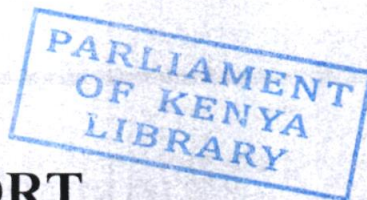


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

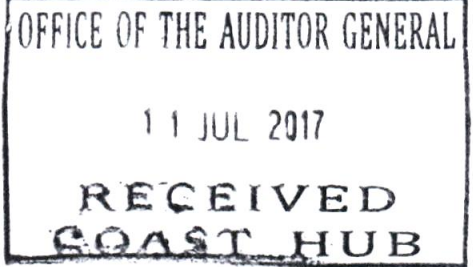
THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
COAST DEVELOPMENT AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE 2016**





COAST DEVELOPMENT AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016

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

Table of Content

I.	KEY ENTITY INFORMATION AND MANAGEMENT	
	Role of Coast Development Authority.....	1
	Functions of the Authority	2
II.	CORE FUNCTIONS OF THE AUTHORITY.....	3
	Areas of Jurisdiction	4
III.	THE BOARD OF DIRECTORS.....	6
IV.	MANAGEMENT TEAM.....	10
V.	CHAIRMAN'S STATEMENT	13
VI.	REPORT OF THE CHIEF EXECUTIVE OFFICER.....	15
VII.	CORPORATE GOVERNANCE STATEMENT	17
VIII.	CORPORATE SOCIAL RESPONSIBILITY STATEMENT	18
IX.	REPORT OF THE DIRECTORS	19
X.	STATEMENT OF DIRECTORS' RESPONSIBILITIES	21
XI.	REPORT OF THE INDEPENDENT AUDITORSON COAST DEVELOPMENT AUTHORITY ..	22
XII.	STATEMENT OF FINANCIAL PERFORMANCE.....	23
	FOR THE YEAR ENDED 30 JUNE 2016.....	23
XIII.	STATEMENT OF FINANCIAL POSITIONAS AT 30 JUNE 2016.....	24
XIV.	STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016.....	25
XV.	STATEMENT OF CASHFLOWS	26
	AS AT JUNE 2016	26
XVI.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	27
XVII.	NOTES TO THE FINANCIAL STATEMENTS	28
XVIII.	1,459,544.....	43
XIX.	PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	46

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

Vision

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

Mission

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

Strategic Objectives

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

Role of Coast Development Authority

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

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

Functions of the Authority

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

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

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

II. CORE FUNCTIONS OF THE AUTHORITY

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

14. Regional data identification collection, collation and correlation for integrated regional planning purposes.
15. Conducting comprehensive resource mapping, establishment of resource data bank and identifying resource based opportunities in the region.
16. Integrated regional planning for sustainable utilization and management of coastal resources, based on environmental carrying capacity.
17. Development of local capacities to sustain the continuation and maintenance of integrated communal project through sensitization and training.
18. Initiation, harmonization and coordination of sectoral and community interest in the implementation of regional social economic development projects.
19. Exploration, promotion, and conservation (including surveillance) marine resources within the exclusive economic zone and other coastal resources for sustainable development.
20. Act as a clearing house for resource based integrated investments in the region.
21. Sourcing for innovations and research findings for implementation of pilot/demonstration projects for the purpose of dissemination of the technology.
22. Promotion of Public- Private Partnership (PPP) in commercial activities and community development within its area of jurisdiction.

23. Establishing mechanisms and instruments of empowering local communities to participate in regional development activities.
24. Monitoring, evaluating and documenting regional development projects and programs for the effective achievement of the set objectives.

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

Areas of Jurisdiction

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

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

CDA's area of jurisdiction covers Coast Region with an estimated area of 83,681km² spanning 6 counties listed below.

Kilifi	4,816 km ²
Malindi	8,197 km ²
Kwale	8,322 km ²
Taita -Taveta	16,556 km ²
Mombasa	282 km ²
Tana-River	38,694 km ²
Lamu	6,814 km ²
Ijara Town	19,465 km ²
Kenya's Exclusive Economic Zone (EEZ)	

(b) Key Management

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

- Managing Director
- Board of Directors

(c) Entity Headquarters

Mama Ngina Drive,
Next to UhurunaKazi Building
Mombasa, KENYA

(d) Entity Contacts

P.O.Box 1322-80100
Mombasa
Telephone :(254) 020 8009196
E-mail: cda@cda.go.ke
Website: www.cda.go.ke

(e) Entity Bankers

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

National Bank of Kenya
Portway House Branch
P.O. Box 87770 – 80100
MOMBASA

Kenya Commercial Bank
Wundanyi Branch
P.O. Box 1067 – 80304
WUNDANYI

Equity Bank
P.O.Box 381-80108
KILIFI

Kenya Commercial Bank
Treasury Square
P.O. Box 90254 – 80100
MOMBASA

Kenya Commercial Bank
Kilifi Branch
P.O. Box 528 – 80108
KILIFI

Barclays Bank
Kilifi Branch
KILIFI

(f) Independent Auditors

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

(g) Principal Legal Adviser

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

III. THE BOARD OF DIRECTORS



Chairman Appointed 17th April 2015 Gazette Notice no 2852

Hon. Suleiman Mwaronga Kamolleh

Date of Birth: 1.4.1952

Education:

M.S.C IN Economics, Augsburg University

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

Diploma in International Banking, Bordeaux University, France

Work Experience:

Deputy General Manager and PA to CEO ,Kenya Commercial Bank

Manager Marketing and Administration ,Kenya Commercial Bank

Manager Private Banking, Commercial Bank of Africa

Manager Credit Department, Citibank Munich/Athens

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

Other Experiences:

Member of Parliament Matuga Constituency, Kwale District(Member of Public Accounts Committee and Anticorruption) Member of Africa Parliamentarian Network Against Corruption)

Executive Director Engineering and Utility Management Company Limited

Director/Chairman Eastern and Southern Africa Trade and Development Bank



Ibrahim Khamis Mutwafy

Date of Birth: 28.6.1968

Education:

MBA Strategic Management JKUAT, Nairobi

BA Political Science and Languages ,UON

Diploma in Clearing and Forwarding

Work Experience:

Head of Inland Banking, Habib Bank Limited

Chairman Mvita CDF

Chairman, Board of Governors K.P

Secondary School and Shimo Old Boys

Association

Senior Vice Chairman, KFF Mombasa Sub

Branch, Patron Football Section, Mombasa

Sports Club, Chairman, Education

Committee, Imam Shafy, Muslim School



Ali Korane

Date of Birth:

Education:

MA International Studies and Diplomacy

BA International Studies and Diplomacy

MSc in Police Leadership

MBA Strategic Management

Graduate National Defence College

Work Experience:

Chairman Refugee Affairs Advisory Committee

Kenya's Special Envoy, Horn of Africa Mediation

Initiative between the Government of Ethiopia and Ogaden National Liberation Front Rebel Group.

Permanent Secretary in Ministries of Tourism,

Information, Home Affairs and Heritage Gender and

Sports. District Commissioner

Businessman(Schools, Real Estate, Construction,

Energy and Consultancy




Charles Mwemba Mwaiseghe
 Date of Birth: 1st April 1953
 Education:
 P1 Teacher, Shanzu Teachers Training College
 East Africa Certificate of Education (EACE)
 Kenya Junior Secondary Education (KJSE)
 Certificate of Primary Education
 Work Experience:
 Candidate 2013 Mwatate Parliamentary
 Seat (URP)
 Secretary, Mwatate CDF
 Career Teacher rising to Senior Approved
 Teacher
 Chairman Taita Taveta Sacco
 Branch Vice Secretary KNUT, Taita Taveta
 Branch



Mwanasaid Ntembe Makoti
 Date of Birth: 16.6.1955
 Education:
 PHD in progress, Kenyatta University
 M.Ed, Kenyatta University
 HDHRM - Higher Diploma in Human Resources
 Management
 B.Ed (Early Childhood) Kenyatta University
 Primary Teacher Certificate
 Work Experience
 Part time Lecturer, Kenyatta University, Mombasa
 Campus
 Commissioner Teachers Service Commission
 Curriculum Developer, Kenya Institute of Education
 Programme Officer, Kwale Education Office
 Divisional Assistant Primary Schools Inspectors
 District Staffing Officer

Abudi Omar Mohamed
 Date of Birth: 1963
 Education:
 PI Certificate, Meru Teachers College
 Work Experience:
 Manager, Gatewise and Island View Academy,
 Sheikh Zayed Children Centre
 Teacher, Tudor Academy
 TSC Teacher

