 2718-
Eldoret.

- (iii) Amondi & Co. Advocates
P.O Box 675-40100,
Kisumu.

- (iv) Ogejo. Omboto & Kijala Advocates
P.O Box 3801-40100
Kisumu.

2. THE BOARD OF DIRECTORS

LBDA BOARD MEMBERS

1



**MR CAVINCE ODOYO OWIDI
(CHAIRMAN)**

D.O.B: 25th April 1968

Qualifications

- Bachelor of Education Honours –Pure Applied Mathematics including Computer Science and Applied Statistics-Egerton University
- Public Administration and leadership- University of South Africa

Experience

- Advisor- Nairobi Governor 2014-2017
 - Managing Director-Parco Africa Ltd Nairobi/Dubai
 - Regional Manager PBI International 2004-2016
 - Principal Horizon Academy-1994-2004
 - Senior Teacher Arya Vedic GCE school 1996-1999
-

2



**DR. RAYMOND OMOLLO, PhD
(SECRETARY TO THE BOARD)**

D.O.B: 27th December 1979

Qualifications

- Doctor of Philosophy in Applied Statistics
- Masters of Science in Biometry
- Bachelor of Science in Statistics

Experience

- Managing Director and Board Secretary at LBDA (2019-To date)
 - Head of Data Centre & Statistician, DNDi Africa)
 - Research Fellow & Adjunct Lecturer- Strathmore University
 - External Examiner-University of Witwatersand-Johanesburg
 - Training on Corporate Governance for Directors
-

3



**MS. BEATRICE O. OBINGO
(DIRECTOR)**

D.O.B: 1967

Qualifications

- Bachelor of Science degree in Health and Development
- Diploma in Nursing Sciences from College of Health Professions;

Work Experience

- Over 15 years' experience in corporate strategy and operational excellence within the healthcare sector. My key skills are in the areas of Organizational Leadership and Change Management, business process and Quality Management Systems
-

LBDA BOARD MEMBERS

- Currently serving as the Chief Operations Officer at Centric Air Ambulance and an Executive Director on Centric's Board.
 - General Manager for Resolution Insurance Medical Division. Medical Manager and Quality management Representative with Mediplus Services Limited, The Aga Khan University Hospital and the Ministry of Health in various Leadership capacities.
-

4



MS. RHODAH AMIMO
(VICE CHAIR OF THE BOARD)
D.O.B: 1st April 1962

Qualifications

- Diploma in Project Management: Kenya Institute of Management, 2011
- Certificate in monitoring and evaluation: Kenya institute of management, 2012
- BED Special Education: Kenyatta University, 2000
- Secretarial: Graffins College, 1982
- Certificate: Egoji Teachers College
- EAACE: Private Candidate, 1989
- East Africa Certificate of Education: Pangani Girls' High School, Nairobi, 1979

Work Experience

- Chief Officer-Education, Science and Technology-Vihiga County Government-2014-2017
 - Also served as the Chief Officer Water and Environment, as well as Chief Officer Trade Tourism and Industrialization.
 - Teachers Service Commission under Ministry of Education, Science and Technology-1985 to December 2008- TSC NO. 211306.
-

5



MS. CATHERINE NYAMATO MORAA
(DIRECTOR)
D.O.B: 28th February 1949

Qualifications

- Diploma in Office Administration and Personnel Management
 - University of Nairobi-1972-Certificate in Personnel Management
 - Government Training Institute, Maseno, Kenya-1971-Diploma in Office and Personnel Management
-

6



MR. FRANKLINE MUTAI RONO
(DIRECTOR)
D.O.B: 15th March 1982

Qualifications

- Masters of Business Administration- University of Nairobi
 - Bachelor of Science in Computer Science- Kabarak University
-

LBDA BOARD MEMBERS

Work Experience

- 2010 – Present: Bomet Teachers Training College-Position: Programme Co-ordinator.
 - December 2010: Interim Independent Electoral Commission-Deputy Presiding Officer, National Referendum.
 - 2007 – 2008: Bomet Teachers Training College-IT Manager and Tutor.
 - December 2007: Electoral Commission of Kenya-Presiding Officer, National General Elections.
 - 2006 – 2007: Bomet Academy-IT Consultant
 - December 2005: Electoral Commission of Kenya- Presiding Officer, National Referendum.
 - 2005: Emikwen Community Development program
 - Civic Education Provider on the draft constitution.
-

7



HON. WILFRED MORIASI OMBUI
(DIRECTOR)
D.O.B: 25th May 1956

Qualifications

- Masters of Business Administration (Finance)-Egerton University
 - Bachelor of Commerce (Accounting) Maharshi Valmki National University of India.
 - Fellow of Financial Accountants (FFA) from Institute of Financial Accountants-UK.
 - CPA II
 - ACNC(K).
-

8



HON. ELISHA K. BUSIENEI
(DIRECTOR)
D.O.B: 5th December 1972

Qualifications

- Bachelor Degree of Development Studies-Mount Kenya University
- Diploma in Public Administration- Chepkoilel University College (University of Eldoret)
- Certificate in County Governance-Jomo Kenyatta University of Agriculture and Technology

Work Experience

- 2013-2017 - Member of National Assembly Turbo Constituency a member in Defence and Foreign relation and Delegated legislation
 - 2007-2012- Councillor at Municipal council of Eldoret and chairman Education Department
-

9



MS. EMILY P. OKOTH
(DIRECTOR)
D.O.B: 3rd July 1971

Qualifications

- KCSE Certificate

Work Experience

- Business Person for the last 15 years
-

LBDA BOARD MEMBERS

10



MR. FRED G. MWANGO
(DIRECTOR)

D.O.B: 24th December 1952

Qualifications

- 1973 – 1976 University of Nairobi- Bachelor of Arts Degree (Hons. in Sociology and Political Science)
- 1971 -1973 A' Level Certificate of Education from Agoro Sare High School
- 1967 – 1970: 'O' Level Certificate from Rapogi High School in Migori.

Work Experience

- 1977- 1980: District Officer in Wajir District
- 1981 - 1982: District officer – Nairobi Area
- 1982 - 1984: District Officer in Nanyuki – Laikipia District
- 1984 - District Officer in Turkana District
- 1987 - 1988: District Commissioner II & I– Nyandarua District
- 1989 - Senior District Commissioner Kiambu District
- 1990 -Deputy PC, Nairobi Area
- 1991: Deputy Provincial Commissioner, Nyanza
- 1992: Deputy Secretary in the Ministry of Planning
- 1994 – 1996: Deputy Secretary Ministry of Water
- 1996 – 1999: Deputy Secretary of Agriculture
- 2001- 2003: Deputy Director, NACADA
- 2003- 2011: Senior Deputy Secretary
- 2012 – 2017: Senior Deputy Secretary in the Ministry of Health

Work Content: While in the Central Government he was in charge of the general co-ordination of the affairs and activities in various ministries on behalf of the concerned Permanent Secretaries.

11



HON MARY SALLY K. OTARA
(DIRECTOR)

D.O.B: 1st January 1964

Qualifications

- Bachelor of Development Studies Degree -Mount Kenya university
- Diploma in Community Development and Social work- Neema Lutheran college
- Certificate Course in Social work- Ogango Lutheran college

Work Experience

- 1996 - 2012,-Social Worker Evangelical Lutheran Church in Kenya [ELCK]
- 2001-2008,-Chairperson Habitat for Humanity Kisii Region
- 2003-2006,-BOG.Signatory Botoro Sec School
- 2007-2011,-PTA/BOG Nyabururu Girls High School.

LBDA BOARD MEMBERS

12



MS. CHRISTINE BHOKE NCHAMAH
(DIRECTOR)

D.O.B: 24th December 1979

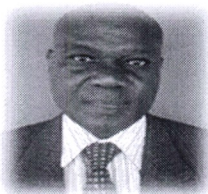
Qualifications

- Diploma in Community and Social Development
- Certificate in Social Work

Work Experience

- 2013-2017: Worked as Secretary National Government -Kuria West Constituency Development Fund.
-

13



MR. GEOFFREY KITUYI PEKA
ALT. DIRECTOR MINISTRY OF WATER & IRRIGATION

D.O.B: 23rd November 1961

Qualifications

- Masters of Science in Environmental Science, Egerton University,
- Bachelor of Science Agriculture (Hons.), University of Nairobi,
- Diploma in Farmer Managed Advisory Services, Nordic Academy, - Denmark
- Certificate in Advanced Project Management and Project Management Essentials, OTE Academy, Greece,
- Certificate, Strategic Leadership Development Programme – Kenya Institute of Administration (KIA),
- Certificate, International Service for Acquisition of Agri-Biotech Applications – JKUAT,
- Certificate in Oil Seed Agronomy-Directorate of Research, Hyderabad, India

Work Experience

- 1985 to date - Ministry of Agriculture -District Agricultural officer and Provincial Crops Officer in Rift Valley and Eastern Provinces
 - Currently deployed in the Directorate of Policy and External Relations at the Ministry headquarters.
-

14



MR. AMBROSE WEDA
(DIRECTOR)

D.O.B: 26th April 1969

Qualifications

- Masters of Law (LLM) – Intellectual Property- University of Nairobi

Work Experience

- 2012-to date – Lead Partner Weda & Company Advocates
 - April 2015 to April 2018- Chairman Board of Directors South Nyanza Sugar Company (SONY)
 - July 1998 to July 2012- Senior Partner Odhiambo & Weda Advocates
-

LBDA BOARD MEMBERS

15



MR. GEORGE OUMA OPIYO
(DIRECTOR)
D.O.B: 1975

Qualifications

- Bachelor of Science (Zoology)- Kenyatta University

Work Experience

- 1996 to Date: Director Sibuoche Enterprise.
- Chairman Board of Directors, Nileperch matatu service
- Chairman Association of Bondo Kenyatta University Students
- Retail trading in Hardware and Building Materials
- Supply and Distribution of Timber and Timber products

16



MR. MAINA KIONDO
(Alt. Director Min. Of East African Community & Regional Development)
D.O.B: 5th May 1963

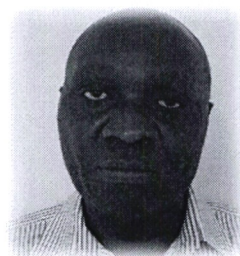
Qualifications

- Project Management Professional –PMI- Institute of Applied Project Management
- MBA- Project Option- Kenyatta University
- Bsc. In Agriculture, University of Nairobi.

Work Experience

- September 2011 to date: Working for the Ministry East African Community and Regional Development Authorities as a Deputy Director in charge of resource mobilization and investment.
- 1987 to Sept 2011; worked with various projects including Sigor Wei Wei : Rural dairy development project, National dairy development project, National agricultural and livestock extension programme and the Central Kenya dry land project as a coordinator.

17



MR. JOHN NYAKWAKA
(Alt Director Ministry of Water & Sanitation and Irrigation Water Resources Department)

D.O.B: 2nd August 1961

Qualifications

- Masters of Business Administration (Strategic Management) Maseno University
- Diploma in Environmental Management-Galilee College-Israel
- Bachelor of Science (Hons) (Geology)-University of Nairobi

Work Experience

- Current deployment Senior Superintending Geologist
Ministry of Water & Sanitation and Irrigation
Water Resources Department
Groundwater Division
- November 2003- July 2004 Geologist (Water) Government of Kenya-Kisumu- Kenya
- February 1999-November 2003: District Water Officer-Suba District Government of Kenya. Suba –Kenya

LBDA BOARD MEMBERS

- July 1997- February 1999 :District Geologist/Deputy District Water Officer Government of Kenya-Homabay-Kenya
 - December 1986- June 1997: District Geologist/Deputy District Water Officer Government of Kenya-Turkana-Kenya
-

18



MR. ABRAHAM KOECH

(Alternate Director to the Cabinet Secretary/National Treasury and Planning)

D.O.B: 21st April 1969

Qualifications

- MBA in Strategic Management from Jomo Kenyatta University of Agriculture and Technology
- BA Hons in Economics from the University of Nairobi

Work Experience

- Has over 22 years of service in Corporate and Public Sector.
 - Currently, serving as an Alternate Director to the Cabinet Secretary/National Treasury and Planning in the Boards of Lake Basin Development Authority, Mumias Sugar Company Ltd, Kenya Seed Company Ltd, and Kenya Film Classification Board.
-

19



MR. JOHN KISEGU

(Alt Director to the Inspectorate of State Corporation)

D.O.B: 6th May 1965

Qualification

- Currently undertaking a Doctor of Philosophy (Strategic Management) at Dedan Kimathi University.
- Master of Business Administration
- Bachelor of Education degrees from Kenyatta University

Work Experience

- Currently, an Assistant Inspector General in the Inspectorate of State Corporations office, under the Cabinet Office, the Presidency since 2017.
- From 2012 to 2016 worked as Efficiency Monitoring Officer in the former Efficiency Monitoring Unit.
- Chief Youth Officer in the Ministry of Youth Affairs (2007-2012),
- Currently serving as alternate Directors to the Inspector-General (Corporations) in various state corporations which include Kenya Power, KEBS and Moi University among others.

