

KENYA NATIONAL ASSEMBLY

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**REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE
ACCOUNTS OF WEST KENYA RAINFED RICE DEVELOPMENT PROJECT
(OF LAKE BASIN DEVELOPMENT AUTHORITY) FOR THE YEAR ENDED
30 JUNE 2000**

I have examined the Accounts of West Kenya Rainfed Development Project for the year ended 30 June 2000 in accordance with the provisions of Section 29(2) of the Exchequer and Audit Act (Cap 412). I have obtained all the information and explanations required necessary for the purpose of the audit. Proper books of Account have been kept and the Accounts are in agreement therewith.

In my opinion, and except for the material matters referred to herebelow, the Accounts, when read together with the Notes thereon, present a true and fair view of the financial state of affairs of the Project as at 30 June 2000 and of its deficit and cash flows for the year then ended.

1. FINANCIAL POSITION

The Project's financial position continued to deteriorate during the year 1999/2000 in that it incurred a deficit of Kshs.25,702,614 which brought the Project's accumulated deficits to Kshs.171,978,463 as at 30 June 2000. The Project was unable to meet its financial obligations as and when they fell due. In particular, it was unable to pay creditors totalling Kshs.12,173,843 as at 30 June 2000. Quite clearly, therefore the Project is facing serious financial problems and the Accounts for the year 1999/2000 have, therefore, been prepared on a going concern basis on the assumption that the Project will continue to receive financial support from Government and donors for its continued operations.

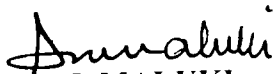
2. MOTOR VEHICLE AND OTHER LOSSES

In January 2000, the Authority reportedly lost vehicle Reg. No. KAL 129U which was only three months old at the time of the loss and was valued at Kshs.1,068,726. The vehicle did not also have a valid insurance cover for 1999/2000 when it was lost. Accordingly, its possible recovery or compensation is, therefore, highly doubtful. In addition, a total of Kshs.849,738, being part of machinery hire revenue collection was held as unsurrendered imprests as at 30 June 2000 out of which two officers held a total of Kshs.544,267. This revenue appears to have been misappropriated. Similarly out of the Cash-in-hand figure of Kshs.1,418,808 as at 30 June 2000 Kshs.67,795 represented unresolved cash losses dating back to 1997 the continued non-recovery for which the Project has not explained.

3. IRREGULAR PROCUREMENT OF GOODS AND SERVICES

In May 1998, the Authority contracted a motor vehicles' assembler to supply two 10 ton lorries and spare parts against which the Company supplied two 8.23-ton lorries

instead, of the 10-ton lorries contracted but was paid at the agreed price of Kshs.4,275,707 for the 10-ton lorries. Adequate explanation as to why the Authority accepted delivery of smaller lorries when it had ordered and paid for the bigger sized lorries has not been provided. Further, the Authority paid Kshs.952,060 for spare parts but received spare parts valued only at Kshs.785,830, thereby occasioning short supply and under delivery of spares valued at Kshs.166,230. No satisfactory explanation has been provided as to how the undersupplied spares of Kshs.166,230 are to be recovered.





S.M. MALUKI

AUDITOR GENERAL (CORPORATIONS)

14 June 2002

LBDA/WEST KENYA RAINFED RICE DEVELOPMENT PROJECT					
BALANCE SHEET AS AT 30TH JUNE, 2000					
	NOTES	1999/2000	KSHS.	1998/1999	KSHS.
FIXED ASSETS					
Fixed Assets as per attached schedule	2	404,731,381.47		370,807,050.00	
CURRENT ASSETS					
Debtors	3	16,710,705.00		17,009,164.40	
Closing Stock	4	3,596,715.70		2,791,900.20	
Deposit Water		200.00		200.00	
Staff Advances	6	1,982,136.00		1,982,952.00	
Head Office C/A	5	7,006,155.40		6,613,162.35	
Bank	7	359,006.40		431,111.55	
Housing C/A		106,695.60		-	
Cash in Hand	8	1,408,287.30		689,768.20	
		31,169,901.40		29,518,258.70	
CURRENT LIABILITIES					
Creditors	10	12,173,843.35		9,671,158.25	
DSSFFP		577.30		577.30	
KARI	9	13,256,455.20		112,455.20	
		25,430,875.85		9,784,190.75	
NET CURRENT ASSETS					
		5,739,025.55		19,734,067.95	
TOTAL ASSETS					
		410,470,407.02		390,541,117.95	
FINANCED BY:					
Capital Grants	11	582,448,870.72		536,816,967.65	
Reserves	12	(146,275,849.70)		(116,457,755.05)	
Excess Expenditure Over Income		(25,702,614.00)		(29,818,094.65)	
		410,470,407.02		390,541,117.95	