Hirsi Sheikh Dulow
 Date of Birth: 15.12.1955
 Education:
 NYS Basic Course, Gilgil
 Basic Police Training, Administration Police
 Training College, Nairobi
 Security Leaders Training, Mbaraki Police Mombasa
 Work Experience:
 Senior Commandant Administration Police
 (SACAP)
 Provincial Commander
 Candidate, Bura Constituency Parliamentary Seat
 Police Store
 Verification, Dubai, Hongkong, China, Korea,
 Thailand

<p>Esther KacheZiro Date of Birth:15.7.1970 Education: Diploma in Community Development,Pwani University Diploma in Business Management,Pwani University Certificate in World Town Planning Certificate in Risk Management Certificate in Capacity Building Women Leadership Training Work Experience: Business Lady,Kilifi Chairperson (Town Planning Committee, Audit Committee, Education Committee,HIV/AIDS Committee) Elected Councillor</p>	<p>OttoSaukaMruttu Date of Birth:11.7.1974 Education: Professional Examinations in Architecture,Board of Registration of Architects & Quantity Surveyors Kenya,University of Nairobi Royal Institute of British Architects, South Bank University ,London, UK B.Arch(Hons) Architecture Canterbury School of Architecture, UK Lenana School ,Nairobi Work Experience: Managing Director Otto Mruttu + Partner Architects Registered Architect (No.A1023) 16 years experience. Awarded 2016 Excellence in Architecture Award Best Residential Category Awarded 2014 Excellence in Architecture Award-Best Ongoing Project Category Member TaitaTaveta County Land Management Board</p>
 <p>Mrs. Constance Kalela Board member since 2011 to 30th November,2016 Date of Birth: 9.11.1960 Education B.A Economics, Delhi University India Certificate in Marketing, University of Bristol,UK Work Experience Director Tokeo Consultant Agency Project Manager Kwetu Training Centre, Bombolulu Workshop for the Handicapped Mombasa Sales Representative, Africa Safaris/Budget Rent a Car, American Airlines Activities: Corporate Governance Training for Directors Market Readiness –New York</p>	<p>Mr .JoashA.Ogonyo Alternate Director Ministry of Environment and Natural Resources</p>

<p>Mr.DavidJakaiti Ministry of Water and Irrigation State Department of Water Service Alternate Director</p>	<p>Justin Muriuki Alternate Director Ministry Of Agriculture, Livestock And Fisheries</p>
<p>Mr Sammy MungaNyagah The National Government Coordinator-Coast Region</p>	 <p>Ms Lillian Ayimba Alternate Director Ministry of East Africa Affairs Cooperation, Commerce and Tourism</p>
<p>KariukiKimemia Alternate Director The National Treasury</p>	

IV. MANAGEMENT TEAM



Dr. Mohamed Keinan Hassan (OGW)

Managing Director

Date of Birth: 1964

Appointed 13th May, 2016

Education:

Doctorate of Philosophy- Project Management, JKUAT(On going)

M.Sc Project Planning and Management, JKUAT

Post Graduate Certificate-Enhancing Food Security in Africa, Murdoch University

B. in Vet Medicine, University of Nairobi

Dip. Animal Health, Egerton University

Certificate Animal Health, AHITIKabete

Strategic Leadership development Program-

Kenya School of Government, Kabete

Senior Management Course-Kenya School of

Government, Kabete

Work Experience

Kwale County Drought Management

Coordinator-National Drought Management

Authority

Drought Management Officer, Kwale – Ministry

of State for Development of Northern Kenya and

Other Arid Lands – Arid Lands Resource

Management Project.

Drought Management Officer, Kwale – Office of

the president, Arid Lands Resource Management

Project.

Support to Local Development Officer, Garissa –

Office of the President, Arid Lands Resource

Management Project.

District Veterinary Officer, Immediate supervisor

– Ministry of Agriculture and Rural Development

Project Coordinator – Pastoral Recovery

Program-North Eastern Province – Ministry of

Agriculture & Rural Development.

Project Coordinator – Ministry of Agriculture and

Rural Development.

District Veterinary Officer – Ministry of

Agriculture and Rural Development.

District Veterinary Officer – Ministry of



Mrs. Josephine M. Rondo, HSC

Ag Managing Director 21st Feb -2nd Jun 2016

Chief Manager Research Planning And

Technical

Date of Birth: 1957

Education:

Phd Business Administration-Strategic

Management, JKUAT(On Going)

M.Economics, University of

Calgary, Alberta, Canada

B.A Economics, University of Nairobi

Certificate Organization and Management of

Income Generating Projects, District Focus

Strategy for Rural Development

Work Experience:

Chief Manager, Research, Planning and Technical

Services-, Planning and Development Manager,

Senior Economist/Senior

Planner, Tender Committee Chairperson Coast

Development Authority

Trustee Staff Retirement Scheme

Part Time Lecturer Moi University Coast

Campus

Kilifi District Programme Officer-Ministry of

Planning and National Development

Provincial Planning Assistant, Coast Provincial

Planning Office

Planning Officer/Economist, Ministry of

Environment and Natural Resources

Received Head of State Commendation for

Coordinating the Malindi Integrated Social

Health Development Programme-Project funded

by the Italian Government

Function:

Plan, direct and coordinate product research and

development activities, designs and develops new

or existing projects/products

Suggest process improvements

Agriculture and Livestock Development
Livestock Officer – Ministry of Agriculture and
Livestock Development

Membership

Member of Kenya Veterinary Association
Member of Kenya Veterinary Board (Veterinary
Surgeons)

Function:

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

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

Dispose of all questions relating to the service of
the officers and servants of the Authority and
their pay and privileges.



Mr.FentusMng'ong'o

**Ag .Chief Manager
BusinessDevelopment/Marketing**

Date of Birth:4.1.1958

Education:

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

Work Experience:

Agricultural Economic Specialist on agrarian
agricultural development in Developing countries
Ag. Chief Manager, Business Development &
Investment Promotion, Manager Natural ,
Technical Manager, Acting Deputy Managing
Director, Planning Officer , Coast Development
Authority

Research Associate – Egerton University
Planning Officer, Ministry of Agriculture
Freight Marketing Assistant: Mitchells



Ms.MarySalamaDindi

Ag.Chief Manager,Finance And Accounting

Date of Birth:14.8.1983

Education:

MBA, Strategic Management ongoing
B.Com Accounting, Kenyatta University Nairobi
ACCA Part 11

Work Experience:

Served in various capacities within the Authority
Currently Chief Manager Finance and Accounts
Member Tender Committee
Senior Accountant-Management Accounting
KCDP Project Accountant(World Bank Project)
Project Coordinator,Coral Block
Accountant 11
Management Trainee

Function:

Develop and maintain book of accounts, propose

Cotts(Shipping Division) Kenya Limited
 Secretary to the Palm Products Working Group (PPWG)
 Alternate Director, Ministry of Regional Development Authorities at the Board of Directors Kenya Coconut Development Authority
 Vice Chairman ,Coast Sisal Development Stakeholders Forum
 Chairman – Palm Products Working Group (CBO)

Function:

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

and implements controls in accounting. Prepare financial reports and budgets. Supervise payments, sales revenue and credit control.



Ms.EdelFuchaka

Manager, Legal Services

Date of Birth:1.7.1975

Education:

B.LLB Hons,Moi University

Post Graduate Diploma, Kenya School of Law

Work Experience:

Legal Manager, Coast Development Authority

Sichale And Co Advocates,E.Fuchaka and Co Advocates

Function:

Prepare legal opinions and advice on general issues, receive summons, review relevant files, prepare suitable instructions to external lawyers
 Custodian of statutory documents

V. CHAIRMAN'S STATEMENT

Introduction

The Coast Development Authority is a State Corporation established by an Act of Parliament No. 20 of 1990 (Cap 449), revised in 1992 with the mandate to provide integrated development planning, coordination and implementation of projects and programmes within the whole of Coast region, including the southern part of Garissa County and the Kenya's Exclusive Economic Zone (EEZ) and for connected purposes. The CDA area of jurisdiction covers 103,326 km² and the EEZ (200 Nautical Miles of the Indian Ocean). The Coast region is well endowed with natural resources. The resources include the ocean, rivers, springs lakes, deltas, water catchments, hills and rangelands, marine resources (fisheries, corals), tree crops (cashewnuts, coconuts, mangoes, bixa), forestry (mangroves), minerals (gemstones), wildlife and diverse cultures, CDA has been employing a participatory and integrated development approaches for sustainable utilization of the natural resources for the region's economic development.