3. MANAGEMENT TEAM

MANAGEMENT TEAM

1



DR. RAYMOND OMOLLO, PhD

Managing Director

Qualifications

- Doctor of Philosophy in Applied Statistics
- Masters of Science in Biometry
- Bachelor of Science in Statistics

Experience

- Managing Director and Board Secretary at LBDA (2019-To date)
 - Head of Data Centre & Statistician, DNDi Africa)
 - Research Fellow & Adjunct Lecturer- Strathmore University
 - External Examiner-University of Witwatersand-Johanesburg
 - Training on Corporate Governance for Directors
-

2



CPA CHRISTINE OTIEMO

Ag. Chief Manager, Finance

ICPAK Membership No. 10470

Qualifications

- MBA-Strategic Management
 - PG Diploma in Banking
 - B. Com-Accounting & Auditing
 - CPA (K)
 - Member ICPAK
-

3



MR. RAYMOND NDOLO

Manager, Procurement

Qualifications

- Bachelor of Commerce – Marketing Management
- Post Graduate Diploma- Logistics Management
- Diploma Investment Analysis & Portfolio Management
- Member KISM

MANAGEMENT TEAM



4

MR. MAURICE OBASO

Chief Manager, Planning Research, Bus. Dev. & Inv. Promotion

Qualifications

- Masters of Business Administration Strategic Management
 - Bachelor of Arts Marketing
-



5

MR. PHILIP O. OLOO

Chief Manager, Agriculture & Natural Resources

Qualifications

- Masters- Project Planning & Management
 - BSc. Horticulture & Agriculture
-



6

CPA GRACE ABUTO

Manager, Internal Audit

ICPAK Membership No. 5629

Qualifications

- Bachelor of Commerce-Finance
 - CPA(K), CPS Finalist
 - Member: ICPAK, ISACA
-



7

MR. ANDREW OSORO

Ag. Manager, Corporate Affairs

Qualifications

- Bachelor of Arts Mass Communication
- Diploma, Mass Communication

MANAGEMENT TEAM

8

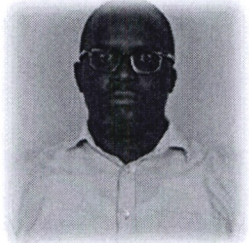


MR. JAMES NYAKWEBA
Manager, Human Resource

Qualifications

- Masters in Human Resource management
 - Bachelor in Human Resource Management.
 - Member-IHRM
 - CPS-Part I
-

9



MR. EDWIN OLANG
Manager, Administration Services

Qualifications

- Bachelor of Arts. – Development Studies
-

10



MRS. BEATRICE OKOKO
Ag. General Manager, LBDC

Qualifications

- Masters- Project Planning & Management
 - Bachelor of Business Administration - Finance
 - Advanced Diploma in Business Administration
 - Member of PRSK
-

11



MR MICHAEL OKUK
Ag. Manager Legal Services

Qualifications

- Diploma in Law
- Certificate in Law
- KCE DIV III

4. CHAIRMAN'S STATEMENT



The Lake Basin Development Authority as a state agency incorporated by the Act of parliament, cap 442 of 1979 has a mandate of stimulating meaningful development of the Lake Basin region through the implementation of a wide range of multi-sectoral projects and service delivery. Since inception, the authority has been consistent in implementing its core mandate of coordinating meaningful development in the Kenyan portion of Lake Victoria basin in a view to attain its vision of being a leader in sustainable integrated socio-economic development in Kenya.

The Authority as at large, despite the COVID-19 pandemic which interrupted most key activities, a lean number of staffs reporting to work, budget cuts and late disbursement of funds from the exchequer, managed to attain position 27 out of 227 institutions as outlined by the performance contract and management secretariat. This shows that the Authority has a capacity to steer on service delivery and coordinating of development projects.

My board and the Management of the Authority has aligned its programmes with the current Government priorities in attaining the big 4 agenda of the Government of Kenya. The Authority has made strides in its service delivery through the completion of phase 1 of Nyakoe market that will act as a link of improved trade between Kisii, Nyamira, Homabay and Kisumu counties hence improving the food security in the region. Further the Authority is at 90% completion of the solar irrigation project that will see over 100 acres of land in LBDA being put under horticultural production and a demonstration to communities around the projects on best agricultural practices. This will ensure that we produce affordable and reliable energy and at the same time participate in the conservation of the environment.

The Authority has taken several measures to curb the spread of corona virus through provision of PPE's to both staff and the community. Further, the authority has begun mass vaccination in liaison with health providers to the staff and family members.

My board continues to strive with limited resources due to budget cuts and ravaging covid-19 pandemic to spur growth and service delivery to the communities under our area of jurisdiction. I further acknowledge the immense support provided by the national treasury for the funding to the authority and urge that more funds to be allocated to the Authority in order to facilitate the delivery of services to communities.

A handwritten signature in black ink, appearing to read 'Cavince Odoyo Owidi', with a long horizontal line underneath.

Mr. Cavince Odoyo Owidi
Chairman, LBDA

5. REPORT OF THE CHIEF EXECUTIVE OFFICER



The Financial year 2020/21 started while the country was deep inside a global pandemic, we, as an Authority remained cautiously optimistic about our future, notwithstanding economic and fiscal challenges in Kenya and around the world. This was an unprecedented year that would challenge our wellbeing as an organization in the face of a devastating Covid-19 pandemic. Locally, the country has lost over 4,000 people and over 200,000 people have fallen ill to this disease.

As soon as the magnitude of the pandemic became apparent, LBDA reprioritized its operations to ensure that we are well placed to continue executing our mandate of coordinating meaningful development in the Kenyan portion of the Lake Victoria basin. The key areas that we focused on as a management were;

- Protecting the safety and health of our employees and customers by instituting new, robust hygiene and related protocols at all our premises as per the GoK COVID 19 containment protocols.
- Improving efficiency with the Introduction of internet banking to facilitate payment of our suppliers.
- Protecting the vulnerable, the management has assisted public health and social welfare agencies in a number of counties to provide some measure of support to those for whom the pandemic had an immediate detrimental effect.

In the financial year 2020/21, the LBDA had a printed estimate amounting to **Kshs. 521 Million** from the National Treasury, which included; **Kshs. 124 Million** for development expenditure, **Kshs. 322 Million** for recurrent expenditure and **Kshs. 46 Million** expected to be generated through A in A which was later enhanced to **75 Million**. Out of the allocated funds the Authority was to continue, implementing the two projects i.e., the construction of Nyakoe Market which had an allocation of **Kshs. 40 Million** and the Lichota Muhoroni and Alupe Solar Irrigation project whose allocation was **Kshs. 83 Million**. The Recurrent expenditure mainly catered for Personnel Emoluments (PE) of staff in the organization and payment of pending bills incurred in the previous financial years. The breakdown for the recurrent expenditure were; Kshs. 170 Million for PE and Kshs. 152 Million for pending Bill payment.

Our Achievements are notable despite the Myriads of challenges including the one I have outlined above. Firstly, this FY saw the completion and handing over of the community water projects whose main goal was to ensure accessibility of clean water for domestic use by communities in the Lake region. This involved drilling and equipping boreholes with solar panels to provide safe, clean running water. In the FY 2020/21, the Authority constructed and equipped eight (8) boreholes in different Constituencies across the region. The Authority will continue implementing this project in the coming financial years to ensure 100% accessibility to safe clean water in the region.

Secondly, the Authority completed the Phase 1 of the construction of Nyakoe Market that was a presidential directive and is awaiting commissioning. The Authority working in partnership with the Kisii County Government has commenced the implementation of the second phase of the project and has received an initial funding from the National Treasury for this phase. This project entails the construction of an ultra-modern market to stimulate trading activities in Nyakoe town thus spurring socio-economic growth in the town. It consists of the construction of 3 market sheds; Shed 1 with 88 worktops shed 2 with 44 stalls and shed 3 with 90 worktops and will go a long way in stimulating the economy of Kisii County as a whole.

Another project that we are currently undertaking is the Lichota, Muhoroni and Alupe solar irrigation project, whereby the Authority intends to enhance high value crops and livestock production by harnessing ground water resource through solar irrigation technology. The main components of this project are drilling 30 Boreholes and equip them with solar panels to facilitate irrigation of large tracts of land that the Authority own. The project was initially designed to be located in three (3) Integrated Technology Transfer Centers (ITTCs) of Lichota, Muhoroni and Alupe but was later up scaled to two other ITTCs of namely Sang'alo in Bungoma County and Lunyu in Trans-Nzoia County. The implementation for phase 1 of this project is complete awaiting commissioning while the implementation of Phase 2 stands at 42%.

Other projects that the Authority implemented in the FY 2020/21 were the Lake Victoria Integrated Water Hyacinth Management Project whereby the Authority received a water Hyacinth harvester and two trucks from the Lake Victoria Environmental Management Program (LV EMP); to facilitate the monitoring, assessing and controlling water hyacinth in the Lake Victoria Basin in order to contribute to the reduction of environment stress in Lake Victoria hence ensuring the effective use of the lake. The Lake Basin Mall project is another key project that is vital for the Authority. The construction of the Mall was completed in the year 2017 and is yet to be handed over to the Authority due to the pending bills incurred during its construction. Despite these challenge the level of occupancy of the Mall is at 40% and we will continue to follow up with the National Treasury to clear this pending bill which will increase the uptake of space at the mall. Our 27 ITTCs spread across the region have continued offering quality service to the inhabitants of the region in the 2020/21 FY. Provision of quality fingerling to farmers, provision of quality fruit and seedlings, production of high quality animals and production of honey are some of the activities that are carried out at these centers. We have infused an aspect of capacity building in all of our activities at these centers.

My management has undertaken institutional reforms as per the guidelines set by the Public Service Commission (PSC), State corporations Advisory Committee (SCAC) and the LBDA act of 1979 which has enabled us deliver quality service to the populace in the region. To this end LBDA was recently ranked **27th out of 222** Ministries Departments and Agencies (MDAs) and the Best performing Regional Development Authority (RDA) by the Public Service Performance Management and Unit of the Republic of Kenya for the FY 2019/20. Also, LBDA was among the few state corporations to be ISO 9001:2015 certified by the Kenya National Bureau of Standards.

The challenges faced by LBDA are more or less typical of the ones faced by other Government Agencies and include late Disbursement of funds by the National Treasury, inadequate technical staff, and low staff morale due to uncompetitive remunerations among others and as an organization we have put measures to mitigate against some of these challenges. Finally, I present to you the financial statement for the Financial Year 2020/21 on behalf of the Management of Lake Basin Development Authority and take this opportunity to thank all the stake holders that have made it possible for us to execute our functions successfully over the years.



Dr. Raymond Omollo, PhD

Managing Director, LBDA

6. STATEMENT OF LAKE BASIN DEVELOPMENT AUTHORITY PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

Lake Basin Development Authority has three strategic pillars and objectives within the current Strategic Plan for the 2018- 2023. These strategic pillars are as follows:

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

Lake Basin Development Authority develops its annual work plans based on the above three pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. Lake Basin Development Authority achieved its performance targets set for the FY 2020/2021 period for its four strategic pillars, as indicated in the diagram below:

Strategic Pillar/	Objective	Key Performance Indicators	Activities	Achievements
Environmental Sustainability	Formulate and implement sustainable integrated basin-based multi-sectorial development projects and programmes	No. of seedlings produced	Seedlings production	166,037 seedlings produced
		No. of trees planted	Tree planting	46,035 tree seedlings planted at the LBDAs farms
		Implementation level	Solar irrigation project	Alupe SIP - 95% completed Lichota SIP- 80% completed Muhoroni SIP-70% completed
Finance and Economic Activity	Enhance LBDA's Financial Sustainability.	Amount received from rent	Rent receivable	Kshs 52,844,789 received from economic rent and commercial rent.
		Amount received from sale of produce	Sale of produce	Kshs 50,854,522 raised from sale of farm produce
Enhance Market Share for LBDA Products and Services		Level of completion	Nyakoe market project	Phase one construction of Nyakoe market is at 95% completion
		Efficiency level	LBDC Rice mill	New meal acquired yet to be installed. Efficiency level increased to 56% from 50%
		No. of fingerlings produced	Aquaculture promotion	795,420 fingerlings produced and distributed
		Tonnage of honey produced	Apiculture promotion	2.59 tons produced and distributed

LAKE BASIN DEVELOPMENT AUTHORITY
Annual Reports and Financial Statements
For the year ended June 30, 2021.

		No of animals produced	Livestock promotion	45 bull calves produced and distributed 30 animals culled
People and Community	Strengthen Institutional and Human Capacity for Improved Performance.	No. of quality audits undertaken	Quality management systems	1st surveillance audit for ISO 9001:2015 undertaken 3 internal audits for ISO 9001:2015 undertaken
		No. of policies developed	Human Resource policies	Human resource policies developed and approved for implementation
		No. of staff trained	Competency development	Training needs assessment developed and implementation of recommendations ongoing

7. CORPORATE GOVERNANCE STATEMENT

At Lake Basin Development Authority (LBDA), the practice of good corporate governance ensures the delivery of sustainable value as well as meeting the needs of our stakeholders. LBDA is committed to ensuring that the needs of our customers and the expectations of our stakeholders are met while safeguarding the investments of the Government of Kenya through the adoption of ethically driven business policies, procedures and processes. We believe that our business affairs should be carried out in a fair, transparent and accountable manner. It is our integral responsibility to disclose timely and accurate information on our financials and performance as well as provide the leadership and effective governance for the Authority.

This report highlights the main corporate governance structures and practices that guide the Board.

Governance Principles and Guidelines

The Board provides oversight to the Management and ensures the employees operate within the Code of Conduct and Ethics; Public Officers and Ethics Act; Leadership and Integrity Act; and Mwongozo Code of Governance for State Corporations.

In discharging its mandate, the Board is guided by the Board Charter, Code of Conduct and Ethics, and Board Manual to effectively fulfil its corporate governance responsibility towards stakeholders. In addition, it has adopted Guidelines on Corporate Governance developed by the Mwongozo Code of Governance for State Corporations

Board Organization and Structure

Board Size, Composition and Appointment

The Composition of the Board shall be in accordance with the provisions of the LBDA Act, No. 442 of 2012 and the State Corporation Act, Chapter 446 Laws of the Republic of Kenya or any other legal framework as shall be determined by the relevant Authorities.

The Board should ensure that:

- a) Its members can act independently;
- b) Each Board member understands the broad outline of the organization's policies;
- c) Each Board member is in good standing professionally and has sufficient expertise to perform his or her role as a Board member, and
- d) At least one member is a financial expert, meaning that he or she has expertise in financial management and accounting

Appointment and Removal of Board Members

- i. The relevant appointing authority shall appoint Board members in line with the provisions of the LBDA Act. No 442 of 2012 Laws of Kenya, the State Corporation Act, Cap. 446 or any other relevant law.