GEORGE O. OCHIENG
MANAGING DIRECTOR


DAN OWUOR
AG. CHIEF ACCOUNTANT

LBDA/WEST KENYA RAINFED RICE DEVELOPMENT PROJECT		
INCOME & EXPENDITURE ACCOUNT FOR PERIOD ENDED 30TH JUNE, 2000		
	1999/2000 KSHS.	1998/1999 KSHS.
INCOME		
Closing Stock	3,596,715 70	2,791,900 20
Economic Rent	539,480 00	507,000 00
Land Preparation	4,200 00	606,150 00
Milling Services	5,494,133 20	65,125.00
Miscellaneous Income	69,600 00	-
Revenue Grant	-	-
Sale of Application Forms	-	100.00
Sale of Bran Meal	76,705 00	-
Sale of Chicken Feeds	88,560 00	-
Sale of Milled Rice	5,027,737 45	8,281,965.25
Sale of Seeds	30,000 00	25,782 00
Sale of Water	55,151 60	-
Surcharges	-	6,217 90
Transport Hire	31,560.00	22,660 00
TOTAL	15,013,842.95	12,306,900.35
Excess Income Over Expenditure	(25,702,614.00)	(29,818,094.65)
EXPENDITURE		
Advertisement & Publicity	6,667 00	50,020.00
Bank Charges	8,703 50	43,019 50
Board Expenses	64,346.00	-
Casual Wages	1,334,958.05	809,239 85
Cleaning Materials	12,277 00	-
Clearing & Forwarding	-	29,840.00
Depreciation	26,343,469.75	26,237,155 05
Electrical Appliances	37,766.00	-
Electricity & Water Conservancy	1,519,157 50	121,273.00
Fumigation	101,900 00	33,000.00
General Repairs	36,287 50	-
General Hardware	356,735.00	218,663 20
General Office	22,902.00	17,683.00
Hire of Scale	8,420.00	-
Insurance(M/Cycles)	10,204 00	-
Land Preparation	-	455,064 75
Licence	92,430 00	1,500.00
Mill Spares/Repairs	846,438 40	-
Office Equipment	7,320.00	-
Official Entertainment	248,966.00	129,003 00
Opening Stock	2,791,900 20	2,137,375.90
Photocopying	63,793 00	7,841.90
Postages & Faxes	34,886 80	42,587 00
Printing & Stationery	159,484 00	290,031 50
Purchase of Animals	25,500.00	-
Purchase of Fert. & Chem.	63,375.00	80,375.00
Packaging Materials	68,020 00	265,125 00
Purchase of Paddy	2,888,754 00	8,049,487 60
Rent: Non Residential	1,291.00	10,500.00
Repairs to Buildings	73,568.00	22,230.00
Repairs to Plant & Mach.	62,354.00	137,752 00
Staff Honorarium	284,000 00	-
Sundry Expenses	-	5,390.00
Telephone	19,953 70	84,475.75
Transport	17,425 00	111,560.00
Travelling & Accommodation	315,106.00	492,258 00
Unexpired Cover	129,437.35	-
Vehicle/ Rice Mill Insurance	1,811,397 65	1,621,595.00
Vehicle running	803,563 55	620,949 00
Water Pump Maintenance	43,700 00	-
	40,716,456.95	42,124,995.00

LBD/WEST KENYA RAINFED RICE DEVELOPMENT PROJECT		
CASH FLOW STATEMENT FOR THE PERIOD ENDED 30TH JUNE 2000		
	1999/2000 KSHS.	1998/1999 KSHS.
A. OPERATING ACTIVITIES		
1. Net surplus (Deficit)	(25,702,614.00)	(29,818,094.65)
Adjust for Non Cash Flow Items		
(a) Depreciation on Fixed Assets	26,343,469.75	26,237,155.05
(i) Direct Payments	45,631,903.00	115,360,063.65
(ii) Interest Received	-	-
	46,272,758.75	111,779,124.05
B. Adjust for changes in operating Receivables and Payables		
Debtors	298,459.40	267,387.35
Stocks	(804,815.50)	(654,524.30)
Accruals	-	-
Creditors	2,502,685.10	283,900.35
	48,269,087.75	111,675,887.45
Staff Advances	816.00	235,339.25
H/Office C/A	(392,993.05)	1,855,102.80
KARI C/A	13,144,000.00	-
Housing C/A	(106,695.60)	-
Prepayments	-	649,105.00
	60,914,215.10	114,415,434.50
C. RETURN ON INVESTMENT AND SERVICING OF FINANCE		
Interest Received	-	-
D. INVESTING ACTIVITIES		
Yala Swamp Weir	37,653,110.77	106,426,776.15
Motorcycles	2,194,973.30	-
Transit Stores	-	2,745,287.50
Motor Vehicles	7,275,717.15	6,188,000.00
Adaptive Reserves	13,144,000.00	-
	60,267,801.22	115,360,063.65
	646,413.88	(944,629.15)
NET INCREASE/DECREASE/ CASH AND EQUIVALENTS		
Beginning of the period		
Net Bank	431,111.55	607,492.25
Cash in Hand - Less Overdraft	689,768.20	1,458,016.50
	1,120,879.75	2,065,508.75
End of the Period		
Net Bank	359,006.40	431,111.55
Cash in Hand	1,408,287.30	689,768.20
	1,767,293.70	1,120,879.75
	646,413.95	(944,629.00)