Functions

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

Governance and Board Changes

The Board is responsible for setting the right tone from the top and ensuring the governance structure is in place to ensure the Authority is able to deliver its programmes as per the Authority's mandate and in line with the Strategic Plan. The Board operates in line with Mwongozo which outlines the Code of Conduct for the Board.

During the year Constance Kalela's term as Board Member expired. Otto Mruttu was appointed as her replacement on 12th September, 2015. The Board is committed in the successful execution of the Authority's mandate.

Management Changes

Dr. Mohamed Keinan Hassan, OGW was appointed as Managing Director on 13th May 2016. He took over the mantle from Ms Josephine Mshai Rondo who had been on acting capacity from 21st February, 2016. Mr. James Kahindi Mangi the former Managing Director's term expired on 14th February, 2016. The Board wishes success to Dr. Mohamed Keinan Hassan, OGW and commit to support him as he undertakes the task of turning around the Authority.

Authority's Performance and Achievements

2015/2016 was a challenging year for the Authority. In February the staff of the Authority went on strike due to delayed salary as a result of recurrent underfunding and delayed recurrent disbursement. The Board was forced to convene an extraordinary crisis meeting to address the strike and resolve emerging issues from the staff strike. The Board resolved to appoint. An Adhoc Committee of the Board chaired by Mr Ibrahim Mutwafy was constituted to investigate the staff grievances.

The Board has been forced to work overtime to promote positivity and remove the uncertainty and low staff morale brought about by the staff strike.

Despite of these challenges the Board was involved in negotiations for financing of various projects under the PPP arrangement. The Authority managed to sign MOUs for financing the Lake ChallaMwakitau Integrated Water Project with Stefannuti Stocks of South Africa and with China Energy Engineering Group Northeast for the Samburu Solar Power Project. The Mwache Multipurpose Dam and the Kenya Climate Change Adaptation Projects are also on course after the funds from the World Bank and Adaptation Funds respectively was received for implementation of the two projects.

Conclusion

In conclusion, we sincerely believe that the future of Regional Development Authorities is bright as the Government has recognized the complementary and not duplicative role of these institutions in development. With this renewed confidence by the Government on this institution. We look forward to more support from the Government and other development agencies so that we can serve our people even better in the future.

Personal Thanks

I would like to take this opportunity again to thank the Board of Directors, Management and Staff of CDA for their tireless effort and dedication in serving all coastal people and indeed indirectly all Kenyans despite the challenges experienced in 2016.



Ibrahim K Mutwafy
FOR:CHAIRMAN

VI. REPORT OF THE CHIEF EXECUTIVE OFFICER

Overview

The past year was a challenging year for the Authority. Despite the Challenges in 2015/16, we continued with the implementation of 2013 -2017 Strategic Plan whose programmes and projects are anchored on Vision 2030 and Medium Term Plan II. Resource mobilisation was a particular focus in this financial year. Several concept papers were developed and resource mobilisation is underway from Government, Development Partners under Public Private Partnership Framework.

Sourcing for funds has been a continuous effort and currently Steffanuti Stocks of South Africashowed interest to undertake the implementation of the Lake Challa/Mwakitau project through the PPP arrangement. The project implementation of the Mwache Multi-Purpose Dam Development Project started this financial year after the World Bank released the funds and the Programme Management Unit (PMU) and the Programme Implementation Unit (PIU) was established. The project will benefit residents of Kwale and Mombasa 12,000 acres of land will be developed for irrigation 186, 000 m³ of water per day will be provided for domestic and livestock to both Kwale and Mombasa Counties.

The Kenya Coastal Development Programme (KCDP) supports Small and Micro Enterprises (SMEs) access business development services for improved economic well-being. The implementation for the project funded by the World Bank is on course. Under the conservation and Environment Management, the Authority received funding from Adaptation Fund for the Kenya Climate Change Adaptation Programme. The conception workshop was held in June, 2016.

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

The Authority maintained its ISO 9001:2008 certification on information management systems. This gives us confidence that our management systems, products and services are recognized globally. The ISO audits confirm we have maintained and continuously improved the required standards.

Performance Contracting

The Authority is on performance contracting. In this Financial year, the Authority achieved a score of 2.89 (Very Good). The performance contracting has been cascaded to all members of staff. The object of this is to improve performance of the organization.

Human Resources Development

Four staff members are in the process of completing their Master programmes in various programmes. These scholarships were funded by the Kenya Coastal Development Programme.

Financial Status

The funds are provided through the budgetary process as guided by the National Treasury. However, the Authority has been under funded in recent years resulting in to accumulation of pending bills. The budgetary allocation for both development and recurrent have always fallen short of the CDA's requirement. The Authority's monthly wage bill stands at approximately Kshs.10 million which translates to Kshs.120 million annually against the recurrent allocation of Kshs.57 million resulting in shortfall of Kshs.63 million annually

The other recurrent expenditure such as staff medical utilities, board meetings, staff training, provision for pending bills are not able to be accommodated by the funds allocated.

The AIA raised by the Authority is aimed at increasing the financial base of the Authority is not adequate to bridge the shortfall. Most of the payments are long overdue and some suppliers have issued demand notices. In April this year the Kenya Revenue Authority issued an Agency Notice against the Authority for the outstanding PAYE. Non remittance of pension deductions has affected interest earnings on member's balances. All this is due to inadequate recurrent allocations from the Exchequer. The Management has engaged the Board, our parent Ministry and the National Treasury to review the recurrent allocation and clear the pending bills.

Outlook

Our goal for 2016/2017 is to attract funding for major projects such as Free Trade Port, Samburu Solar Power and Lake Challa/Mwakitau Integrated Water Project.

Appreciation

I would like to express appreciation to the Board for giving me this opportunity to work with the Authority and value their valuable input and wise counsel. I also extend appreciation to the management and employees of the Authority for their effort and commitment during the past year despite of the challenges.



Dr. Mohammed Keinan Hassan
MANAGING DIRECTOR

VII. CORPORATE GOVERNANCE STATEMENT

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

Board of Directors

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

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

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

Code of Ethics

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

Communication with the Government

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

Directors Emoluments

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

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

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

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

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

IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2016 which show the state of the Authority affairs.

Principal activities

The principal activities of the entity continue to be

- Mwache Multipurpose Dam Development Project
- Lake Challa Water Resources Project
- Integrated Water and Coastal Management Project (Adaptation to climate change)
- Integrated Community Water Supply (Water pans, dams and boreholes)
- Kenya Coastal Development Programme
- Integrated Fruit Processing Plant Project
- CDA Honey Refinery Plant Project
- Integrated Community Development Projects (Slates Value Addition Project, Coral Blocks Cutting, Ballast Promotion)
- Wundanyi Milk Planning Project
- Dry Port
- Integrated Livestock improvement
- Boji Irrigation Scheme

Results

The results of the entity for the year ended June 30, 2016 are set out on page 23-27

Directors

The members of the Board of Directors who served during the year are shown on page 6-9

In accordance with Cap 449 sub section 4:2-3 the non-official members shall hold office for a period of three years from dates of their respective appointments. A retiring member shall be eligible for appointment. During the year Constance Kalela's term expired.

Committees of the Board

The Board has three standing committees,

- a) **Audit Committee**
The Audit committee is comprised of 7 members. The committee responsibility includes review of financial statements, compliance with accounting standards and maintain oversight on internal controls. The Authority's internal auditor attends all meetings of the committee.
- b) **Finance and Establishment Committee**
The Finance and Establishment comprises of 7 members who met twice during the year. The committee is responsible for reviewing of financial statements, compliance with accounting standards, approval of Budgets/Work plans, procurement plans and its adherence to set out budgetary levels. The committee also monitors and appraises the performance of senior management staff.

c) Research and Planning Committee

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

Auditors

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

On behalf of the Board



.....
For: Chairman of the Board

Date: 30/11/2016

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The Directors accept responsibility for the Authority financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards –Accrual (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Authority financial statements give a true and fair view of the Authority transactions during the financial year ended June 30, 2016, and of the Authority financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

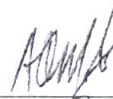
The Authority financial statements were approved by the Board on 30/11 2016 and signed on its behalf by:



For: Chairman, Board of Directors



Director



Director

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Coast Development Authority set out on pages 23 to 50 which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of the budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement

Report of the Auditor-General on the Financial Statements of Coast Development Authority for the year ended 30 June 2016

of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. Going Concern

As reported previously, the Authority reported a deficit of Kshs.90,055,391 for the year ended 30 June 2016 (2014/2015 loss of Kshs.157,469,870), leading to an accumulated loss of Kshs.745,397,423 (2014/2015 Kshs.669,800,676). Further scrutiny of the financial statements revealed that current assets amounting to Kshs.79,004,427, exceeded current liabilities of Kshs.148,823,548 resulting in negative working capital of Kshs.69,819,121. If strategies are not put in place to reverse the trend, the Authority may face challenges in settling its financial obligations as and when they fall due.