Every appointment shall be by name and by notice in the Kenya Gazette but shall cease if the Board member:

- a) Serves the appointing authority with a written notice of resignation; or
- b) Is absent, without the permission of the Chairperson, from three consecutive meetings; or
- c) Is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding twenty thousand shillings; or
- d) Is incapacitated by prolonged physical or mental illness from performing his duties as a member of the Board; or
- e) Conducts himself in a manner deemed by the appointing authority to be inconsistent with membership of the Board.

Any removal of a Board member under (a) above, shall be through formal revocation.

The Corporation Secretary will ensure that a record of the appointment letter, gazette notice and written acceptance by the Board member are kept in the personal file of the Board member.

Independence, Separation of Roles and Responsibilities

The primary responsibility of the Board is to provide leadership and strategic direction to the Authority to enhance value. The Board Directors are expected to exercise the highest degree of care, skill and diligence in discharging their duties.

The roles and responsibilities of the Board and the Chief Executive Officer remain distinct and separate which ensures a balance of power of authority and provides for checks and balances such that no individual has unfettered power of decision making.

The Board provides oversight to the Authority's top management and has unrestricted access to timely and relevant information.

The Chairman provides overall leadership without limiting the principles of collective responsibility for Board's decisions. The Chairman builds an effective Board and sets the Board agenda in consultation with the Secretary/ Chief Executive Officer and ensures effective communication to stakeholders.

The Chief Executive Officer is responsible to the Board and takes the overall responsibility for the day to day management of the Authority. The Chief Executive Officer recommends the strategy of the Board and implements it and makes operational decisions. In addition, as Secretary to the Board, the Chief Executive Officer ensures appropriate and timely information flows within the Board, its committees and management. The Corporation Secretary is in attendance of all Board meetings to provide guidance to the Board on their duties and responsibilities; on matters of governance; and to provide efficient secretariat services including coordinating induction and training of new members, preparation for board meetings and maintaining a record of the same, disseminating action material for management, and filing of statutory returns

Principal Board Activities

The basic responsibility of the Board members is to exercise their best judgment and to act in a manner that they reasonably believe to be in the best interest of the organization and its stakeholders. In discharging that obligation, the members should be entitled to rely on the honesty and integrity of the organization's Management, staff and its external professional advisors and auditors. In furtherance of its responsibilities, the Board will:

- i. Determine the organization's mission, vision, purpose and core values;
- ii. Review, evaluate and approve, on a regular basis, long-term plans for the organization;
- iii. Review, evaluate and approve the organization's budget and financial forecasts;
- iv. Review, evaluate and approve major resource allocations and capital investments;
- v. Ensure that the procurement process is cost-effective and delivers value for money;
- vi. Review and approve the operating and financial results of the organization;
- vii. Ensure effective, accurate, timely and transparent disclosure of pertinent information on the organization's operations and performance;
- viii. Ensure that effective processes and systems of risk management and internal controls are in place;
- ix. Review, evaluate and approve the overall organizational structure, the assignment of senior management responsibilities and plans for senior management development and succession;
- x. Review, evaluate and approve the remuneration structure of the organization;
- xi. Adopt, implement and monitor compliance with the organization's Code of Conduct and Ethics;
- xii. Review on a quarterly basis the attainment of targets and objectives set out in the agreed performance measurement framework with the Government of Kenya;
- xiii. Review periodically the organization's strategic objectives and policies relating to sustainability, social responsibility and investment;
- xiv. Protect the rights of shareholders and optimize shareholder value;
- xv. Enhance the organization's public image and ensure engagement with stakeholders through effective communication;
- xvi. Monitor compliance with the Constitution, all applicable laws, regulations and standards;
- xvii. Review, monitor and ensure that the organization is effectively and consistently delivering on its mandate

Board Membership and Attendance of Meetings

The Board holds regular meeting at least once every quarter and supplementary meetings are held as and when necessary. In case of non-attendance due to other commitments, such information is communicated to the Chairman prior to the date of the scheduled meeting.

Table 1: Board attendance during the year

NO.	REMARKS	ATTENDANCE
1.	Full Board	
	99 th Full Board – 17 th July 2020	12/18
	100 th Full Board – 22 nd September 2020	18/18
	Special Full Board – 16 th October 2020	18/18
	101 st Full Board – 18 th December 2020	18/18
	Special Full Board – 23 rd December 2020	18/18
	Special Full Board – 22 nd February 2021	18/18
	102 nd Full Board – 26 th March 2021	18/18
	103 rd Full Board – 25 th June 2021	17/18
2.	Finance and Budget Committee	
	111 th F&B Committee – 28 th August 2020	8/10
	111 th F&B Committee – 29 th August 2020	8/10
	112 th F&B Committee – 15 th October 2020	10/10
	113 th F&B Committee – 14 th January 2021	10/10
	Special F&B Committee – 18 th February 2021	8/10
	114 th F&B Committee – 14 th April 2021	8/10
3.	Planning, Strategy & Dev. Comm.	
	71 st Planning, strategy & Dev. Committee – 17 th August 2020	8/10
	72 nd Planning, strategy & Dev. Committee – 23 rd October 2020	10/10
	73 rd Planning, strategy & Dev. Committee – 22 nd January 2021	10/10
	74 th Planning, strategy & Dev. Committee – 16 th April 2021	10/10
4.	Audit Management Committee	
	33 rd Audit Committee – 4 th September 2020	5/5
	34 th Audit Committee – 20 th November 2020	4/5
	35 th Audit Committee – 12 th February 2021	4/5
	36 th Audit Committee – 28 th May 2021	5/5
5.	Human Resource Committee	
	5 th HR Committee – 24 th July 2020	8/9
	6 th HR Committee – 13 th November 2020	7/9
	7 th HR Committee – 5 th March 2021	8/9
	8 th HR Committee – 21 st May 2021	8/9

Board Committees and Responsibilities

The Board delegates certain functions to well-structured committees but without abdicating its own responsibilities. Each committee is guided by the Committee Charter/Terms of Reference, which outlines its responsibilities as mandated by the Board and is reviewed on a yearly basis. The committees are appropriately constituted drawing membership from amongst the Board members with appropriate skills and experience.

The Chairman of the Board, the Management and external parties/advisors attend the committee meetings only by invitation. The committees are expected to operate transparently, ensure full disclosure to the Board and conduct themselves within the rules and procedures set out by the Board.

The respective Chairman presents matters deliberated by the committees to the Board during the next board meeting. The Board has the following four (4) standing committees, which hold regular meeting four (4) times a year and supplementary meetings as and when necessary.

1. Planning, Strategy and Development Committee.

The principal objective of the Committee is to make strategic directions that will enable the Board to effectively discharge the mandate of the Corporation as provided under section 8 of the LBDA Act, No 442 of 2012 as follows:

1. Provide assurance to the Board that the Authority’s strategic plan is implemented efficiently by commissioning appropriate policies and systems.
2. Advise the Board on strategic projects, programmes and public-private partnership priorities, ensuring that these are aligned to LBDA’s strategic vision and objectives through properly vetted feasibility studies and due diligence.
3. Advise the Board on sound capital investment decisions and directions. 2
4. Advise the Board on prudent research and development initiatives in line with LBDA’s strategic vision and objectives,
5. Ensure LBDA’s monitoring and evaluation system is developed and engrained in sound policy and is fit for the purpose.
6. Commission analytical works as necessary on either the projects or programmes to enable the Committee to fulfil its oversight role without stalling management progress and/or operations.
7. Any other duties as may be determined from time to time by the Board

Table 2; Members Planning Strategy & Development committee

No.	NAME	POSITION
1.	Hon. Elisha Busienei	Chairperson
2	Mr. Geoffrey Kituyi	Member
3.	Ms, Rhoda Mbandu	Member
4.	Hon. Mary Sally	Member
5	Ms. Beatrice Obingo	Member
6	Ms, Emily Okoth	Member
7	Hon Wilfred Ombui	Member
8	Mr. George Opiyo	Member
9.	Mr, Maina Kiondo	Member
10	Mr, John Nyakwaka	Member

2. Finance & Budget Committee

The Finance & Budget Committee objective is to develop financial policies, goals, and budgets that support the mission and strategic goals of the Authority, as well as monitoring Authority’s internal control and risk management activities as follows;

1. Provide assurance to the Board that the Authority’s financial; assets and legal are managed prudently by commissioning appropriate policies and systems.
2. Advise the Board on strategic financial/resource allocation priorities, ensuring that these are aligned to LBDA’s strategic vision and objectives through a properly vetted budgetary proposal.
3. Provide assurance to the Board that the sound policies and systems have been put in place for the control and management of assets that includes but not limited to: movable and immovable property, tangible and intangible property, stores, equipment, land, buildings, animals, inventory, stock, intellectual rights vested in the Authority.

4. Advise the Board on prudent legal decisions and directions.
5. Ensure LBDA’s financial appraisal procedures and practices are developed and engrained in sound policy and are fit for the purpose.
6. Any other duties as may be determined from time to time by the Board.

Table 3; Members Finance & Budget committee

No.	NAME	POSITION
1.	Ms. Beatrice Obingo	Chairperson
2	Ms. Christine Bhoke	Member
3.	Hon. Elisha Busienei	Member
4.	Mr. Abraham Koech	Member
5	Ms. Catherine Nyamato	Member
6	Mr. Ambrose Weda	Member
7	Mr. John Nyakwaka	Member
8	Mr. George Opiyo	Member
9.	Mr, John Kisegu	Member
10	Mr, Maina Kiondo	Member

3. Human Resource Committee

The HR Committee is established to assist the Board in fulfilling its oversight responsibilities through the implementation of sound compensation and Human Resource policies and practices. The HR Committee’s primary duties and responsibilities are to:

1. Provide leadership in the prudence of Human Resource management.
2. Advise the Board on strategic directions in matters relating to Human Resource, General Administration and Governance with a view to enabling the Corporation to effectively discharge its mandate.
3. Provide assurance to the Board that the Authority’s human resources are managed prudently by commissioning appropriate policies and systems.
4. Ensure LBDA’s human resource appraisal procedures and practices are developed and engrained in sound policy and are fit for the purpose.
5. Advise the Board on optimum human resource capital base on LBDA’s strategic vision and objectives,
6. Any other duties as may be determined from time to time by the Board

Table 3; Members HR committee

No.	NAME	POSITION
1.	Mr. Fred Mwangi	Chairperson
2	Mr. Geoffrey Kituyi	Member
3.	Ms. Catherine Nyamato	Member
4.	Mr. Frankline Rono	Member
5	Ms. Emily Okoth	Member
6	Ms, Christine Bhoke	Member
7	Mr. Ambrose Weda	Member
8	Hon. Mary S, Otara	Member
9.	Mr, John Kisegu	Member

4. Audit Committee

The objective of the Committee shall be to assist the Board in discharging its duties relating to safeguarding of assets, the operation of adequate systems, control processes and the preparation of accurate financial

reporting and statements in compliance with all applicable legal requirements and accounting standards. Its duties shall include:

1. Serve as an independent, competent and objective party to monitor the integrity of the Authority's financial reporting process and internal control systems relating to finance, accounting, and operational and legal compliance.
2. Compensate, retain and oversee the work performed by the authority's external Auditors.
3. Assist the Board of Directors in fulfilling its responsibilities by reviewing the financial reports provided by the Authority to the Parliament Investment Committee (PIC) and other stakeholders.
4. Recommend, establish and monitor procedures designed to improve the quality and reliability of the authority's financial condition and results of operations.
5. Provide an avenue of communication among the external auditors, senior Management, and the Board of Directors.
6. Any other duties as may be determined from time to time by the Board

Table 4; Members Audit committee

No.	NAME	POSITION
1.	Hon. Wilfred Ombui	Chairperson
2	Mr. Abraham Koech	Member
3.	Ms. Rhoda Mbandu	Member
4.	Mr. Fred Mwangi	Member
5	Mr. Franklin Ruto	Member

Capacity Building for the Board

Regular training and development programmes are developed to equip the Board with necessary skills for effective discharge of their mandate. Each year the Board prepares a training calendar where specific training needs are identified and scheduled. During the year, the Directors attended various capacity building programmes focusing on leadership, governance, finance and other relevant areas.

Upon appointment of a new Director, the Management guides them through a formal induction programme explaining the anatomy of the Authority, its operations and they get the opportunity to meet the key officers. They are also taken through corporate governance training so as to understand their roles and responsibilities as Directors

Board Effectiveness and Evaluation

In order to assess and improve the capacity, functionality and effectiveness of the Board and its Committees, an annual evaluation is undertaken in accordance with the widely accepted principles of corporate governance. The self-evaluation reviews the capacity, functionality and effectiveness of its performance in the achievement of its goals and objectives. It assesses the performance and independence of the Board and its Committees jointly and individual members of the Board, including the Chief Executive Officer.

The Chief Executive Officer is assessed in her roles as the Chief Executive Officer and Secretary to the Board. The Chairman's ability to add value, his performance against what is expected of his role and function, is also assessed. The results of the evaluation forms the basis on which action/work plans for the preceding year are formulated, assists to identify the training needs and it also forms the basis of re-appointment of directors.

Directors' Remuneration

During every Board meeting, present Directors are entitled to a sitting allowance, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable within government set limits for state corporations as outlined in Government circular OP/CAB.9/21/2A/41/43 of 23/11/2004.

The Chairman receives a monthly honorarium. During the year, there were no Directors' loans. Details of Directors emoluments during the year are shown in notes to the financial statements.

Ethical Standards

The Directors and employees of the Board have a fiduciary duty to act honestly and in the best interest of the Board. Business transactions with all parties must be carried out at arm's length and with integrity. The Board provides effective leadership based on ethical foundation and ensures all deliberations, decisions and actions are based on the Boards' core values underpinning good governance.

All Directors and employees are expected to avoid activities and financial interests that could undermine their responsibilities to the Authority.