LBDA WEST KENYA RAINFED RICE DEVELOPMENT PROJECT
FIXED ASSETS SCHEDULE AS AT 30TH JUNE 2000

% DEP	DEP DETAILS	COST				DEPRECIATION				NET BALANCE		
		OPENING	ADDITIONAL	DISPOSAL	CLOSING	DEP. TO MILL	DEP. VALUE	OPENING BAL.	CURRENT		DISPOSAL	CLOSING BAL.
		KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS
0.020	Premises Office Building	154,502,133.70	-	-	154,502,133.70	154,502,133.70	12,847,082.68	3,090,042.67	-	-	15,937,125.35	138,565,009.35
0.125	Fixture & Fittings	189,945.60	-	-	189,945.60	189,945.60	189,945.60	-	-	-	189,945.60	-
0.25	Motor Vehicles	8,329,312.80	7,275,717.15	-	15,605,029.95	2,141,312.80	3,688,312.80	3,365,929.29	-	-	7,054,242.09	8,550,787.86
0.125	Farm Machinery & Implement	2,248,905.00	-	-	2,248,905.00	2,248,905.00	1,975,863.25	34,130.22	-	-	2,009,993.47	238,911.53
0.02	Premises Staff Housing	53,543,305.45	-	-	53,543,305.45	53,543,305.45	9,527,798.40	1,070,866.11	-	-	10,598,664.51	42,944,640.94
0.375	Tractors	22,886,033.00	-	-	22,886,033.00	22,886,033.00	22,886,033.00	-	-	-	22,886,033.00	-
0.125	Motor Cycles	823,301.00	2,194,973.30	-	3,018,274.30	823,301.00	823,301.00	274,371.66	-	-	1,097,672.66	1,920,601.64
0.125	Plant & Machinery	117,939,139.50	-	-	117,939,139.50	117,939,139.50	58,969,559.80	14,742,392.44	-	-	73,711,952.24	44,227,187.26
0.125	Furniture & Office Equipment	7,223,245.35	-	-	7,223,245.35	7,223,245.35	5,408,785.99	902,905.67	-	-	6,311,691.66	911,553.69
0.2	Adaptive Research	23,014,175.25	13,144,000.00	-	36,158,175.25	21,844,016.78	21,844,016.78	2,862,831.69	-	-	24,706,848.47	11,451,326.78
0.333	Rural Access roads	36,065,225.00	-	-	36,065,225.00	36,065,225.00	36,065,225.00	-	-	-	36,065,225.00	-
	WEIR(WIP)	106,426,779.15	37,653,110.77	-	144,079,889.92	144,079,889.92	-	-	-	-	-	144,079,889.92
	Transit Stores (WIP)	11,841,473.50	-	-	11,841,473.50	11,841,473.50	-	-	-	-	-	11,841,473.50
	TOTALS	545,032,974.30	60,267,801.22	-	605,300,775.52	86,198,739.18	174,225,324.30	26,343,469.75	-	-	200,569,394.05	404,731,381.47

LAKE BASIN DEVELOPMENT AUTHORITY

WEST KENYA RAINFED RICE DEVELOPMENT PROJECT

NOTES ON FINAL ACCOUNTS 1999/2000

ACCOUNTING POLICIES

The accounting policy of the project conforms with the generally accepted principles and the more significant of these are summarized below.

1.0 ACCOUNTING CONVENTION

The projects accounts are prepared on the basis of historic cost accounting as modified by the revaluation of certain fixed assets and the computation of related depreciation.