The Authority's financial position is therefore precarious and its existence depends on continued support from Government, creditors and bankers.

2. Compensation of Employees

The statement of receipts and payments for the financial year ended 30 June 2016 reflects employees' cost of Kshs.129,153,256. However, the amount budgeted for compensation of employees for the year under review was Kshs.58,000,000, thus resulting in an over-expenditure of Kshs.71,153,256. The management has not provided satisfactory explanation for the excess expenditure of Kshs.71,153,256 and further for the over-expenditure has not been availed for audit review.

Consequently, the validity and legality of the expenditure of Kshs.71,153,256 on employees' cost for the year ended 30 June 2016 cannot be confirmed.

3. Trade and Other Payables from Exchange Transactions

As previously reported, trade and other payables from exchange transactions balance of Kshs.39,175,235 as at 30 June 2016 (2014/2015 Kshs.35,841,091) includes creditors amounting to Kshs.27,693,217 which have been outstanding for more than three years. It is not clear why the Authority is unable to pay these

creditors. Further the Authority has no creditors' policy to enable it make reasonable and timely decisions on creditors. Also, included in the balance of Kshs.39,175,235 is an amount of Kshs.6,303,500 in respect of a balance on purchase of land. However no sales agreement was availed for audit to confirm the authenticity of the amount in question.

Consequently, the accuracy and completeness of the balance of trade and other payables from exchange transactions of Kshs.39,175,235 as at 30 June 2016 cannot be confirmed.

4. Trade and Other Payables from Non-Exchange Transactions

Included in Note 23 to the financial statements is trade and other payables from non-exchange transactions amount of Kshs.22,206,931. However, included in this figure is Value-Added Tax (VAT) amount of Kshs.9,068,280. As previously reported, the Authority is registered for VAT and is supposed to make monthly returns to the Kenya Revenue Authority on all input and output tax incurred or charged by the Authority. The Authority consistently charged VAT on most of its sales and also paid VAT on most of the purchases/expenditure but there was no evidence availed for audit to confirm that management completed and submitted monthly VAT returns filled as required by the Law. No provisions to cover possible penalties that may be levied by the Kenya Revenue Authority have been incorporated in these financial statements.

Consequently, the Authority is in breach of the law and the accuracy and completeness of the VAT amount of Kshs.9,068,280 for the year ended 30 June 2016 cannot be confirmed.

5. Employee Benefit Obligations

Included in the statement of financial position under Note 24 to the financial statements are employee benefit obligations of Kshs.87,441,382 outstanding as at 30 June 2016. These included Pay As You Earn (PAYE) tax of Kshs.44,115,731 owed to Kenya Revenue Authority. The audit revealed that the Authority did not remit PAYE of Kshs.44,115,731 deductions during the year under review. However, the possible penalties that may be levied by Kenya Revenue Authority have not been incorporated in these financial statements.

Consequently, the Authority is in breach of the law.

6. Pension

Included under Note 24 to the financial statements are employee benefits obligations of Kshs.87,441,382 as at 30 June 2016 which include unremitted staff pension contributions amounting to Kshs.32,293,673. However, penalties for non-compliance have not been accrued in these financial statements.

In the circumstances, the Authority is in breach of the law and it has not been possible to confirm that the employees benefit obligations balance of Kshs.87,441,382 as at 30 June 2016 is fairly stated.

7. Property Plant and Equipment

As reported in previous years, property, plant and equipment balance of Kshs.377,242,949 as at 30 June 2016 (2014/2015 – Kshs.203,775,626) excludes the aggregate value of nine (9) parcels of land located in Kwale, Kilifi, Taita/Taveta and Tana-River counties. The lands are yet to be surveyed as the Authority has not settled the survey fees due. Further, the Authority only has allotment letters on some of the parcels as proof of ownership. Also, the land rates payable on the lands have not been determined and provided for in the financial statements.

In addition, included under Note 8 to the financial statements is a depreciation account balance of Kshs.15,477,854 for the year under review, which sum however, differs from the recalculated depreciation figure of Kshs.25,918,540 resulting in an unexplained variance of Kshs.10,440,686 between the two balances.

Consequently, the accuracy and completeness of the carrying values of property, plant and equipment totaling Kshs.377,242,949 as at 30 June 2016 cannot be confirmed.

8. Receivables from Non-Exchange Transactions

8.1 Long Outstanding Imprests

As reported in previous years, receivables from non-exchange transactions balance of Kshs.48,784,651 as at 30 June 2016 as detailed in Note 17 to the financial statements (2014/2015- Kshs.60,170,144) includes an amount of Kshs.38,008,403 (2014/2015 - Kshs.49,026,318) in respect of outstanding imprests due from employees. The whole amount of the imprests were as at 30 June 2016, outstanding for more than six (6) months. The imprests were not accounted for in line with Section 92(5) of the Public Finance Management Regulations 2015, which requires that a holder of a temporary imprest to account or surrender the imprest within 7 working days after returning to the duty station. Also, included in the balance of outstanding imprests of Kshs.38,008,403 are multiple imprests amounting to Kshs.19,597,616, held by ten (10) staff contrary to Section 93 (4) of the Public Finance Management Regulations, 2015 which states that the applicant to an imprest must ensure that there is no outstanding imprest and that the Accounting Officer or AIE Holder shall ensure that no second imprest is issued to any officer before the first imprest is surrendered or recovered in full. Further, records indicated that imprests totalling Kshs.10,145,044.37 were owed by eleven (11) former staff of the Authority. No explanation has been provided as to why these former employees were cleared from employment before they surrendered the imprests.

As a result of these anomalies, the accuracy, propriety and validity of the outstanding imprests of Kshs.38,008,403 as at 30 June 2016 cannot be ascertained.

8.2 Other Debts

Also, as previously reported, receivables from non-exchange transactions include an amount of Kshs.123,734 advanced to other Regional Development Authorities and which has been outstanding for more than five years. No documentary evidence has been availed for audit review to show how the lending was done and the terms and conditions for the lending. Also, an analysis of other advances amounting to Kshs.277,274 has not been provided for audit review.

Under the circumstances, the accuracy and validity of the receivables from non-exchange transactions balance of Kshs.401,008 as at 30 June 2016 cannot be confirmed.

9. Service Deposits

As previously reported, included in the receivables from exchange transactions balance of Kshs.8,773,043 and as detailed in Note 16 to the financial statements as at 30 June 2016 and is a service deposit of Kshs.221,250, being advance payment for purchase of computers in the year 2009/2010. Review of the status during the audit review indicated that the computers were not received during the year under review. Available information indicates that the supplier has since closed down business.

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

10. Project Expenses

Note 10 to the financial statements for the year ended 30 June 2016 reflects project expenses balance of Kshs.45,808,738. However, the schedules availed for audit review indicated an amount of Kshs.47,463,898, resulting in an unexplained variance of Kshs.1,655,160. In addition, budgets for the projects were and not availed for audit and as a result it was not clear how the funds were allocated to the projects. Further, Note 6 to the financial statements reflects other income of Kshs.31,344,546 which directly relates to these projects. There was therefore a net outflow of resources from the projects of Kshs.16,119,352. This brings into question the viability and sustainability of the projects. Further, requisition and approval for the recruitment of casual workers at a cost of Kshs.11,970,437 and which costs are included in the project expenses were not availed for audit review.

In consequence, the accuracy, validity and propriety of the projects expenditure of Kshs.45,808,738 for the year ended 30 June 2016 could not be ascertained.

11. Audit Fees

Included in trade and other payables from exchange transactions balance of Kshs.39,175,235 as at 30 June 2016 is an audit fees payable balance of Kshs.1,429,360 owed to the Office of the Auditor-General. However, this amount has not been disclosed separately in the financial statements and further, has been outstanding since the 2013/2014 financial year.