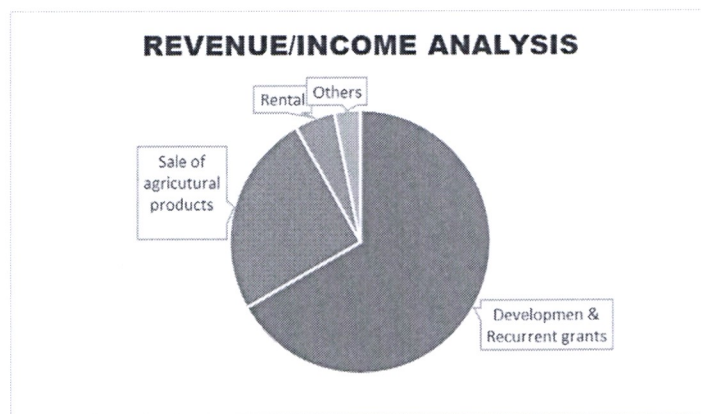
The Board applies a ***Conflict of Interest policy***. A Director with an actual or potential conflict of interest in relation to a matter before the Board is required to disclose such interest and, excuse himself or herself from the Board for discussion relating to the matter in question. At the beginning of the financial year, all directors signed a Declaration of Interest Form declaring that they will disclose any interest that conflicts or possibly may conflict with the interests of the Board. At the commencement of any business to be transacted, all directors are required to declare their interest, if any

8. MANAGEMENT DISCUSSION AND ANALYSIS

In the financial year 2020/21 the LBDA had a printed estimate amounting to **Kshs. 521 Million** from the National Treasury which included; **Kshs. 124 Million** for development expenditure, **Kshs. 322 Million** for recurrent expenditure and **Kshs. 46 Million** expected to be generated through A in A which was later enhanced to **75 Million**. Out of these allocated funds the Authority was to continue implementing the two projects i.e., the construction of Nyakoe Market which had an allocation of **Kshs. 40 Million** and the Lichota Muhoroni and Alupe Solar Irrigation project whose allocation was **Kshs. 83 Million**. The Recurrent expenditure mainly catered for Personnel Emoluments (PE) of staff in the organization and payment of pending bills incurred in the previous financial years. The breakdown for the recurrent expenditure were; Kshs. 170 Million for PE and Kshs. 152 Million for pending Bill payment.

Revenue Analysis

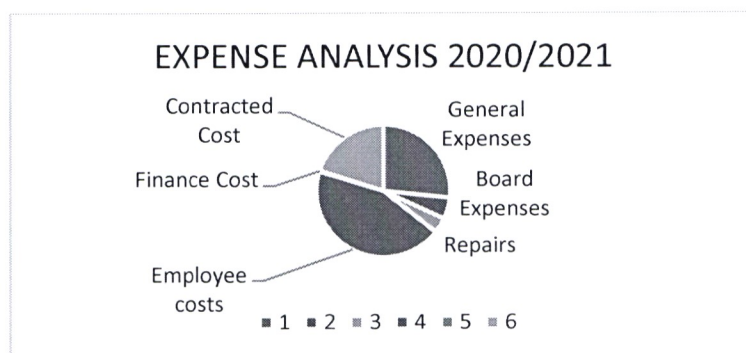
During the year under review, The Authority's revenue can be summarised as below



	KSH IN APPROX MILLIONS	%
Development & Recurrent grants	446.50	66.76136
Sale of Agricultural products	167.60	25.05981
Rental Income	33.30	4.979067
Finance income & other income	21.40	3.199761
	668.80	100

Expense Analysis

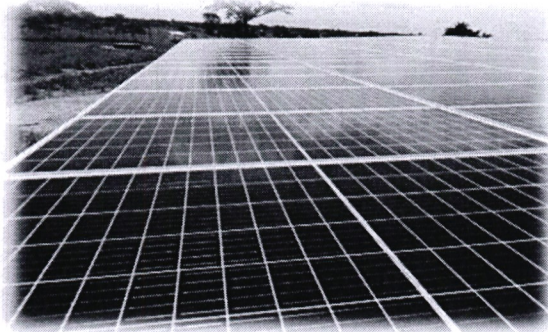
During the year under review, The Authority's expenses can be summarised as below



	KSH IN APPROX MILLIONS	%
General Expense	167.60	26.65649
Board Expense	33.30	5.296307
Repairs	23.60	3.753539
Employee Costs	277.00	44.05637
Finance cost	1.24	0.19722
Contracted Services	126.00	20.04008
	628.74	100

Key Projects

1. Lichota, Muhoroni and Alupe Solar Irrigation Project



The first phase of the projects is ongoing and the completion rate is averagely at 85%. Part of the Works are currently ongoing at an accelerated pace with most of the project components having achieved practical completion awaiting testing and commissioning. The total project cost for this Phase is Kshs 152,232,404.21 and a total of Kshs 99,630,797.06 has been expended. The Project Management cost is Kshs 4,500,000.00 inclusive in the project. The project components being implemented at the three sites at Alupe, Muhoroni and Lichota ITTC farms are

similar in nature and they entail;

- a) Drilling and equipping of 2No boreholes,
- b) Solar Installation Works,
- c) Erection of Steel tower and elevation of 8No. 24m³ uPVC Water Tanks,
- d) Irrigation installation Work and Land preparation,
- e) Construction of a Farm House and Installation of Chain- link Fencing Works

Components (a, b, d and e) have achieved practical completion whilst component (c) on tanks is yet to be completed due to non-performance of the contracts. The authority has therefore undertaken Termination of the contracts as per the contract provisions and initiated procurement of service providers through State Department of Public Works Service providers in a move to see close of this pertinent Component.

1. Construction of Nyakoe Market

The Project is practically complete with snags remaining which shall be attended to during the Defects Liability Period.

Preparations are ongoing for inspection, handing over of the project to the County Government of Kisii.



Compliance with statutory requirements

LBDA has complied with its establishing Act. It has also complied with other legal requirements such as submission of statutory deductions to KRA and its internal policies and procedures.

There are no instances of non-compliance that would lead to financial loss in the period under review, the Authority complied with all statutory requirements and has not received any sanctions so far for non-compliance

Major Risks Facing the Authority

The Authority considers the following as its major risks:

- i. Regulatory & compliance risk
- ii. Competition – existence of competitors with their new strategies
- iii. Economic and business risk
- iv. Operational and credit risk – potential of financial loss
- v. Availability and cost of capital
- vi. Information systems security

Risk management, principal risks and uncertainties

The Board is ultimately accountable for the Authority's risk management process and system of internal control. In terms of a mandate by the Board, the Audit and Risk Committee monitors the risk management process and systems of internal control of the Authority.

Risk management

The ERM policy is subject to annual review, and any amendments are submitted to the Audit and Risk Committee for approval. The objective of risk management in the Authority is to establish an integrated and effective risk management framework where important and emerging risks are identified, quantified and managed

Material arrears in statutory and other financial obligations

In the period under review, the Authority complied with all statutory requirements and thus there are no material arrears in statutory and other financial obligations.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The Lake Basin Development Authority exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

Lake Basin Development Authority organizational sustainability is centered on three pillars:

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

1) People and Community

The Authority as an employer

Lake Basin Development Authority is committed to being a good employer, and to contribute positively to the local community through social economic initiatives.

Human Resource Policy instruments that guide the hiring process in LBDA are Organisational Structure and Staffing Policy, Approved LBDA Staff Establishment, Human Resource Policies and Procedures Manual, Career Progressions Manual and the Comprehensive Job Descriptions Manual. The hiring process is undertaken on the basis of fair competition and merit while ensuring representation of Kenya's diverse ethnic communities, equal opportunity to all gender, youth, persons with disabilities and minorities.

To ensure staff skills and competences are continually improved, LBDA has endeavoured to facilitate staff trainings and capacity building interventions as outlined in the Training Needs Assessment Survey report. The Authority has also developed Career Progression Guidelines that sets standards for training and advancement within the career structures on the basis of staff acquisition of professional qualifications and requisite competences. Performance appraisal for the Authority is conducted biannually using the GoK Staff

Performance Appraisal System (SPAS) tool which in turn informs employee rewards and sanctions as appropriate. Rewards and sanctions are recommended by management as per the provisions of Rewards and Sanctions framework issued by Public Service Commission from time to time.

LBDA is committed to making a conscious effort in conserving and improving safe and healthy working conditions for all our internal and external customers in compliance with OSHA 2007. Our policy which is outlined in the Human Resource Policies and Procedures Manual, provides guidelines for the prevention and protection of officers against accidents and occupational hazards arising at the workplace.

2) Finance and Economic activity

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

3) Environmental Sustainability

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

LBDA's main environmental impacts are the utilisation of resources, predominantly energy, through electricity consumption and water. The Authority is fully aware of the need to use resources responsibly and is committed to minimising its environmental impacts to the extent possible.

The Authority recognises the risks that regulatory changes, environmental constraints and climate change present to its operations. Potential impacts include rising costs, reduced access to facilities, interruptions in service, and incidents of extreme weather events as a result of climate. However, the Authority also believes that using resources responsibly can be a source of strategic advantage for the Authority, allowing it to manage and contain its operating costs and to ensure ongoing access to water and energy supplies.



The Authority takes its policies to reduce its impact on the environment very seriously and its facilities and services division is constantly investigating new opportunities to reduce its impact on the environment.

In the month of May 2021, the Department of Agriculture and Natural Resources took part in tree planting exercises at several locations. These interventions are geared towards climate change mitigation in the Lake Basin region.

Table 5; Tree planting exercise during the financial year

Date	Sub County	Place	Number of seedling planted	Species Planted
18/05/2021	Kuria West	St Mathias Nyancho primary Sch.	1000	<i>casuarina sp & eucalyptus sp</i>
18/05/2021	Kuria East	Kendege Technical and Vocational Centre	1000	<i>casuarina sp & eucalyptus sp</i>
18/05/2021	Kuria West	Ikeregi primary School	1000	<i>casuarina sp & eucalyptus sp</i>
19/05/2021	Kuria West	Mabera Technical and Vocational Centre	1000	<i>casuarina sp & eucalyptus sp</i>
19/05/2021	Kuria West	Nyamosense Mixed Secondary School	700	<i>casuarina sp & eucalyptus sp</i>
19/05/2021	Kuria West	Kubwaha Primary School	300	<i>eucalyptus sp</i>
21/05 2021	Turbo	SDA Cheptabach North primary School	300	<i>Casuarina sp & Cyperus sp</i>
21/05/2021	Turbo	SDA Cheptabach Church	60	<i>Casuarina sp & Cyperus sp</i>

LAKE BASIN DEVELOPMENT AUTHORITY
Annual Reports and Financial Statements
For the year ended June 30, 2021.

21/05/2021	Turbo	ACK Cheptabach Church	60	<i>Casuarina sp & Cyperus sp</i>
21/05 2021	Turbo	AIC Kapseret Church	60	<i>Casuarina sp & Cyperus sp</i>
21/05/2021	Turbo	AIC Tambuyot Church	60	<i>Casuarina sp & Cyperus sp</i>
21/05/2021	Turbo	AIC Sугоi GAA Church	60	<i>Casuarina sp & Cyperus sp</i>
21/05 2021	Turbo	AIC Reberwet Church	60	<i>Casuarina sp & Cyperus sp</i>
21/05/2021	Turbo	AIC Chepkoiyo North Primary School	400	<i>Casuarina sp & Cyperus sp</i>
21/05/2021	Turbo	SDA Chepkoiyo Church	70	<i>Casuarina sp & Cyperus sp</i>
21/05/2021	Turbo	SDA New Life Church	70	<i>Casuarina sp & Cyperus sp</i>
21/05/2021	Turbo	AIC Chepkoiyo Church	70	<i>Casuarina sp & Cyperus sp</i>
21/05 2021	Turbo	ACK Turgin Church	70	<i>Casuarina sp & Cyperus sp</i>
21/05/2021	Turbo	PEFA Turgin Church	70	<i>Casuarina sp & Cyperus sp</i>
21/05/2021	Turbo	Christ Church Cheptabach	70	<i>Casuarina sp & Cyperus sp</i>
21/05 2021	Turbo	PMCA Centre Kwanza Church	70	<i>Casuarina sp & Cyperus sp</i>
21/05/2021	Turbo	St Anthony Boinet Sec School	500	<i>Casuarina sp & Cyperus sp</i>
21/05/2021	Turbo	Boinet Primary School	600	<i>Casuarina sp & Cyperus sp</i>
21/05/2021	Turbo	Boinet Catholic church	100	<i>Casuarina sp & Cyperus sp</i>
21/05/2021	Turbo	ACK Emtin Church	100	<i>Casuarina sp & Cyperus sp</i>
21/05 2021	Turbo	SDA Marnyan	100	<i>Casuarina sp & Cyperus sp</i>
21/05/2021	Turbo	AIC Cheptabach Church	100	<i>Casuarina sp & Cyperus sp</i>
21/05/2021	Turbo	Sugoibi Health Centre	100	<i>Casuarina sp & Cyperus sp</i>
21/05/2021	Turbo	Turbo Technical and Vocational Centre	1000	<i>Casuarina sp & Cyperus sp</i>
21/05/2021	Turbo	Kaptich Farm	700	<i>Casuarina sp & Cyperus sp</i>
26/05 2021	Rarieda	Kanyichudo Primary School	1100	<i>Casuarina sp & Cyperus sp</i>
27/05/2021	Luanda	Mumboha Primary School	300	<i>Casuarina sp & Cyperus sp</i>
27/05/2021	Luanda	Esiandumba Primary School	300	<i>Casuarina sp & Cyperus sp</i>
27/05/2021	Luanda	Hon Kenneth Marende Primary School	400	<i>Casuarina sp & Cyperus sp</i>

i) Market place practices-

a) Responsible competition practice.

Competition is healthy for businesses and as government organization it encourages innovation to achieve her mandate. Authority has responsible competition practice by following these key principles, by Knowing our customers and stake holders, competitors, the difference between the authority and other agencies or organizations, our product and messages, target market, partnerships and opportunities and innovation in external environment we operate in.