2.0 FIXED ASSETS

2.1 Fixed assets are shown at actual cost or professional valuation as detailed in the fixed assets register. Fixed assets are depreciated on the straight line method and the assets are being written down to their residual values over their expected useful lives at the following rates:-

Tractors	37.5%
Motor Vehicle & Motor Cycles	25.0%
Furniture & Offices Equipment	12.5%
Fixtures & Fittings	12.5%
Buildings	2.0%
Office Machines & Equipment	12.5%
Adaptive Research	20.0%
Farm Machinery & Equipment	12.5%
Plant & Machinery	12.5%
Rural Access Roads	33.0%

2.2 The total cost of 2 4-wheel Landcruiser Prado, 4 4-wheel pickups and 14 trailed motorcycles is Kshs. 11, 141,987.55. Out of this **ONLY Kshs. 9,470,689.40** is included under asset. The balance of Kshs. 1,679,298.15, being spare parts is treated as stock, i.e., in accordance with the specifications of the Contract.

3.0 DEBTORS

The debtors figure stated in the balance sheet of Kshs. **16,710,705.00** is made up as follows:-

i.	Project farmers	15,875,040.00
ii.	Staff Debtors	319,116.00
iii.	National Irrigation Board (Land Prep)	4,650.00
iv.	Hems Group	152,836.00
v.	Nyaboke Magdalene Mwebi	30,000.00
vi.	Kenned International	289,900.00
vii.	Baraka Hardware	45,500.00
viii.	Eunice Anyango	10,033.00
ix.	C.M.C	3,630.00
	Total Kshs.	<u>16,710,705.00</u>

4.0 CLOSING STOCK

The stock amounting to Kshs. **3,596,715.70** is valued at cost price and is made up as follows:

Stationery	148,614.20
Automotive	3,285,023.50
Farm Produce	49,875.00
Livestock	78,438.00
Paddy	8,816.00
Packaging Materials	24,150.00
General Hardware	1,800.00
Total Kshs.	<u>3,596,715.70</u>

5.0 CURRENT ACCOUNTS

5.1 **Head Office**

Head Office Current Account's figure of Kshs. **7,006,155.40** represents debit balance of account maintained between Project and Head Office.

5.2 HOUSING ACCOUNT

Housing Current account's figure of Kshs. **106,695.60** represents debit balance of account maintained between Project and Housing Account.

6.0 STAFF ADVANCES

The staff advances figure in the balance sheet amounting to Kshs. **1,982,136.00** is made up of imprest and credit sales and advances held by ex-staff transferred to staff advances to facilitate recoveries through their salaries and terminal benefits.

7.0 BANK BALANCES

The bank balance figure is made up of the following:-

A/C	501-003-878	2,172.90
A/C	501-055-339	152,010.20
A/C	130-398-700	146,484.45
A/C	504-077-635	24,041.35
A/C	230-970-907	<u>34,297.50</u>
Total		<u>359,006.40</u>

8.0 CASH IN HAND

The figure of Kshs. 1,408,287.30 is made up of cash in hand as 30.06.2000

WKRRDP (PICU)	327,470.20
Alupe	243,878.60
Yala	44,989.00
Rice Mill	<u>791,949.50</u>
Total	<u>1,408,287.30</u>

9.0 KARI ACCOUNT KSHS. 13,256,455.20

The amount in the balance sheet of Kshs. 13,256,455.20 represents the net credit balance between KARI and the Project. It is in respect of local research on rice variety seeds. The necessary documents i.e. invoice from KARI has been forwarded to **ADB** for direct payment. However, the payment has not yet been made.

10.0 CREDITORS KSHS. 12,173,843.35

The creditors figure in the balance sheet amounting to Kshs. 12,173,843.35 represents trade creditors and other creditors as below:-

Municipality Council of Kisumu	89,510.00
Telecom Kenya Ltd.	281,694.15
Kenya Power & Lighting	1,319,834.60
Piedmont Insurance	163,800.00
Signon Freight	<u>777,377.00</u>

Assured Insurance	861,934.00
UAP Insurance	633,304.00
China Jiangshu	7,375,317.95
Anvi Emporium	13,945.00
All Purpose Ins. Brokers	647,126.65
DC Kisumu (License)	<u>10,000.00</u>
Total	<u>12,173,843.35</u>

11.0 **CAPITAL GRANT KSHS. 582,448,870.72**

These are Direct payments to suppliers by African Development Bank for Rice Mill Building, Revolving fund, Constancy, Rural Access Roads, Rice Mill Machinery, Adaptive Research, Vehicles, Staff Housing, Transit Stores and Weir.

Grants Balances B/F	536,816,967.65
Current year (99/2000)	<u>45,631,903.07</u>
Total	<u>582,448,870.72</u>

12.0 **RESERVES**

The amount shown in the balance sheet is made up as follows:-

Balance B/F	(146,275,849.70)
Loss for the year(1999/2000)	<u>(25,702,614.00)</u>
Total	<u>(171,978,463.70)</u>