12. Community Projects

Note 18 to the financial statements reflects community projects/work-in-progress balance of Kshs.561,887,759. However, analysis of these items/projects indicate that some of them have been outstanding for over three (3) years. Management has not explained the reasons why projects totaling Kshs.79,531,920 have not recorded any movement at over the years and why they have not been handed over to the communities they were intended to benefit. Further, as most of the projects take more than one year to complete, they have been wrongly classified under current assets, rather than under property, plant and equipment as prescribed under the International Public Sector Accounting Standards 1.

Consequently, the accuracy, validity and completeness of the community projects balance of Kshs.561,887,759 as at 30 June 2016 cannot be ascertained.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Coast Development Authority as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Coast Development Authority Act, Cap 449 of the Laws of Kenya.



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

Nairobi

08 June 2017

**XII. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2016**

INCOME		2015/2016	2014/2015
	NOTES	Ksh	Ksh
Revenue from non-exchange transactions			
Public contributions and donations	3	38,665,276	8,700,000
Transfers from other governments – gifts and services-in-kind	4	80,495,019	57,942,460
		-	-
		119,160,295	66,642,460
Revenue from exchange transactions			
Finance income - external investments	5	84,729	26,130
Other income	6	31,344,546	50,380,669
		31,429,275	50,406,798
Total Revenue		150,589,570	117,049,258
Expenses			
Employee costs	7	129,153,256	136,358,395
Depreciation and amortization expense	8	15,477,854	20,455,692
Board Expenses	9	9,399,705	3,470,772
Project Expenses	10	45,808,738	78,391,073
Repairs and maintenance	11	3,754,501	4,960,417
Grants and subsidies	12	22,772,321	18,447,596
General expenses	13	13,507,663	11,976,832
Finance costs	14	770,923	458,351
Total expenses		240,644,961	274,519,129
Other gains/(losses)		-	-
Deficit before tax		(90,055,391)	(157,469,870)
Taxation		-	-
Deficit for the period		(90,055,391)	(157,469,870)
Attributable to:			
Deficit attributable to minority interest		-	-
Deficit attributable to owners of the controlling entity		(90,055,391)	(157,469,870)

The notes set out on pages 28 to 45 form an integral part of the Financial Statements.

XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	NOTES	2015/2016	2014/15
		Kshs	Kshs
Current Assets			
Cash and cash equivalents	15	21,446,733	19,233,069
Receivables from exchange transactions	16	8,773,043	7,181,358
Receivables from non-exchange transactions	17	48,784,651	60,170,144
Current portion of long-term receivables from		-	-
exchange transactions		-	-
Community Projects	18	561,887,759	540,161,329
Inventories	19	1,634,360	2,867,201
		642,526,546	630,958,593
Non-Current Assets			
Property, plant and equipment	26	377,242,949	203,775,626
Biological Assets	20	1,284,000	2,476,500
Investments	21	8,195,988	8,195,988
		386,722,937	214,448,114
Total Assets		1,029,249,483	845,406,707
Liabilities			
Trade and other payables from exchange transactions	22	39,175,235	35,841,091
Trade and other payables from Non exchange transactions	23	22,206,931	21,166,917
Refundable deposits from customers		-	-
Employee benefit obligation	24	87,441,382	105,433,155
Taxation		-	-
		148,823,548	162,441,164
Non-Current Liabilities			
Non-current employee benefit obligation	25	5,309,807	4,497,927
		5,309,807	4,497,927
Total Liabilities		154,133,354	168,284,582
Net Assets		875,116,129	677,122,125
Development Grants		1,327,257,237	1,237,257,237
Reserves		292,896,314	109,665,564
Accumulated Surplus		(745,397,423)	(669,800,676)
Minority Interest		-	-
Total Net Assets and Liabilities		1,029,249,483	845,406,707

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

Managing Director

For: Chairman of the Board

Date: 30/11/2016

Date: 30/11/2016

XIV.STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016**Attributable to the owners of the controlling entity**

	Development Grants	Revaluation Reserves	Accumulated Deficit	Total
	Kshs.	Kshs.	Kshs.	Kshs
As at 30 June 2014	1,030,825,570	101,522,314	(504,807,593)	627,540,291
Net Deficit For The year	-	-	(157,469,870)	(157,469,870)
Net GoK grants				
Transfer to /Accumulated deficit	-	8,143,250	(7,523,213)	620,037
Completed Community Projects	206,431,667	-	-	206,431,667
Balance as at 30th June 2015	1,237,257,237	109,665,564	669,800,676	677,122,125
Net Deficit for the period	-	-	(90,055,391)	(90,055,391)
Transfers to/from Accumulated Deficit	-	-	14,818,644	14,818,644
Net GoK grants	90,360,000	-	-	90,360,000
Deprecation on Revalued assets	-	(4,839,250)	-	(4,839,250)
Revaluation for the year	-	188,070,000	-	188,070,000
Balance as at 30 June 2016	1,327,617,237	292,896,314	(743,525,341)	875,116,129

**XV. STATEMENT OF CASHFLOWS
AS AT JUNE 2016**

	Notes	2015/16	2014/15
		Ksh	Ksh
Deficit for the period		(90,055,391)	(157,469,870)
Adjustment for			
Depreciation		15,477,854	20,455,692
Increase/Decrease in provision for bad debts		-	60,105
Decrease in reserves		9,319,859	(7,643,384)
Cash flow from operating activities before working capital changes		(65,257,678)	(144,597,457)
Increase/Decrease in Inventory		1,232,841	1,136,644
Increase/Decrease in debtors Receivables Exchange		(1,591,685)	(914,991)
Increase/Decrease in debtors Non Exchange		11,385,493	(13,857,100)
Increase/Decrease in prepayments		-	-
Increase/Decrease in creditors		3,334,144	13,520,275
Increase/Decrease in Trade payable - Non Exchange		1,040,014	(178,956)
Increase in Employee Obligations		(17,179,893)	24,868,916
Net cash flow from operating activities		(67,036,764)	(120,022,669)
Cash flow from investment Activities			
Purchase of fixed assets		(575,641)	(23,045,968)
Increase/decrease in work in progress		(21,726,430)	(94,365,117)
Purchase of Biological assets(Write off)		1,192,500	(950,200)
Increase in investments		-	-
Net cash flow from investing activities		(21,109,572)	(118,361,285)
Cash flow from financing Activities			
Development Grants		90,360,000	206,431,667
Net cash flow from financing activities		90,360,000	206,431,667
Cash and cash equivalent generated in the year		2,213,664	(31,952,286)
Cash and cash equivalent at the beginning of the year		19,233,069	51,185,355
Cash and cash equivalent at the end of the year		21,446,733	19,233,069

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original Budget Kshs '000	Adjustments Kshs '000	Final Budget Kshs '000	Actual on Comparable Basis Kshs '000	Performance Difference Kshs '000
Revenue					
Property Taxes	-	-	-	-	-
Public Contributions and Donations	83,000	-	83,000	39,000	(44,000)
Government Grants and Subsidies	158,000	(10,000)	148,000	171,000	23,000
Sale of Goods	50,000	-	50,000	31,000	(20,000)
Finance Income	-	-	-	1,000	1,000
Total Income	291,000	(10,000)	281,000	242,000	(40,000)
Expenses					
Compensation of Employees	58,000	-	58,000	129,000	71,000
Goods and Services	50,000	-	50,000	89,000	39,000
Finance Cost	-	-	-	1,000	1,000
Rent Paid	-	-	-	-	-
Taxation Paid	-	-	-	-	-
Other Payments	100,000	-	100,000	90,000	(10,000)
Grants and Subsidies Paid	83,000	-	83,000	23,000	(60,000)
Total Expenditure	291,000	-	291,000	332,000	41,000
Deficit for the Period	-	(10,000)	(10,000)	(90,000)	(80,000)

XVII. NOTES TO THE FINANCIAL STATEMENTS

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

(i) The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. Previously the financial statements had been prepared in accordance with International Financial Reporting Standards (IFRS)

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

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Transfers from other government entities

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

ii) Revenue from exchange transactions – IPSAS 9

Sale of goods

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

Interest income

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

b) Budget information – IPSAS 24

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

Sales tax

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

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

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

e) Property, plant and equipment – IPSAS 17

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

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

g) Intangible assets – IPSAS 31

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

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

h) Financial instruments – IPSAS 29

Financial assets

Initial recognition and measurement

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

Held-to-maturity

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

i) Inventories – IPSAS 12

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

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

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

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

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

j) Provisions – IPSAS 19

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

Contingent liabilities

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

The entity has an ongoing legal suit in court pending judgement. HCCC401/2008 Kithimba and Associates Consulting Engineers VS CDA and Attorney General. Dispute Amount Ksh 6,759,000. The Authority has settled part of the outstanding amount. Balance payable is Ksh 2,500,000.