Authority ensures responsible competition practices by ensuring transparency in all areas of supply chain to promote anti-corruption practices and responsible political involvement through public participation in management of public resources and choice of projects and programmes. To enhance fair competition the authority does not price her products and services lower than what the market is offering to disadvantage competitors.

b) Responsible Supply chain and supplier relations

Authority has maintained responsible supply chain and supplier relations through advertising for annual prequalified suppliers , engage them on available job opportunities and support different suppliers to deliver contracted assignments and for those dealing in authority products and services quality and customer service is maintained at all times and payment for services rendered is done as per the contract.

c) Responsible marketing and advertisement

Responsible marketing and advertisement is adhered to by ensuring product or service advertisement messages does not infringe into competitors' products in order maintain ethical marketing practices.

d) Product stewardship

On Product stewardship, Authority has always pursued quality and differentiation in the market place by ensuring we continue to innovate our products and services to achieve the authority mandate, while ensuring customer satisfaction and delight is achieved to safeguard consumer rights and interests

ii) Corporate Social Responsibility / Community Engagements

The Corporate Affairs Department was allocated Kshs. 1,800,000.00 for Corporate Social Responsibility (CSR) activities for the Financial Year 2020/2021. With the emergence of Covid-19 pandemic during this financial year, the Authority informed the decision to focus on mitigating the effects of the pandemic for locals within its jurisdiction.

The Covid-19 Pandemic created a devastating social and economic crisis within Kenya and the Authority's area of jurisdiction with reported loss of jobs and income to the communities.

This financial year, the Authority has had a lower drive in tree planting events along the basin region as a cautionary measure in prevention of the spread of Covid-19 as stipulated by the Ministry of Health guidelines on Covid-19.

In Q3 and Q4, the Authority received numerous CSR requests but it did not engage in any CSR activities due to lack of availability of funds.

Output

1. Enhance community relationship and collaborations
2. LBDA brand recognition
3. Community empowerment
4. Climate Change Mitigation
5. Enhance environmental conservation

SUMMARY OF CSR ACTIVITIES

1. Donation of Handwashing machines

During the year under review, The Authority donated PPEs, Hand Washing Machines in public spaces/Markets and Public Awareness & Education during Global Hand washing Day with Partners (Dettol & EABL) at Olemba, Magunga, Ndhiwa, and Karachuonyo. This activity had a cost implication of Kshs, 162,500

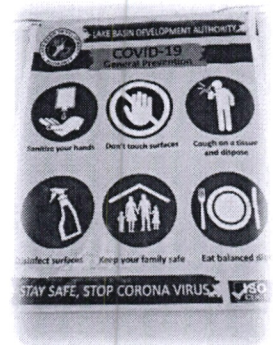


Distribution of PPEs

During the year under review, the Authority distributed PPEs within LBDA workforce, Disability Communities & Churches in Kisumu. PPEs distributed included Masks and sanitizers.

3. Public Awareness on COVID 19

During the year under review As per Ministry of Health request, Authority Printed Posters & Roll Up Banners for Public awareness distributed in 13 counties within LBDA Jurisdiction



4. Donation of Food stuff

During the year in review, The Authority donated food stuff to the vulnerable in society as requested by churches. Food stuff donated included LBDA rice and other basic stuff such as sugar and cooking oil.

10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021, which show the state of Lake Basin Development Authority's affairs.

i) Principal activities

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

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

ii) Results

The results of the Authority for the year ended June 30, 2021, are set out on page 1

iii) Directors

The members of the Board of Directors who served during the year are shown on page vi to xiii. During the year, NO director retired/ resigned and NONE was appointed.

iv) Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Lake Basin Development Authority did not make any surplus during the year (FY 2020-2021) and hence no remittance to the Consolidated Fund.

v) Auditors

The Auditor General is responsible for the statutory audit of the *Lake Basin Development Authority* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015

By Order of the Board



Dr, Raymond Omollo, PhD

Secretary to the Board

Date: 23/9/2021

11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2021. This responsibility includes:

- a) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- b) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- c) 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;
- d) Safeguarding the assets of the Authority;
- e) Selecting and applying appropriate accounting policies; and
- f) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012.

The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2021, and of the Authority's financial position as at that date.

The Directors further confirms the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Authority's financial statements were approved by the Board on 23/9/2021 and signed on its behalf by:



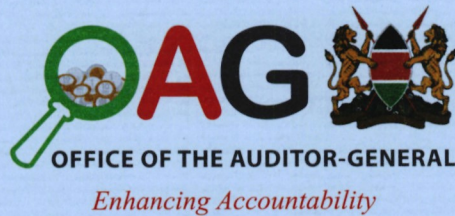
Name Mr. Cavince Owidi
Chairman of the Board



Name Dr. Raymond Omollo, PhD
Accounting Officer

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON LAKE BASIN DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Lake Basin Development Authority set out on pages 41 to 76, which comprise of the statement of financial position as at 30 June, 2021 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual

amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Lake Basin Development Authority as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the Public Finance Management Act, 2012 and the Lake Basin Development Authority Act No.442 of 2012.

Basis for Qualified Opinion

1. Land Without Ownership Documents

The statement of financial position reflects property, plant and equipment balance of Kshs.5,017,956,430. Included in the balance is an amount of Kshs.62,674,333 in respect of land. Review of the fixed assets register indicated that four (4) parcels of land at Yala Swamp Complex (15 Ha), Sangalo LMC (13.4 Ha), Ndhiwa honey Refinery(0.6Ha) and Kwanza Integrated (2.347Ha) had nil values. Similarly, five (5) parcels of land at Muhoroni LMC 136(90.65 Ha), Lichota LMC (303.51 Ha), Alupe LMC(24 Ha), Chwele fish farm(12.3 Ha) and Kibos Fish farm (4.6 Ha) valued at Kshs.478,000,Kshs.4,529,728, Kshs.925,000,Kshs.800,272 and Kshs.1,470,000 respectively did not have ownership documents.

In addition, the original title for lower Kanyakwar residential land was not in the custody of the Authority as it was being held as collateral for a loan of Kshs.2,500,000,000 advanced to the Authority by Co-operative Bank of Kenya. However, no documentary evidence was provided to confirm that appropriate approvals by the National Treasury and the parent Ministry were granted.

Further, the fixed assets register provided indicated that most parcels of land are in dispute with third parties. Physical verification of assets further revealed that Mohoroni ITTC and Lichota Integrated Farm have not been fenced and that Sangalo Farm was poorly fenced. The Authority therefore risks possible loss of land from potential land encroachers and grabbers.

In the circumstances, the accuracy, completeness and ownership of land valued at Kshs.62,674,333 could not be confirmed.

2. Un-transferred Motor Vehicles

The statement of financial position and Note 23 to the financial statements reflects motor vehicle balance of Kshs.64,467,070. The balance includes the cost of two (2) tippers registration numbers GK B542R and GK B540R valued at Kshs.18,717,400, donated to

the Authority by the Ministry of Environment, Water, and Natural Resources through Lake Victoria Environment Management Project 33 Phase II (LVEMP II). However, the vehicles registration was still in the name of the Government and had not been transferred to the Authority. Further, the two tippers were not in use and had been parked in the Authority's compound.

In the circumstances, the ownership of motor vehicles valued at Kshs.18,717,400 could not be confirmed.

3. Stalled Work in Progress

The statement of financial position and Note 23 to the financial statements reflects work in progress balance of Kshs.272,719,715. Included in the balance is an amount of Kshs.147,482,350 in respect of stalled projects Management had not determined the impairment losses over the years and as a result the carrying value of the assets could not be ascertained.

In the circumstances, the accuracy and completeness of work in progress balance of Kshs.272,719,715 could not be confirmed.

4. Receivables from Non-Exchange Transactions

The statement of financial position and Note 21 to the financial statements reflects receivables from non-exchange transactions balance of Kshs.76,168,738. Review of financial records indicated balances of Kshs.11,123,999 and Kshs.591,121 due from former Board Members and former staff respectively. The debts have been outstanding for over twenty (20) years, and their recoverability is doubtful. Further, the rate for provision for bad and doubtful debts was not disclosed in the notes to the financial statements and the provision for bad debts amount has remained constant at Kshs.147,824,390 for many years despite changes in the debtors amounts. In addition, bad debts amounting to Kshs.147,824,152 proposed for write off have not been written off due to lack of approval from The National Treasury.

In the circumstances, the accuracy and completeness of the receivables from non-exchange transactions balance of Kshs.76,178,738 could not be confirmed.

5. Non-Current Liabilities

The statement of financial position and Note 26(b) to the financial statements reflects non-current liabilities which includes trade and other payables from exchange transactions balance of Kshs.2,875,984,644. Review of financial records indicated that trade suppliers balance of Kshs.300,919,679 includes payables of Kshs.61,715,134 which have been outstanding for between ten (10) and thirty (30) years and it was not clear how Management intends to settle the debts. Further, Inter-ministerial dues balance of Kshs.28,176,641 includes VAT arrears of Kshs.21,684,885 which have accrued for over 11 years. In addition, the loan for construction of Lake Basin mall of Kshs.2,500,000,000 has been outstanding for 6 years.

In the circumstances, the accuracy and completeness of non-current liabilities balance of Kshs.2,875,984,644 could not be confirmed.

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

Emphasis of Matter

Financial Performance

The statement of financial performance reflects a deficit of Kshs.375,228,449 (2019/2020-deficit of Kshs.180,266,224) thereby increasing the accumulated deficit to Kshs.674,044,198 as at 30 June, 2021.

The Authority's financial statements therefore have been prepared on a sustainability of services basis on the assumption that, it will continue to receive financial support from the government, bankers and creditors.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The statement of comparison budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.576,165,000 and Kshs.490,711,134, respectively resulting to an under-funding of Kshs.85,453,866 or 15% of the budget. Similarly, the Authority expended Kshs.742,375,595 against an approved budget of Kshs.576,165,000 resulting to an over-expenditure of Kshs.166,210,595 or 29% of the budget.

In the circumstances, the underfunding of Kshs.85,453,866 imply that some budgeted programs were not implemented which impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Irregular Acting Allowance

The statement of financial performance and Note 12 to the financial statements reflects expenditure on employee of Kshs.280,380,298, which includes an amount of Kshs.225,519,718 in respect of salaries and allowances. Review of the payroll revealed payments totalling to Kshs.220,872 in relation to acting allowances to officers who were on acting appointments for more than 6 months contrary to the Authority's Human Resource Manual 2020. The acting allowance payments of Kshs.220,872 were therefore irregular.

In the circumstances, Management was in breach of the law.

2. Failure to Comply with Loan Agreement Terms

The statement of financial position and Note 28 to the financial statements reflects domestic borrowings balance of Kshs.2,000,000,000. The balance represents loan to Lake Basin Development Authority by the Government pursuant to the loan agreement of 29 June, 2017. The Government of Kenya and Lake Basin Development Authority entered into a loan agreement of Kshs.1.5 Billion for the Lake Basin Development Authority mall project. An additional Kshs.0.5 billion was granted on 30 November, 2017 raising the loan amount to Kshs.2.0 billion This was a bailout to the Authority to facilitate it to settle outstanding debts in regard to Lake Basin Mall Complex project in Kisumu.

According to the loan agreement, the Authority ought to have paid the 1st loan instalment of Kshs.58,823,529 as at 30 September, 2020 and the 2nd instalment of Kshs.58,823,529 on 31 March, 2021. This was not repaid hence an outstanding amount of Kshs.117,647,058 on principal amount of Kshs.2,000,000,000 owed to the GOK as at the end of the year under review. The Authority was also to repay interest on the principal outstanding amount at rate of 5% per annum on a reducing balance. Further, according to the loan agreement, interest shall accrue from the respective dates of disbursement of the loan proceeds and shall be computed on the basis of a 360-day year of twelve 30-day months and interest accruing over the first year of the grace period will be capitalized

on the 1st principal repayment date. Thereafter, interest shall be payable semi-annually on the 31st day of March and on the 30th day of September each year.

However, review of the financial records indicated that the Authority had not repaid any interest on the loan hence resulting in an accumulated total of Kshs.381,500,000 out of which Kshs.100,000,000 related to the year under review.

In the circumstances, Management was in breach of the terms of the loan agreement.

3. Non-Compliance with the Law on Ethnic Composition.

The statement of financial performance and Note 12 to the financial statements reflects expenditure on employee of Kshs.280,380,298 . Review of the staff compliment revealed that the Authority had two hundred and fifty-three employees (253) out of which one hundred and forty (140) or approximately fifty-five percent (55%) were from the dominant community. Further, the Authority recruited 10 new staff in the year under review, out of which 8 were from the same ethnic group. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community.

In the circumstances, Management was in breach of the law.

4. Unapproved Expenditure on Board of Directors Allowances

Included in the statement of financial performance and Note 13 to the financial statements is remuneration of directors amounting to Kshs.33,342,109. However, the amount was above the required capping of board expense of Kshs.30,000,000 by Kshs.3,342,109. Further, the Management did not provide approval from the Cabinet Secretary for the excess Board expenditure.