Contingent assets

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

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

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. Entity to state the reserves maintained and appropriate policies adopted.
The entity has not made any reserve in the current financial year.

l) Changes in accounting policies and estimates – IPSAS 3

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

m) Employee benefits – IPSAS 25

Retirement benefit plans

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

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

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

Scheme Administrator:
Fund Manager:

Liaison Insurance Brokers Company Limited
Insurance Company of East Africa Ltd.

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

Total number of Staff as at 30th June 2016 was 141

p) Related parties – IPSAS 20

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

r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

s) Comparative figures

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

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

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

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Depreciation Method

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

Revaluation

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

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus.

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 25.

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

u) Subsequent events – IPSAS 14

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

3. Public Contributions and Donations

	2015/16	2014/15
	Ksh	Ksh
Current Year Receipts		
Kenya Coastal Development Programme (KCDP)	25,614,401	8,700,000
Kenya Climate Change Adaptation Program (KCCAP)	13,050,875	-
Total	38,665,276	8,700,000
Reconciliation of Public Contributions and Donations		
	Ksh	Ksh
Balance unspent at beginning of the Year	198,181	5,762,440
Current Year Receipts	38,665,276	8,700,000
Conditions met transferred to revenue	(22,237,878)	(14,264,259)
Conditions to be met remain liabilities	16,625,579	198,181

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

4. Transfers from other Governments – Gifts and services in kind

	2015/16	2014/15
	Ksh	Ksh
Unconditional Grants		
Operational Grants	80,495,019	57,942,460
Other	-	-
Total Government Grants and Subsidies	80,495,019	57,942,460

These are grants given by the government for recurrent expenditures.

5. Finance Income –External Investments

	2015/16	2014/15
	Ksh	Ksh
Cash Investments and Fixed Deposits	84,729	26,130
Total Finance Income –External Investments	84,729	26,130

The finance income is income earned from the fixed deposit

6. Other Income

	2015/16	2014/15
	Ksh	Ksh
Appropriation in Aid (AIA)	29,727	2,300
Wananchi Cottages	7,751,968	10,832,287
Coral Block	19,784,474	30,228,034
Magalana /Slates	545,203	1,489,631
Fruit Processing	575,812	2,764,750
Cultural Village	2,135,236	3,550,714
Water Boozer	67,782	931,250
Rent Income	55,500	-
Other incomes	398,844	1,446,115
Production	-	(864,412)
Total	31,344,546	50,380,669

Income earned from income generating projects initiated by the Authority.

7. Employee Costs

	2015/16	2014/15
	Ksh	Ksh
Group Life Policy Insurance	715,439	159,918
Group Personal Accident	-	284,096
Medical	7,765,053	3,495,259
NSSF Expenses	357,800	493,200
Pension 15%	7,839,464	9,878,184
Pension Trustee	-	271,945
Personal Emoluments CDA Main	110,234,420	119,022,313
Training	697,106	168,300
Travelling & Accommodation CDA	1,395,921	912,039
Wages	103,371	1,272,137
Work Men Compensation	-	401,004
Funeral cost	44,682	-
Total Employee Costs	129,153,256	136,358,395

8. Depreciation

	2015/16	2014/15
	Ksh	Ksh
Property, Plant and Equipment	15,477,854	20,455,692
Total Depreciation and Amortization	15,477,854	20,455,692

9. Board Expenses

	2015/16	2014/15
	Ksh	Ksh
Board Expenses	9,399,705	3,470,772
Total Board Expenses	9,399,705	3,470,772

10. Project Expenses (Income Generating)

	2015/16	2014/15
	Ksh	Ksh
CDA Cultural Centre	3,047,568	3,774,161
CDA Wananchi Cottages	7,516,019	7,643,311
Slates/Magalana Restaurant	1,180,707	4,250,974
Coral Block	25,142,078	42,030,201
Fishing Project	372,667	4,937,011
Integrated Hola Plant	5,581,754	13,520,367
Chakama	1,552,480	686,135
Shimoni	54,350	225,040
Samburu Ranch	801,631	793,933
Water Boozer Expenses	-	529,940
Production	559,484	-
Total Project Expenses	45,808,738	78,391,073

11. Repairs and Maintenance

	2015/16	2014/15
	Ksh	Ksh
Building Maintenance	277,314	50,540
Office Equipment	75,592	-
Motor Vehicle Maintenance	3,251,201	4,592,363
Computer Maintenance	150,394	317,514
Total	3,754,501	4,960,417

12. Grants and Subsidies (Donor Funded Project Expenses)

	2015/16	2014/15
	Ksh	Ksh
Kenya Coastal Development Project (KCDP) Expenses	19,251,330	15,219,894
Malindi Integrated Social Health Development Program(MISHDP)	1,428,150	3,227,703
PPS Expenses :Coconut Field Day Practices	-	-
Kenya Climate Change Adaptation Project (KCCAP)	2,092,840	-
Total Grant and Subsidies	2,092,840	18,447,596

13. General Expenses

	2015/16	2014/15
	Ksh	Ksh
Administration Costs	1,643,647	3,286,406
KRA Penalty	-	145,000
Licenses For Depots	-	130,100
Electricity And Water	523,005	403,650
Entertainment	-	285,051
Internet	539,700	1,263,240
Postage	45,978	6,960
Stationery	684,132	106,175
Telephone Exp	164,000	1,120,301
Advertising And Publicity	-	742,794
Insurance	1,705,251	3,333,563
Legal & Professional Charges	6,102,449	472,740
Rent & Rates	-	154,570
Transport & Operation	940,906	526,282
Public Private Partnership (PPP)	991,505	-
General Office Supplies	167,089	-
Total General Office Expenses	13,507,663	11,976,832

14. Finance Costs

	2015/16	2014/15
	Ksh	Ksh
Bank Charges	156,123	458,351
Audit Fee	614,800	-
Total Finance Costs	770,923	458,351

15. Cash and Cash Equivalents

	2015/16	2014/15
	Ksh	Ksh
Barclays Coral Block	20,689	1,577,803
Barclays Coral Block B	15,740	(178,071)
Barclays Wananchi Cottages	6,650	15,264
Cash A/C Fruit Processing Plant	-	30,410
Cash A/C Magalana Restaurant	-	1,340
Cash A/C Slates Factory	-	3,990
Cash Account-Wananchi Cottages	7,180	3,230
Cash Account Coral Block	129,560	548,975
Cash Account Cultural Village	1,310	4,120
Cash Account Coral B	-	200
Cash Account FFS	250	250
Cash KaziKwaVijana	1	1
Cash Account KCDP	850	-
Equity Kilifi	152,751	190,722
KCB Kenya Climate Change Adapt	10,848,134	5,520
KCB Main Account	5,520	5,520
KCBTrySq Farms	13,609	1,005,422
NBK-MalindiIntegrated Project	128,478	780,789
NBK EEZ Project	329,267	121,922
NBK FFSs	77,046	77,946
NBK FFS RH	40,225	7,687,215
NBK Main Account	3,789,628	4,315,562
Standard Chartered KCDP	5,777,445	198,181
Fixed Deposit A/C	-	4,000,000
Petty Cash Contra	-	180
Standard Chartered KCDP	-	4,000
NBK Development	41,275	(1,145,143)
NBK MasmaKsh	-	(973)
NBK Wet Land Lagoon	-	(10,806)
NBK Borstal	-	(10,500)
MPESA Cash Account	24,014	-
MPESA PAYBILL	37,110	-
Total Cash and Cash Equivalent	21,446,733	19,233,069

16. Receivables from Exchange Transactions

	2015/16	2014/15
	Ksh	Ksh
Surcharge	-	171,920
Staff Advances	906,674	605,902
Other Staff Receivables	1,690,804	1,690,804
Staff Telephone	15,485	15,485
Wananchi Cottages Receivables	3,084,486	3,017,405
COTU	1,200	69,750
Payroll Liabilities	771,000	771,000
Coral Block Receivables	1,424,400	-
NSSF	-	-
Pension (EvarestinaNyambu)	25,760	25,760
Service Deposits	10,000	10,000
Service Deposits: Computer	221,250	221,250
Service Deposits: Kenya Power Deposit	398,984	359,082
Service Deposits: Land Deposit	-	-
Service Deposits: Pandya M Hospital	30,000	30,000
Service Deposits: Rent Deposit	193,000	193,000
Total Receivable from Exchange Transactions	8,773,043	7,181,358