In the circumstances, the Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Authority or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud

or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the

financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

28 September, 2022

**13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE
2021**

	Notes	2020-2021	2019-2020
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments – gifts and services-in-	6	362,610,000	677,410,253
		362,610,000	677,410,253
Revenue from exchange transactions			
Sale of Agricultural Produce	7	55,635,711	49,401,664
Rental revenue from facilities and equipment	8	60,482,819	35,466,035
Finance income - external investments	9	9,889,050	18,934,852
Other income	10	2,093,555	1,441,012
		128,101,134	105,243,563
Total revenue		490,711,134	782,653,816
Expenses			
General Expenses	11	271,902,427	329,064,941
Employee costs	12	280,380,298	379,012,710
Remuneration of directors	13	33,342,109	12,506,007
Depreciation and amortization expense	14	125,007,019	121,119,242
Repairs and maintenance	15	24,853,274	22,959,939
Contracted services	16	130,531,620	126,201,859
Finance costs	17	1,365,867	1,347,801
Total expenses		867,382,615	992,212,500
Other gains/(losses)			
Gain on sale of assets	18	6,289,681	(247,619)
Gain/ loss on biological Assets	19	(4,846,650)	1,006,861
Penalty Waiver		-	28,533,218
Surplus before tax		(375,228,449)	(180,266,224)
Taxation		-	-
Net Surplus for the year		(375,228,449)	(180,266,224)

The notes set out on pages 47 to 72 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 72 were signed on behalf of the Board of Directors by:



Accounting Officer
Dr. Raymond Omollo PhD

Date 23/9/2021



Head of Finance
CPA Christine Otieno
ICPAK M.No. 10470:

Date 23/9/2021



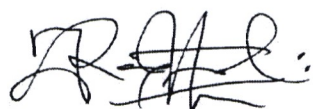
Chairman of the Board
Mr. Cavince Odoyo Owidi:

Date 23/9/2021

14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	2020-2021	2019-2020
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	20	67,326,767	274,894,211
Receivables from non-exchange transactions	21	76,168,738	69,280,837
Inventories	22	25,264,237	22,322,302
		168,759,743	366,497,350
Non-current assets			
Property, plant and equipment	23	5,017,956,430	4,959,700,261
Biological Assets	24	9,873,621	14,720,271
Intangible assets	25	7,497,012	9,371,265
		5,035,327,064	4,983,791,798
Total assets		5,204,086,806	5,350,289,147
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	26a	117,952,635	448,348,015
		117,952,635	448,348,015
Non-current liabilities			
Borrowings from Government		2,000,000,000	2,000,000,000
Trade and other payables from exchange transactions	26b	2,875,984,644	2,500,000,000
		4,875,984,644	4,500,000,000
Total liabilities		4,993,937,279	4,948,348,015
Net assets		210,149,527	401,941,132
Reserves		401,948,509	401,948,509
Accumulated surplus/Deficit		(946,419,641)	(583,948,146)
Capital Fund		754,620,659	583,940,769
Total net assets and liabilities		5,204,086,806	5,350,289,148

The Financial Statements set out on pages 1 to 72 were signed on behalf of the Board of Directors by:



Accounting Officer
Dr., Raymond Omollo

Date 23/9/2021



Head of Finance
CPA Christine Otieno
ICPAK M.No.10470

Date 23/9/2021



Chairman of the Board
Mr. Cavince Odoyo Owidi

Date 23/9/2021

15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/ Development Grants/Fund	Total
At July 1, 2019	396,256,771	-237,620,098	-131,306,479	583,940,769	611,270,963
Revaluation gain	0	0	0	0	0
Fair value adjustment	0	-34,755,345	0	0	-34,755,345
Total comprehensive income	569,1738	0	-180,266,224	0	-174,574,486
At June 30, 2020	401,948,509	-272,375,443	-311,572,703	583,940,769	401,941,132
At July 1, 2020	401,948,509	-272,375,443	-311,572,703	583,940,769	401,941,132
Total comprehensive income		0	-375,228,449	183,436,844.00	-191,791,605
Transferred depreciation			12,756,954.00	(12,756,954.00)	
Prior year Adjustment					0
At June 30, 2021	401,948,509	-272,375,443	-674,044,198	754,620,659	210,149,527

16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

		2020-2021	2019-2020
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Government grants and subsidies		362,610,000	677,410,253
Sale of Agricultural Products		55,635,711	49,401,664
Finance income		9,889,050	18,934,852
Other income.		2,093,555	1,441,012
Rental income		60,482,819	35,466,035
Total Receipts		490,711,134	782,653,816
Payments			
Employee costs		280,380,298	379,012,710
Remuneration of directors		33,342,109	12,506,007
Repairs and maintenance		24,853,274	22,959,939
Contracted services		130,531,620	126,201,859
General expenses		271,902,427	329,064,941
Finance Cost		1,365,867	1,347,801
Total Payments		742,375,595	871,093,258
Net cash flows from operating activities		(251,664,461)	(88,439,442)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible		(85,568,584)	(112,268,179)
Proceeds from sale of property, plant and			
Equipment		9,962,774	
Decrease/Increase in Inventory		(2,941,936)	653,091
Decrease, Increase in non-current receivables		(6,887,901)	(4,904,314)
Decrease/Increase in Payables		45,589,264	2,948,348,015
Net cash flows used in investing activities		(39,846,383)	2,831,828,614
Cash flows from financing activities			
Increase in capital fund		83,943,400	-
Net cash flows used in financing activities		83,943,400	-
Net increase/(decrease) in cash and cash equivalents		(207,567,444)	2,743,389,172
Cash and cash equivalents at 1 JULY	20	274,894,211	344,282,192
Cash and cash equivalents at 30 June	20	67,326,767	274,894,211

The Financial Statements set out on pages 1 to 72 were signed on behalf of the Board of Directors by:



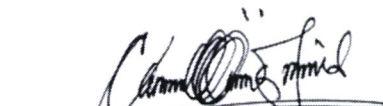
Accounting Officer
Dr. Raymond Omollo

Date 23/9/2021



Head of Finance
CPA Christine Otieno
ICPAK M.No:10470

Date 23/9/2021



Chairman of the Board
Mr. Cavince Odoyo Owidi

Date 23/9/2021

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Budget	Adjustments	Final Budget	Actual	Performance
	2020/2021	2020/2021	2020/2021	2020/2021	Difference
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Government grants and subsidies	458,050,000		458,050,000	362,610,000	95,440,000
Sale of Agricultural Products	42,539,164		42,539,164	55,635,711	(13,096,547)
Rental Income	62,905,817		62,905,817	60,482,819	2,422,998
Finance Income	10,750,940		10,750,940	9,889,050	861,890
Other Income	1,919,079		1,919,079	2,093,555	(174,476)
Total income	576,165,000	-	576,165,000	490,711,134	85,453,866
Expenses					
Employee costs	280,303,000		280,303,000	280,380,298	(77,298)
Remuneration of directors	35,780,000		35,780,000	33,342,109	2,437,891
Repairs and maintenance	24,876,000		24,876,000	24,853,274	22,726
Contracted services	57,691,250		57,691,250	130,531,620	(72,840,370)
General expenses	176,811,750		176,811,750	271,902,427	(95,090,677)
Finance Cost	703,000		703,000	1,365,867	(662,867)
Total expenditure	576,165,000	-	576,165,000	742,375,595	(166,210,595)
Surplus for the period	-	-	-	(251,664,461)	251,664,461

Budget notes.

1. Sale of Agricultural goods

The revenue arising from the sale of agricultural products increased from budgeted figure due to favourable weather conditions resulting to high milk production as well as livestock and milled rice.

2. Rental Income

The variance is due to enhanced letting of space at The lake Basin Mall

3. Finance Income

The marginal variance is attributed to a reduction in the amounts invested in call and fixed deposit accounts held by the Authority.

4. Other income

The positive variance is attributed to sale of boarded stores that was not factored in the budget

5. Employee costs

The negative variance is attributed to Staff medical insurance paid to NHIF.

6. General Expenses

The variance is due to non-cash expenses namely depreciation and loan interest provision.

7. Contracted Services

The variance is due to budgetary roll over effects for Nyakoe Market and construction of community boreholes budgeted in the previous year,

18. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Lake Basin Development Authority is established by and derives its authority and accountability from (Cap 442) Act. The Lake Basin Development Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. The Lake Basin Development Authority's principal activity is to provide an avenue for a quicker, more meaningful and co-coordinated development in the Kenyan portion of the Lake Victoria basin.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at revalued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Authority accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Authority.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021.

Standard	Impact
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p>

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.*

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

iii. *Early adoption of standards*

The Lake Basin Development Authority did not early – adopt any new or amended standards in year 2020/2021.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

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

Interest income

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

Summary of Significant Accounting Policies (Continued)

ii) Revenue from exchange transactions

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2020-2021 was approved by the National Assembly on 30th June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Authority recorded additional appropriations of Kshs. 29 Million on the 2020-2021 budget following the governing body's approval.

The Authority's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 12 of these financial statements.

Summary of Significant Accounting Policies (Continued)

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Summary of Significant Accounting Policies (Continued)

Sales tax

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

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- ii) When receivables and payables are stated with the amount of sales tax included
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

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

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

- a) Tractors37.5%
- b) Motor Vehicles/Cycles25.0%
- c) Farm Implements12.5%
- d) Buildings.....2.0%
- e) Loose Tools & Equipment12.5%
- f) Furniture, Fittings & Fixtures12.5%
- g) Office Machines & Equipment12.5%
- h) Computer & Other Class II Equipment30.0%
- i) Property Plant & Equipment.....12.5%
- j) Computer Software.....20.0%
- k) Hyacinth Harvester.....10.0%

Summary of Significant Accounting Policies (Continued)

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

g) Intangible assets

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

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

h) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

Summary of Significant Accounting Policies (Continued)

i) Financial instruments

a) Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity.

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

Impairment of financial assets

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

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

b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Summary of Significant Accounting Policies (Continued)

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

j) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

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

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

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

k) Provisions

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

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

l) Contingent liabilities

Lake Basin Development 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.

- In respect to the Government loan of Ksh 2,000,000,000=, given to the Authority, this was a bailout to assist the organization offset/settle the outstanding debt owed to M/S Erderman Property Ltd ; the appropriate records will be maintained and interest charged accordingly as there is evidence of a loan agreement between the Government and Lake Basin Development Authority (LBDA)

Summary of Significant Accounting Policies (Continued)

- Currently the Authority has no contractual agreement signed directly with Co-operative bank of Kenya. The borrower of the loan was M/S Erderman Property Ltd who is the contractor for the Mall. However we have initiated the process of taking over the Loan by writing to the Ministry and the National Treasury for approval. Co-operative Bank of Kenya has further written an offer letter requesting the Authority to take over the liability.
- The Authority has an accumulated loan interest provision of Kshs. 381.25 Million for Government Of Kenya Loan.

m) Contingent assets

The Lake Basin Development 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 Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

n) Nature and purpose of reserves

The Lake Basin Development Authority creates and maintains reserves in terms of specific requirements. Lake Basin Development Authority maintains Revaluation reserves.

o) Changes in accounting policies and estimates

The Lake Basin Development 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.

p) Employee benefits

Retirement benefit plans

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

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

Summary of Significant Accounting Policies (Continued)

q) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

r) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

s) Related parties

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

t) Service concession arrangements

The Lake Basin Development Authority analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

u) Cash and cash equivalents

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

v) Comparative figures

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

w) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

In the Financial year under review there were no Provisions raised and management determined an estimate based on the information available.

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

6. Transfers from Other Government Entities

Description	2020-2021	2019-2020
	KShs	KShs
Unconditional grants		
Recurrent grant	322,610,000	215,303,375.12
Development grants	40,000,000	453,928,000.00
Special projects	-	8,178,878.00
Total government grants	362,610,000	677,410,253.12

Funds received for recurrent expenditure i.e salaries and personal emoluments & Development expenditure as stated in the printed estimate.

b) Transfers from Ministries, Departments and Agencies (MDAs)

Name of the entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount recognized in capital fund.	Total grant income during the year	2019-2020
	KShs	KShs	KShs	KShs
State Department for Regional and Northern Corridor Development	362,610,000	83,943,400.00	446,553,400.00	669,231,375
Other Entities (KRCS, NEMA)	0		-	8,178,878
Total	362,610,000	83,943,400.00	446,553,400.00	677,410,253

7. Sale of Agricultural Products

Description	2020-2021	2019-2020
	KShs	KShs
Sale of rice	37,405,260	36,336,513.00
Sale of Sugar cane	250,620	-
Sale of Bricks	576,500	778,100.00
Sale of Milk	6,589,644	6,336,201.00
Sale of animals and Steers	2,148,870	348,400.00
Sale of Seedlings	804,495	471,871.00
Sales of Vegetables and fruits	62,170	40,060.00
Sale of Honey	1,171,140	1,240,207.00
Sale of Fingerlings and table size fish	3,542,475	2,039,162.00
Sale of Fish/Chicken feeds	1,498,805	986,670.00
Sale of bran meal, colored rice	1,585,732	820,480.00
Dipping & Bulls Services	-	4,000.00
Total revenue from the sale of goods	55,635,711	49,401,664.00

8. Rental Revenue from Facilities and Equipment

Description	2020-2021	2019-2020
	KShs	KShs
Economic Rent (Staff Houses)	3,071,300	2,700,100.00
Service Charge	6,543,409	3,137,314.00
Commercial Rent (LBDA MALL)	43,399,074	18,775,602.00
Lease rentals (LBDC)	6,619,716	10,853,019.00
Hire of Tractors & Excavator	849,320	-
Total rentals	60,482,819	35,466,035.00

9. Finance Income

Description	2020-2021	2019-2020
	KShs	KShs
Cash investments and fixed deposits	9,889,050	18,934,852.00
Total finance income – external investments	9,889,050	18,934,852.00

10. Other Income

Description	2020-2021	2019-2020
	KShs	KShs
Boarded Stores	74,944	10,750.00
Hire of Grounds/Equipment	894,100	569,965.00
Milling/Airing Charges	593,650	561,927.00
Surcharge Service	504,561	265,870.00
Tour Fees	26,300	32,500.00
Total other income	2,093,555	1,441,012.00

11. General Expenses

Description	2020-2021	2019-2020
	KShs	KShs
Animal Feeds	1,628,794	1,197,297.00
ASK Show	40,000	5,344,487.00
Communication cost	1,297,094	1,642,824.00
Computer supplies and accessories	406,643	3,074,600.00
Compound Maintenance	2,620,314	6,871,963.00
Daily subsistence allowance	26,018,842	27,040,959.00
Dairy Expenses	5,600	-
Donation	333,450	2,221,312.00
Drugs and Chemicals	1,932,041	2,281,217.00
Electricity	12,763,271	11,168,820.00
General Hardware	1,386,420	3,978,247.00
General Office supplies	4,598,829	4,338,937.00
Hire of plant and Machinery	1,684,657	211,550.00
Hire of Transport	885,500	718,192.00
Horticulture	429,852	-
Fuel and oil	189,243	152,080.00
Insurance of Assets	5,550,974	25,835,021.00
Legal Charges	11,830,095	29,398,852.00
Local Travel (Air Ticket)	1,858,244	4,457,563.00
Loss on Downgrading of Paddy	-	656,285.00
Purchase of Newspapers, Magazines and Periodicals	271,442	225,340.00
Maintain. Water & Sewerage & Sanitation	10,985,662	8,018,623.00
Management Fee	1,435,292	-
Official Entertainment	19,787,435	12,397,589.91
Interest	100,000,000	100,000,000.00
Ploughing	3,520	-
Packaging materials	1,096,115	2,393,036.00
Printing and Advertising	15,004,171	10,766,418.14
Purchase of raw materials	36,041,488	31,457,917.00
Postage and Stamps	332,817	349,091.00
Purchase of Animals	-	190,000.00
Purchase of Milled rice	-	370,000.00
Purchase of seeds and seedlings	939,039	1,018,825.00
Rents and rates Non- Residential	2,541,303	18,422,925.00
Sales and Marketing expenses	147,025	203,902.00
Staff welfare	1,780,548	1,252,200.00
Training	772,619	3,831,044.00
Subscription to professional bodies	541,125	947,890.00
Tax Penalty/WHT	448,219	6,109,839.00
Uniform and Clothing	4,184,469	456,830.00
Veterinary expenses	130,275	63,265.00
Total general expenses	271,902,427	329,064,941.05

12. Employee Costs

	2020-2021	2019-2020
	KShs	KShs
Ex-Gratia Payments	161,575	562,523.00
Staff Medical Insurance	23,751,628	20,350,872.00
Contribution to Pension Scheme	27,954,235	25,597,081.00
Service Gratuity	-	-
Salaries and Allowances	225,519,718	221,294,223.20
Terminal Dues	2,993,142	111,208,011.00
Employee costs	280,380,298	379,012,710.20

13. Board Expenses

Description	2020-2021	2019-2020
	KShs	KShs
Sitting Allowances & Accommodation	20,451,402	7,094,030.30
Travelling (Air tickets)	6,925,150	3,834,556.80
Entertainment	2,400,590	411,330.00
Others	2,520,967	122,090.00
Induction & Training	-	-
Chairman,s Honoraria	1,044,000	1,044,000.00
Total Board Expenses	33,342,109	12,506,007.10

14. Depreciation and Amortization Expense

Description	2020-2021	2019-2020
	KShs	KShs
Property, plant and equipment	123,132,766	118,776,426.11
Intangible assets	1,874,253	2,342,816.26
Total depreciation and amortization	125,007,019	121,119,242.37

15. Repairs and Maintenance

Description	2020-2021	2019-2020
	KShs	KShs
Building Repair for Non- Residential	3,543,482	178,087.00
Building Repair for Residential	6,681,100	6,431,077.00
Plant and machinery Repairs	2,472,181	3,205,980.00
Repair of Office equipment	241,809	361,103.00
Repair of office furniture	34,600	61,580.00
Motor Vehicle Running	11,880,102	12,722,112.00
Total repairs and maintenance	24,853,274	22,959,939.00

16. Contracted Services

Description	2020-2021	2019-2020
	KShs	KShs
Audit Fees	850,000	1,237,840.00
Cleaning Services	6,059,523	6,950,097.00
Construction of Market	60,780,204	31,592,250.00
Consulting Fee	2,697,311	6,934,003.00
Farm Maintenance & Milling Expenses	8,526,805	11,527,834.25
Rehabilitation of Bore Holes	27,701,420	51,710,241.00
Security Expenses	23,916,359	16,249,594.00
Total contracted services	130,531,620	126,201,859.25

17. Finance Costs

Description	2020-2021	2019-2020
	KShs	KShs
Bank Charges (Commission and Ledger fee)	1,365,867	1,347,801.21
Total finance costs	1,365,867	1,347,801.21

18. Gain on Sale of Assets

Description	2020-2021	2019-2020
	KShs	KShs
Revaluation/cost	5,713,440	2,210,960.00
Less: Accumulated Depreciation	2,040,347	1,963,341.08
Net Book Value	3,673,093	247,618.92
Cash Proceeds	9,962,774	-
Total gain on sale of assets	6,289,681	(247,618.92)

19. Gain/Loss on Biological Assets

Description	2020-2021	2019-2020	Gain/Loss 2020/2021	Gain/Loss 2019/2020
	KShs	KShs	Kshs	Kshs
Bulls	72,000	100,500.00	(28,500.00)	(132,000)
Lactating/Dry Cows	2,821,500	4,124,250.00	(1,302,750.00)	265,500
Heifers	1,816,500	1,257,000.00	559,500.00	(520,125)
Local Breeds	33,750	22,500.00	11,250.00	(112,500)
Pigs			-	-
Fish/ Poultry	412,796	1,179,849.00	(767,052.60)	(15,171)
Crops WIP	4,717,075	8,036,172.00	(3,319,097.00)	1,521,157
Total gain/Loss	9,873,621	14,720,271.00	(4,846,649.60)	1,006,861

20. (a) Detailed Analysis of the Cash and Cash Equivalents

		2020-2021	2019-2020
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank	1107824532	1,006,259.60	4,138,163.67
Kenya Commercial bank	1104028352	2,579,625.32	1,287,115.54
Cooperative Bank of Kenya	01120014333100	1,339,049.77	9,138,063.47
Cooperative Bank of Kenya	01692614041400	36,482,774.32	18,966,904.67
Cooperative Bank of Kenya	01150014333100	359,491.00	3,565,838.52
National Bank of Kenya	01001023637000	21,011,470.84	21,787,788.00
National Bank of Kenya	01001023507900	37,628.88	80,402.66
National Bank of Kenya	01001033897700	477,389.41	2,464,955.91
National Bank of Kenya	01003023624000	2,969,673.00	5,373,129.13
Sub- total		66,263,362.14	66,802,361.57
b) On - call deposits			
National Bank of Kenya	01001023637000	1,000,000.00	52,000,000.00
National Bank of Kenya	0100123507900	-	1,000,000.00
Cooperative Bank of Kenya	0112014333100	-	150,000,000.00
National Bank of Kenya	01003023624000	-	4,650,000.00
Sub- total		1,000,000.00	207,650,000.00
c) Others (specify)			
cash in hand		59,823.00	50,068.00
Mpesa		3,582.00	391,782.34
Sub- total		63,405.00	441,850.34
Grand total		67,326,767.14	274,894,211.91

21. Receivables from Non-Exchange Transactions

Description	2020-2021	2019-2020
	KShs	KShs
Current receivables		
Ex- board debtors	591,121	645,591.00
Board debtors	48,750	-
Ex- Staff debtors	11,123,999	10,903,967.00
Staff Debtors	660,898	1,450,607.00
Trade Debtors	211,568,359	204,105,062.00
Less: Provision for bad debts	(147,824,390)	(147,824,390.00)
Total current receivables	76,168,738	69,280,837.00

The provision for bad debts of Kshs. 147,824,390 relates to debts that did not have supporting documents hence unrecoverable.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. Inventories

Description	2020-2021	2019-2020
	KShs	KShs
General hardware	217,510	491,772.95
Automotive spares	644,128	774,840.90
Drugs and chemicals	60,570	161,248.00
Animal Feeds	8,100	6,350.00
Uniform and Clothing	-	1,000.00
Cleaning Items	1,695	-
Stationaries	189,169	1,094,423.00
Seeds/Seedlings	4,164,554	4,792,202.25
Bricks	233,007	102,069.00
Raw materials	13,316,998	11,528,736.05
Packaging Materials	2,963,256	2,528,399.51
Finished Products	3,465,250	841,260.00
Total inventories at the lower of cost and net realizable value	25,264,237	22,322,301.66

LAKE BASIN DEVELOPMENT AUTHORITY
Annual Reports and Financial Statements
For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Property, Plant and Equipment

	Land	Buildings	Plant & equipment	Work in Progress	Furniture & Fixt	Computer & Oth	Motor Vehicle	Tractors	Harvester	Total
Cost	Sbs	Sbs	Sbs	Sbs	Sbs	Sbs	Sbs	Sbs	Sbs	Sbs
At 30 th June 2019	62,674,333	4,994,879,509	297,371,362	186,700,145	16,959,917	24,883,612	24,286,984	8,024,260	-	5,615,780,123
Additions		18,311,111	293,885	52,187,145	665,090	1,835,448	29,516,000	9,440,000		112,248,679
Disposals		(277,100)						(1,933,860)		(2,210,960)
Transfer adjustments				(39,734,795)			(9,523,798)	(3,950,177)		(53,208,770)
Revaluation							4,129,924	1,008,777		5,138,700
At 30 th June 2020	62,674,333	5,012,913,520	297,665,247	199,152,495	17,625,007	26,719,060	48,409,110	12,589,000	-	5,677,747,772
Additions		10,631,665	532,600	73,567,220	267,910	569,190	18,717,400		80,776,044	185,062,028
Disposals			(630,000)				(2,659,440)	(2,424,000)		(5,713,440)
Transfer adjustments										
Revaluation										
At 30 th June 2021	62,674,333	5,023,545,184	297,567,847	272,719,715	17,892,917	27,288,250	64,467,070	10,165,000	80,776,044	5,857,096,360
Depreciation and impairment										
At 30 th June 2019	-	318,097,325	243,187,666	-	13,532,942	23,188,213	12,286,250	5,881,885	-	616,174,281
Depreciation		93,896,957	6,809,698		511,508	1,059,254	11,778,134	4,720,875		118,776,426
Disposals		(31,633)						(1,930,417)		(1,962,050)
Transfer adjustment							(10,989,678)	(3,951,468)		(14,941,146)
At 30 th June 2020	-	411,962,649	249,997,364	-	14,044,450	24,247,467	13,074,707	4,720,875	-	718,047,511
Depreciation		92,231,651	5,975,753		481,058	912,235	13,072,043	2,382,422	8,077,604	123,132,766
Disposals			(235,537)				(895,810)	(909,000)		(2,040,347)
Transfer adjustment										
At 30 th June 2021	-	504,194,299	255,737,579	-	14,525,508	25,159,702	25,250,940	6,194,297	8,077,604	839,139,930
Net book values										
At 30 th June 2021	62,674,333	4,519,350,885	41,830,268	272,719,715	3,367,409	2,128,548	39,216,130	3,970,703	72,698,440	5,017,956,430
At 30 th June 2020	62,674,333	4,600,950,871	47,667,884	199,152,495	3,580,557	2,471,593	35,334,403	7,868,125	-	4,959,700,261

24. Biological Assets

Description	2020-2021	2019-2020
	KShs	KShs
Bulls	72,000	100,500.00
Lactating/Dry cows	2,821,500	4,124,250.00
Heifers	1,816,500	1,257,000.00
Local Breed	33,750	22,500.00
Fish/Poultry	412,796	1,179,849.00
Crops Wip	4,717,075	8,036,172.00
Total Biological	9,873,621	14,720,271.00

25. Intangible Assets

Description	
	KShs
Cost	
At 30th June 2019	4,041,984
Additions-	10,416,238
At 30 th June 2020	14,458,222
Additions-	-
At 30 th June 2021	14,458,222
Amortization and impairment	
At 30th June 2019	2,744,141
Amortization	2,342,816
At 30 th June 2020	5,086,957
Amortization	1,874,253
At 30 th June 2021	6,961,210
NBV	
At 30 th June 2021	7,497,012
At 30 th June 2020	9,371,265

26. (a) Trade and Other Payables

Description	2020-2021	2019-2020
	KShs	KShs
Contractors Claims	-	28,335,768.00
Gratuity & Terminal Dues	-	11,642,070.60
Inter - Ministerial Dues	-	28,176,641.32
Legal Claims	-	71,793,280.57
Service and utilities	1,972,368	1,259,808.50
Staff Claims (workmen compensation)	-	151,605.00
Unremitted payroll deductions	11,776,635	499,130.00
Trade suppliers	104,203,632	306,489,711.00
Total trade and other payables (Current)	117,952,635	448,348,014.99

26 (b)

Description	2020-2021	2019-2020
	KShs	KShs
Contractors Claims	2,531,053,964.75	2,500,000,000.00
Gratuity & Terminal Dues	11,642,070.60	-
Inter – Ministerial Dues	28,176,641.32	-
Legal Claims	2,780,875.00	-
Service and utilities	1,259,808.50	-
Staff Claims (workmen compensation)	151,605.00	-
Unremitted payroll deductions	-	-
Trade suppliers	300,919,679.03	-
Total trade and other payables (Non-current)	2,875,984,644	2,500,000,000.00

Included in the trade payables above is Kshs. 2.5 Billion loan owed to Cooperative Bank/Erdemann Ltd for which Authority Land title LR NO. 15239 (IR. NO 1504430) is provided and charged as a collateral

27. Employee Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2020-2021	2019-2020
	KShs	KShs	KShs	KShs	KShs
Current benefit obligation	27,954,235	-	-	27,954,235	25,597,081
Total employee benefits obligation	27,954,235	-	-	27,954,235	25,597,081

Retirement benefit Asset/ Liability

The Lake Basin Development Authority also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Authority's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 360 per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by LBDA Pension Fund. Employees contribute 10% while employers contribute 20% of basic salary. Employer contributions are recognised as expenses in the statement of financial performance within the period they are incurred.