17. Receivables from Non Exchange Transactions

	2015/16	2014/15
	Ksh	Ksh
Claims	4,223,383	2,970,855
Journal Book CDA	1,214,175	1,214,175
Imp rests Outstanding	38,008,403	49,026,318
Other Advances	277,274	478,980
Advance to MRD	510,336	510,336
Advances to Other RDA's	123,734	123,734
PambazukoDev Co	1,018,317	1,018,317
Pledges	6,132	6,132
MISHDP	1,013,648	1,640,762
Ukunda Showground	1,756,136	1,756,136
Advance to MSHDP	633,113	-
Total Receivable from Non Exchange Transactions	48,784,651	60,170,144

18. Community Projects /Work in Progress

	2015/16	2014/15
	Ksh	Ksh
Project Accounts	12,600	12,600
Ballast Crushing	6,370,609	6,350,609
Boji Irrigation Scheme	12,878,954	12,513,786
Catchment & Conservation	36,926,593	36,926,593
Dam Construction	48,100	48,100
Development Expenditure: Ask Show/CDTF/Pension Trustee	7,955,538	5,739,021
Fisheries	9,011,601	9,011,601
Guruguru Borehole(W-Progress)	60,378	60,378
Institutional Capacity	98,560,899	90,573,022
Integrated Community Enterprise	21,511,853	21,202,356
Integrated Fruit Processing	68,172,666	67,827,796
Lake Challa	83,114,161	83,019,211
Livestock Development	10,938,373	10,938,373
Malindi Integrated Project	6,885,659	6,885,659
Micro Enterprises	7,962,578	7,962,578
Milk Cooling Plant	1,468,207	1,424,457
Mineral Exploration	16,409,433	15,104,694
Minor Irrigation	51,295,322	50,907,672
Mwache Dam	2,690,140	2,686,390
Non Residential Kwale	164,500	164,500
Sabaki Integrated Project	1,150,929	1,150,929
Treecrops Vote	27,625,390	27,408,730
Water Pans	87,530,270	79,238,788
Dry Port	3,143,006	3,003,486
Total Community Projects	561,887,759	540,161,329

19. Inventories

	2015/16	2014/15
	Ksh	Ksh
Consumable Stores		
Coral Block	-	349,237
Wananchi	32,478	83,683
Slates	-	-
Hola	1,415,722	1,688,637
Other Goods Held for Resale		
Coral Block	91,080	300,146
Slates	95,080	146,710
Hola	-	298,788
Total Inventories	1,634,360	2,867,201

20. Biological Assets

		2015/16	2014/15
		Ksh	Ksh
Animals			
Samburu Ranch			
Mature Cows	77	1,155,000	1,095,000
Calves	-	-	645,000
Breeding Bull	1	45,000	45,000
Chicken	-	-	43,500
Chakama Farm		-	-
Mature Cows	-	-	465,000
Calves	-	-	120,000
Sheep 10 Male /14 Female Sheep	24	84,000	63,000
Total Biological Assets		1,284,000	2,476,500

21. Investments

		2015/16	2014/15
		Ksh	Ksh
Mariakani Milk Dairy		8,195,988	8,195,988
Total Investments		8,195,988	8,195,988

22. Trade and Other Payables from Exchange Transactions

		2015/16	2014/15
		Ksh	Ksh
Creditors		32,871,735	29,537,591
Land Balance Payables		6,303,500	6,303,500
Total Trade and Other Payables from Exchange Transactions		39,175,235	35,841,091

23. Trade and Other Payables from Non Exchange Transactions

	2015/16	2014/15
	Ksh	Ksh
Advance Recovery	-	40,899
Surcharge	693,115	-
Claims	1,043,909	1,267,666
Imprest	740,274	392,941
Advance to Wananchi Cottages	190,258	190,258
Amedo Hire Purchase	2,415	2,415
Farmers Rev Fund Kilifi and Taita	105,310	105,310
Miscellaneous Accruals	510,000	510,000
Provisions for Bad and Doubtful Debts	2,774,453	2,774,453
Kenya National Audit Office	-	613,440
MISHDP	3,244,361	3,407,667
VAT	9,068,280	9,421,722
Wetland Lagoon	2,440,145	2,440,145
Staff Claim Refund	1,272,815	-
Imprest Recovered	121,596	-
Total Trade and Other Payables from Non Exchange	22,206,931	21,166,917

24. Employee Benefit Obligation

	2015/16	2014/15
	Ksh	Ksh
CDA Sacco	1,890,731	1,244,960
CDA Staff Welfare	1,084,200	916,200
CIC Insurance	220,737	321,354
DPM Dues	207,399	207,399
Group Life And Accident	9,073	9,073
HELB	142,420	265,542
ICEA Endowment Plan	63,644	63,644
KUFCAW	17153	132,499
National Social Security Fund	75,400	120,000
NBK Loan Administration Costs	6,574	6,574
NHIF	114,800	112,630
NSSF	-	106,200
PAYE	44,115,731	70,965,971
PAYE: 30% WITHHOLDING TAX	756,000	-
Pension 20%	32,293,673	23,728,328
Salary Control	5,426,548	6,329,192
Training Levy	990,880	877,170
Ukulima Sacco	26,419	26,419
Total Employee Benefit Obligation	87,441,382	105,433,155

25. Non-Current Employee Benefit Obligation

		2015/16	2014/15
		Ksh	Ksh
Service Gratuity		108,500	108,500
Service Gratuity: Abdalla Lugogo		70,208	70,208
Service Gratuity: Saeed Mwanguni		-	-
Service Gratuity 31%		4,826,319	4,014,440
Service Gratuity 31% Account		304,779	304,778
Total Non-Current Employee Benefit Obligation		5,309,807	4,497,927

26. Property, Plant and Equipment

PROPERTY PLANT AND EQUIPMENT SCHEDULE AS AT 30TH JUNE 2016

COST /VALUATION	LAND	BUILDING	COMPUTER/ PHOTOCOPIER	FURNITURE & FITTINGS	PLANT EQUIPMENT	M/VEHICLE	TOTAL (KSHS)
DEPRECIATION RATE IN %	1.0%	2.0%	30.0%	12.5%	12.5%	25.0%	
BAL.1.7.2015	92,316,000	65,130,021	5,255,936	12,948,785	78,610,065	43,000,000	297,260,807
ADDITIONS	-	140,945	13,000	-	403,679	-	557,624
Adjustments	-	-	-	-	-	-	-
REVALUATIONS	188,070,000	-	-	-	-	-	188,070,000
BAL.30.6.2016 (COST)	280,386,000	65,270,966	5,268,936	12,948,785	79,013,744	43,000,000	485,888,431
DEPRECIATION							
BAL.1.7.2015	5,156,802	7,282,259	4,111,297	6,079,210	43,313,112	27,542,500	93,485,180
Write offs/Adjustments	(5,156,802)	-	-	-	-	-	(5,156,802)
CHARGE FOR THE YEAR ON REVALUED ASSETS		768,000				4,071,250	4,839,250
CHARGE FOR THE YEAR	-	537,419	527,031	III. 1,459,544	9,800,109	3,153,750	15,477,854
BAL.30.6.2016 (ACC DEP)	-	8,587,678	4,638,328	7,538,754	53,113,221	34,767,500	108,645,482
NBV AS AT							
30.6.2016	280,386,000	56,683,288	630,608	5,410,031	25,900,523	8,232,500	377,242,950
30.6.2015	87,159,198	57,847,761	1,144,639	6,869,574	35,296,953	15,457,500	203,775,626