28. Borrowings

Description	2020-2021	2019-2020
	KShs	KShs
Domestic borrowings	2,000,000,000.00	2,000,000,000.00
Balance at end of the period	2,000,000,000	2,000,000,000.00

The analyses of both external and domestic borrowings are as follows:

	2020-2021	2019-2020
	KShs	KShs
Domestic Borrowings		
Kenya Shilling loan from The National Treasury	2,000,000,000	2,000,000,000.00
Total balance at end of the year	2,000,000,000	2,000,000,000.00

29. Cash Generated from Operations

	2020-2021	2019-2020
	KShs	KShs
Surplus for the year before tax	(375,228,449.24)	(180,266,223.77)
Adjusted for:		
Depreciation	125,388,113.02	121,119,242.37
Gains and losses on disposal of assets	(1,443,031.00)	(759,242.00)
Adjustment	-	28,533,218.00
Working Capital adjustments		
Decrease/Increase in inventory	(2,941,935.80)	653,091.34
Decrease/Increase in receivables	(6,887,900.98)	(4,904,314.00)
Decrease/Increase in payables	45,589,263.77	113,367,775.49
Net cash flow from operating activities	(215,523,940.22)	77,743,547.43

30. Financial Risk Management

The Authority's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The entity's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The entity does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The 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. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2021				
Receivables from exchange transactions	223,993,128	34,090,955	33,380,000	156,522,173
Bank balances	67,263,362	67,263,362		
Total	291,256,490	101,354,317	33,380,000	156,522,173
At 30 June 2020				
Receivables from exchange transactions	217,105,227	27,203,054	33,380,000	156,522,173
Bank balances	274,850,811	274,850,811	0	0
Total	491,956,038	302,053,865	33,380,000	156,522,173

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts

The board of directors sets the Authority's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

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

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

	Less than 1 Year	Between 1-3 Year	Over 5 Year	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade payables	117,952,635	289,561,146	2,586,423,498	2,993,937,279
Total	117,952,635	289,561,146	2,586,423,498	2,993,937,279
At 30 June 2020				
Trade payables	113,367,774	248,556,742	2,586,423,498	2,948,348,014
Total	113,367,774	248,556,742	2,586,423,498	2,948,348,014

Financial Risk Management

iii) Market risk

The Authority 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 entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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 entity's exposure to market risks or the manner in which it manages and measures the risk.

31. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Government of Kenya

The Government of Kenya is the principal shareholder of Lake Basin Development Authority, holding 100% of the Authority's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

Other related parties include:

- i) The National Government;
- ii) The Parent Ministry;
- iii) Key Management
- iv) Board of Directors

	2020-2021	2019-2020
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from National Govt	446,553,400	677,410,253.00
Government Loan		-
Total	446,553,400	677,410,253.00
b) Key management compensation		
Directors' emoluments	33,342,109	12,506,007.10
Compensation to the CEO	5,570,480	4,007,458.00
Total	38,912,589	16,513,465.10

32. Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year.

Lake Basin Development Authority did not make any surplus during the year (FY 2020/2021) and hence no remittance to the Consolidated Fund.

33. Events after the Reporting Period

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

34. Ultimate And Holding Lake Basin Development Authority

The Lake Basin Development Authority is a State Corporation under the Ministry of East African Community and Regional Development. Its ultimate parent is the Government of Kenya.

35. Currency

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

19. APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:	Timeframe:
1.0	Property, Plant and Equipment	<ul style="list-style-type: none"> Yala Swamp Complex. The farm was allotted to the Authority free by the then Siaya County Council. The valuation of the 15.12 ha was halted due to a dispute currently in court. Assets whose cost of Acquisition is not provided. <ul style="list-style-type: none"> Borabu fish farm, & Rongo fish farm are Riparian land. No tittle will be issued. Bondo Honey refinery has reverted to the community & no longer belong to the Authority. Kwanza Integrated has tittle & awaiting finalization of Valuation process. Yala swamp, Sangalo LMC & Ndihiwa Honey Refinery are awaiting finalization of valuation report. Kokwanyo LMC: The land has since reverted back to the community. The matter is awaiting board approval to remove it from the assets register. The land under Koderia Bricks plant with NBV of Ksh 850,000 now belong to Kenya forest service who have obtained tittle for the same. The tittle deed for Migosi poultry was taken to the ministry of Lands for sub-division after Postal Corporation acquired part of the land and will be returned once the process is complete. The NBV for Borabu fish farm & Kapsabet Bricks plant is the cost before the land was declared riparian. The same shall be presented to the board for review. It's true that the Land tittle for Lower Kanyakwar was used by the Mall developer as a collateral for the loan. The management is currently engaging with the government to repay the loan on behalf the Authority discharging the land tittle. The Authority will ensure compliance with the requirements of the relevant accounting standards on asset revaluation. <p>For those parcels of lands that do not have title deeds, due process is in progress to fast track the acquisition of land ownership documents so as to avert any possible encroachment by the public. The parcels of land which do not have values were handed back to the communities with their respective projects as a Corporate Social Responsibility to enable the community own them e.g. Bondo Honey Refinery.</p>	Managing Director.	On-going.	Expected to be resolved by 30 th June 2022/2023
2.0	Receivables from Exchange transactions	<p>(f) The amount of Kshs 11,549,558 reflected under ex-board members and ex-staff pertain to historical debts. Some of the individuals under this category are deceased, others do not have adequate supporting documents. Others are untraceable. Most of the ex-staff have not been cleared by the Authority hence their dues will not be paid until</p>	Director Corporate Services.	On-going	Expected to be resolved by 30 th June 2022/2023

LAKE BASIN DEVELOPMENT AUTHORITY
Annual Reports and Financial Statements
For the year ended June 30, 2021.

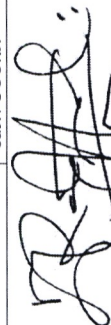
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:	Timeframe:
		<p>they do so. The management has initiated due process to have some of the historical debts written off through seeking approvals from the Treasury and the Parent Ministry; as the cost of litigation to recover the debtors which are not supported may prove to be costly.</p> <p>(ii) The management has provided a general provision on bad and doubtful debts. Nevertheless, we have noted the concern on the need to put in place a policy for provision for bad debts. A draft Finance policy is in progress and this will be fast tracked and presented to the board for approval since this will provide guidance in such write-off enhance financial reporting and disclosures.</p> <p>i) It is true that the provision for bad debts has stagnated at Ksh 147,824,390. The Authority had previously presented doubtful debts of Ksh 147,824,390 for Board recommendation and subsequent approval by The National Treasury. To date the approval is still pending thus stagnating further proposals. The Management is making follow-up on the same in order to pave way for additional provisions.</p>			
3.0	Long Outstanding Payables	<p>ii) The Exchequer released funds for payment of pending bills to LBDA in FY 2020/2021 which included ksh 28,176,641 due to KRA. This will only be done once KRA officials visit the Authority for reconciliation of the amount payable and the final balances to be offset after waiver of interest and penalties.</p> <p>(iii) Over the years, LBDA's recurrent budget allocation has been inadequately funded which culminated in unremitted payroll deductions and staff claims of ksh 499,130 from the year 2000.</p> <p>The amount indicated of Kshs 499,130 comprises of Local Authorities service charge of Kshs 318,380 and Kshs 180,750 due to Kenya Plantation Workers' Union (KPWU). Local Authorities service charge was since abolished and ceased to be deducted from the payroll while the amounts deducted under KPWU were for former staff /deceased who have since exited the services of the Authority.</p> <p>Staff claims for workman's compensation of Kshs 151,605 were in relation to claims of ex-staff who could not be traced and the management has commenced the process of handing over the proceeds to the Unclaimed Financial Assets Authority (UFAA) for further action alongside other claims. The Authority will seek for budgetary assistance to fund the payment of these bills.</p>	Managing Director	On-going.	Expected to be resolved by 30 th June 2022/2023
4.0	Unsupported Advertising Expenditure ksh 1,508,000.	<p>In an effort to enhance Mall occupancy the management requested the Board to approve the advertisement and other live shows towards showcasing the complex as an ultimate business centre and shopping mall within Kisumu County and its environs. This was after the Mall occupancy stagnated at 10% for quite a long time. The same was approved and Charcon as the Property Manager, was requested to initiate the process of which Churchill show was staged at the mall. After a small period of time few tenants started trickling which pushed the occupancy rate to between 30%-40%. Hence the expenditure was dully spent.</p>	Managing Director	Resolved	

LAKE BASIN DEVELOPMENT AUTHORITY
Annual Reports and Financial Statements
For the year ended June 30, 2021.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:	Timeframe:
5.0	Unsupported Payment ksh 1,000,000.	LBDA entered into a sponsorship deal during the clean water conference. The terms of engagement between LBDA and the company were provided in the MOU. As a result of this collaboration LBDA received ksh 8,179,253 from NEMA/Kenya Breweries Ltd for drought mitigation and school greening programmes.	Managing Director	Resolved	
6.0	Unsupported Drilling & Equipping of Boreholes.	<ul style="list-style-type: none"> The WRA and NEMA permits for ALL the five boreholes were obtained. The BQ item for purchase of printer has not been delivered by the contractor. The Authority is following up on delivery of the items. Site Instructions were issued as per conditions of contract for additional works for ksh 699,999. 			
OTHER MATTER					
1.0	Budget Performance	<p>The over expenditures of Ksh 506,485,257 arose from the following:</p> <ul style="list-style-type: none"> i) The accrued loan interest of Ksh 100,000,000 indicated under General expenses. ii) Crystallization of retrenches court cases, which was accrued Ksh 111,608,226. iii) Expenditure Over-flows from 2018/2019 not accrued due to late disbursement of funds. 	Managing Director		
2.0	Material certainty Related to Going Concern.	<p>It is anticipated that the Government, creditors, bankers and other interested parties will continue giving financial support to the Authority.</p> <p>The management has also stepped up efforts to increase mall occupancy to 60% up from 30% which is expected to drastically increase rental income. The Authority is also reviewing all operational expenses with a view of reducing costs.</p> <p>With the above measures, the Authority will be in a position to meet its obligations in the foreseeable future.</p>	Managing Director	Not Resolved.	5 years
3.0	Obsolete Stores	The management will periodically undertake the disposal of boarded stores (unserviceable equipment and idle assets) in compliance with Sections 163 and 164 of the PPAD Act.	Manager Procurement	Resolved	
REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES					
1.0	Payment of Acting Allowance Beyond Six months.	<p>Following the resignation of the former Manager Legal Services in 2018, the Officer (PF 1657), was appointed to act as Manager Legal Services while the Authority was awaiting substantive appointment of a new officer. Unfortunately, the Authority was not able to attract candidates for the position, as only 1 (one) candidate turned up for the interview. The Board was unable to interview one candidate and therefore the recruitment was put in abeyance. In order to attract more prospective candidates the management has sent job re-evaluation request to salaries and remuneration commission that will enhance the package and attract more applicants. Once SRC approves the same the management will start the recruitment process.</p>	Human Resources Manager	Not Resolved	

LAKE BASIN DEVELOPMENT AUTHORITY
Annual Reports and Financial Statements
For the year ended June 30, 2021.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:	Timeframe:
2.0	Failure to Establish a sinking Fund.	Since this will require budgetary provisions to create the fund, the Management will seek the necessary guidance and approvals on the establishment of a Sinking Fund from the Board, Parent Ministry and the National Treasury. This will also be aligned to the relevant International Public Sector Accounting Standards (IPSAS), and /or Treasury guidelines as circulated by the Government	Managing Director	Not Resolved	
3.0	Irregular payment for Survey Services	Following the forcefully excision of 13.4 acres of Authority land at Sangalo Technology Transfer Centre (ITTC) in Bungoma, the Management sourced the services of a duly registered land surveying firm, Landscan Associates to Survey and process lease hold title for Sangalo farm. Landscan Associates was identified from the Authority's list of prequalified suppliers. The due procurement process was followed and the service provider sourced competitively. However, the acquisition of the leasehold title has stalled pending a court dispute between Agricultural Society of Kenya Bungoma and LBDA. The surveyor shall commence processing of land title once the case is heard and determined.	Managing Director	Not Resolved	
4.0	Lake Basin Development Company Ltd.	Lake Basin development company is a project within LBDA hence its financial statements will continue to be consolidated with those of Headquarters.	Managing Director	On-going.	
5.0	Provision of Financial Expert & Advisory Services.	i) Arising from an additional claim of ksh 645 million interest by the contactor M/s Ederman properties Ltd the management sought to bring on board financial expert to compute & analyse the legitimacy of the claim. Various service providers were sourced from other firms list of prequalified suppliers and the method of procurement used by the Authority was RFP which is in tandem with Sections 115 &116 of PPDA 2015. ii) The Financial expert in his report to the Management dismissed the contractor's claim.	Managing Director	Resolved	
Report on Internal Controls Effectiveness, Governance and Risk Management Systems					
1.0	Lack of Segregation of Duties in Examination of cash books.	<ul style="list-style-type: none"> Internal checks and balances have been enhanced. A Financial Accountant has been designated to check the cash books regularly. 	Director Corporate Services	Resolved	



Managing Director

Date: 23/9/2021.....



Chairman of the Board

Date: 23/9/2021.....

20. APPENDIX II: INTER-ENTITY TRANSFERS

LAKE BASIN DEVELOPMENT AUTHORITY:				
Break down of Transfers from the State Department				
FY 2020/2021				
a.	Recurrent Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		August 2020	42,652,500.00	FY 2020/2021
		October 2020	152,000,000.00	FY 2020/2021
		November 2020	42,652,500.00	FY 2020/2021
		December 2020	4,652,500.00	FY 2020/2021
		February 2021	42,652,500.00	FY 2020/2021
		April 2021	38,000,000.00	FY 2020/2021
		Total	322,610,000.00	
b.	Development Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		April 2021	67,722,000.00	FY 2020/2021
		June 2021	56,221,400.00	FY 2020/2021
		Total	123,943,400.00	

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

Finance Manager
 Lake Basin Development Authority

Sign  -----

Head of Accounting Unit
 Ministry of EAC& RD

Sign-----

21. APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received		Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year	
	as per bank statement					Capital Fund	Deferred Income	Receivables	Others - must be specific		
Ministry of Planning and Devolution				0	0	0	0	0	0	0	0
	0		Recurrent								
Ministry of Planning and Devolution			Development	0	0	0	0	0	0	0	0
USAID	0		Donor Fund	0	0	0	0	0	0	0	0
Ministry of Planning and Devolution	0		Direct Payment	0	0	0	0	0	0	0	0
				0	0	0	0	0	0	0	0
Total				0	0	0	0	0	0	0	0