PROPERTY PLANT AND EQUIPMENT SCHEDULE AS AT 30TH JUNE 2015

COST /VALUATION	LAND	BUILDING	COMPUTER/ PHOTOCOPIER	FURNITURE & FITTINGS	PLANT EQUIPMENT	M/VEHICLE	TOTAL (KSHS)
DEPRECIATION RATE IN %	1.0%	2.0%	30.0%	12.5%	12.5%	25.0%	
BAL.1.7.2014	72,680,000	64,920,770	3,733,072	12,568,785	77,312,211	44,209,530	275,424,368
ADDITIONS	19,636,000	209,250	1,522,864	380,000	1,297,854	-	23,045,968
Write offs/Adjustments	-	-	-	-	-	(13,824,530)	(13,824,530)
REVALUATIONS	-	-	-	-	-	12,615,000	12,615,000
BAL.30.6.2015 (COST)	92,316,000	65,130,021	5,255,936	12,948,785	78,610,065	43,000,000	297,260,806
DEPRECIATION							
BAL.1.7.2014	4,500,002	5,979,659	3,316,431	4,482,292	33,486,854	30,617,030	82,382,268
Write offs/Adjustments	-	-	-	-	-	(13,824,530)	(13,824,530)
CHARGE FOR THE YEAR ON REVALUED ASSETS	550,000	768,000	-	-	-	3,153,750	4,471,750
CHARGE FOR THE YEAR	106,800	534,600	794,866	1,596,918	9,826,258.13	7,596,250.00	20,455,692
BAL.30.6.2015 (ACC DEP)	5,156,802	7,282,259	4,111,297	6,079,210	43,313,112	27,542,500	93,485,180
NBV AS AT							
30.6.2015	87,159,198	57,847,761	1,144,639	6,869,574	35,296,953	15,457,500	203,775,626
30.6.2014	68,179,998	58,941,112	416,641	8,086,492	43,825,358	13,592,500	193,042,100

27. Related Party Disclosures

The Authority paid a total of Ksh960,000 as Chairman's Allowance during the year to Hon. Suleiman Kamolleh.

28. Commitments and Contingencies

There were no commitments during the year.

29. Cash Generated from Operations

	Notes	2015/16	2014/2015
		Ksh	Ksh
Deficit for the period		(90,055,391)	(157,469,870)
Adjustment for			
Depreciation		15,477,854	20,455,692
Increase/Decrease in provision for bad debts		-	60,105
Increase/Decrease in reserves		9,319,859	(7,643,384)
Cash flow from operating activities before working capital changes		(65,257,678)	(144,597,457)
Increase/Decrease in Inventory		1,232,841	1,136,644
Increase/Decrease in debtors Receivables Exchange		(1,591,685)	(914,991)
Increase/Decrease in debtors Non Exchange		11,385,493	(13,857,100)
Increase /Decrease in prepayments		-	-
Increase /Decrease in creditors		3,334,144	13,520,275
Increase/Decrease in Trade payable - Non Exchange		1,040,014	(178,956)
Increase/Decrease in Employee Obligations		(17,179,893)	24,868,916
Net cash flow from operating activities		(67,036,764)	(120,022,669)
Cash flow from investment Activities			
Purchase of fixed assets		(575,641)	(23,045,968)
Increase/Decrease in work in progress		(21,726,430)	(94,365,117)
Purchase of Biological assets(Write off)		1,192,500	(950,200)
Increase in investments		-	-
Net cash flow from investing activities		(21,109,572)	(118,361,285)
Cash flow from financing Activities			
Development Grants		90,360,000	206,431,667
Net cash flow from financing activities		90,360,000	206,431,667
Cash and cash equivalent generated in the year		2,213,664	(31,952,286)
Cash and cash equivalent at the beginning of the year		19,233,069	51,185,355
Cash and cash equivalent at the end of the year		21,446,733	19,233,069

30. Events after the reporting period.

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

XIX. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Financial Performance/ Going Concern	<ul style="list-style-type: none"> Management has put measures in place to strengthen the internal controls and seal any possible loopholes and reduce operating expenses e.g. Staff reshuffled on some projects site as one of the control measures. The Business Development is reviewing performance viability and sustainability of income generating projects, Those projects that are loss have been closed and efforts concentrated on profit making ventures 	Mr.FentusMng'ong'o Ag.Chief ManagerBusiness Development And Investment Promotion	Not Resolved	31 st Dec 2016
2	Excess Expenditure	<ul style="list-style-type: none"> There was no excess expenditure during the year under review. Approved Expenditure was Kshs.104,000,000 Development , Ksh 57,946,460 Recurrent, Kshs.20,000,000 Pension, Kshs. 82,431,667 for boreholes and water 	Ag.Manager Finance and Accounts Pamela M. Ngure	Resolved	30 th June 2016

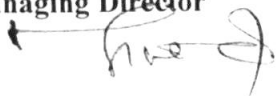
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>pans. There was no over expenditure on the development budget. There was no extra funding outside the budget</p> <ul style="list-style-type: none"> The recurrent expenditures were as per the budget for all expenses for 2014/2015 The Authority is spending as per the approved budget year. 			
3.1	VAT	<p>The Authority is keen on obtaining a Tax Compliance Certificate from KRA.</p> <ul style="list-style-type: none"> The Authority is a KRA Agent for collection of VAT and ETR machines are used in all the sites to ensure all taxes are captured accordingly The Authority will ensure all VAT is recorded and VAT returns filed in accordance with the Law The Authority is registered on I-TAX and files with holding Vat every month. The VAT on sales will be uploaded on the ITAX platform to avoid penalties on the same. 	Ag. Manager Finance and Accounts Pamela M. Nguere	Not Resolved	31 ST Dec 2016

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time (Please indicate when you expect the issue to be resolved)
3.2	PAYE	<ul style="list-style-type: none"> • Treasury has committed to allocate additional funds to Treasury to clear the PAYE arrears and also review the recurrent funding for CDA which is the cause of the accumulation of the PAYE arrears. • The Authority has started settling the PAYE arrears in Instalments and is striving to clear the full outstanding amount. • The PAYE has accumulated due to underfunding on recurrent. The Authority is in liaison with the Ministry to assist in clearing the backlog as part of pending bills. 	Ag. Manager Finance and Accounts Pamela M. Ngure	Not Resolved	30 th June 2017
3.3	Pension	<ul style="list-style-type: none"> • The Authority has included and accrued all employee benefits specifically for pension • Treasury has committed to allocate additional funds to Treasury to clear the PAYE arrears and also review the recurrent funding for CDA which is the cause of the accumulation of the PAYE arrears. 	Managing Director Dr Mohamed Keinan Hassan, OGW	Not Resolved	30 th June, 2017
4.1	Land	<ul style="list-style-type: none"> • The four parcels of land have been 	Ms.EdelFuchaka Manager, Legal	Not	30 th

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>surveyed but the Authority is yet to receive the survey reports</p> <ul style="list-style-type: none"> All four parcels have sales agreements and the Masalani land has an allotment letter The rates payable are yet to be determined but will be settled once the transfer process is completed. 	Services	Resolved	June 2017
4.2	Motor Vehicles	<ul style="list-style-type: none"> The Authority entered into an agreement to settle the debt of Ksh 9.7m in instalments and once the final balance of Ksh 2.5M is cleared the vehicles will be released back to the Authority. 	Ms. Edel Fuchaka Manager, Legal Services	Not Resolved	30 th Dec 2016
5.1	Long Outstanding Imprest	<p>The Authority has implemented stringent rules on imprest.</p> <ul style="list-style-type: none"> Officers with outstanding imprests are no longer been issued with additional imprests. Long standing imprests is now being recovered from staff salaries. Staff who left the Authority within the financial year had all outstanding imprest recovered from their final dues. 	Ms Maximilla Chelimo Accountant	Resolved	
5.2	Other Debts	The debts owed to other Authorities will be forwarded to the Ministry for recovery.	Ag. Manager Finance and Accounts Pamela M. Ngure	Not Resolved	30 th June 2017

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
6.0	Trade and Other Payables	<ul style="list-style-type: none"> The creditors balance rose due to underfunding and delayed by the exchequer. The Authority is following up with the Ministry to assist in additional subsequent funding in order to clear all outstanding debts in good time. The list has been forwarded as part of pending bills. 	Ag. Manager Finance and Accounts Pamela M. Nguire	Not Resolved	30 th June 2017
7.0	Service Deposits	<ul style="list-style-type: none"> The long outstanding amount of Ksh 221,250 will be forwarded to the Board for write off as all efforts to trace the company and the owners have been futile. 	Ag. Manager Finance and Accounts Pamela M. Nguire	Not Resolved	31 th Dec 2016
8.0	Cash and Bank Balances	<ul style="list-style-type: none"> Financial Statements and reconcile to respective bank statements and cash certificates. All Reconciliation statements and cash certificates have been availed for audit. The Coral Bank cash balance is a book balance and differs from the actual cash in hand. 	Ag. Manager Finance and Accounts Pamela M. Nguire	Not Resolved Resolved	31 th Dec 2016


Managing Director



Date: 30/11/2016

50 | Page

For: Chairman of the Board



Date: 30/11/2016