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*By Leader of
majority Party,
Hon. Aken Oluoch
on Wednesday
12/11/2014*

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
COAST DEVELOPMENT AUTHORITY

FOR THE YEAR ENDED
30 JUNE 2013



COAST DEVELOPMENT AUTHORITY

ANNUAL REPORT

&

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013



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2.0 CORPORATE INFORMATION FOR THE YEAR ENDED 30 JUNE 2013

BOARD MEMBERS:

- | | | |
|---|---|-----------------------------------|
| 1. Mr. Martin M. Tsuma | - | Chairman – Kilifi County |
| 2. Mr. Thomas Duda | - | Member, Tana River County |
| 3. Mr. Abdi Hassan Shide | - | Member, Ijara ,Garissa County |
| 4. Mr. Khamisi Ahmed Juma | - | Member, Mombasa County |
| 5. Mr. Mike Mure | - | Member, Kilifi County |
| 6. Mrs. Constance Kalela | - | Member, Taita Taveta County |
| 7. Mr. James K. Mangi | - | Managing Director/Board Secretary |
| 8. Regional Coordinator, Coast | - | Member |
| 9. Principal Secretary, Ministry of Environment ,
Water and Natural Resource | - | Member |
| 10. Principal Secretary,Ministry of Water and Irrigation | - | Member |
| 11. Principal Secretary,The National Treasury | - | Member |
| 12. Principal Secretary,Ministry of Health | - | Member |
| 13. Principal Secretary,Ministry of Agriculture,
Livestock and Fisheries | - | Member |
| 14. Principal Secretary,Ministry of Commerce,
Tourism and East Africa Region | - | Member |

PARENT MINISTRY: MINISTRY OF ENVIRONMENT, WATER AND NATURAL RESOURCES
P.O.Box 49720
NAIROBI

AUDITORS: Auditor General
Kenya National Audit Office
P.O. Box 30084 – 00100
NAIROBI

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

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

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

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

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

Barclays Bank
Kilifi Branch

REGISTERED OFFICE: Coast Development Authority
P.O. Box 1322 – 80100
MOMBASA

2.0

MISSION

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

VISION

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

STRATEGIC OBJECTIVES

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

3.0 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.

4.0 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:-

1. Regional data identification collection, collation and correlation for integrated regional planning purposes.
2. Conducting comprehensive resource mapping, establishment of resource data bank and identifying resource based opportunities in the region.
3. Integrated regional planning for sustainable utilization and management of coastal resources, based on environmental carrying capacity.
4. Development of local capacities to sustain the continuation and maintenance of integrated communal project through sensitization and training.
5. Initiation, harmonization and coordination of sectoral and community interest in the implementation of regional social economic development projects.
6. Exploration, promotion, and conservation (including surveillance) marine resources within the exclusive economic zone and other coastal resources for sustainable development.
7. Act as a clearing house for resource based integrated investments in the region.
8. Sourcing for innovations and research findings for implementation of pilot/demonstration projects for the purpose of dissemination of the technology.
9. Promotion of public- private partnership (PPP) in commercial activities and community development within its area of jurisdiction.
10. Establishing mechanisms and instruments of empowering local communities to participate in regional development activities.
11. Monitoring, evaluating and documenting regional development projects and programs for 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.

3.0 MANDATE OF THE AUTHORITY

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. CDA Act No. 20 of 1990 CAP 449

4.0 CDA AREAS OF JURISDICTION

“Development area” means that part of the coast region within Lamu, Mombasa, Kilifi, TanaRiver, 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
TaitaTaveta	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)

5.0 STATEMENT FROM THE CHAIRMAN

Introduction

I would like to take this opportunity to give a brief history of the CDA. The Authority was created by an Act of Parliament Cap 449 No. 20 of the laws of Kenya in 1990 with primary objectives of accelerating development of the coastal region. As is well known, this region is endowed with unique and other ecological features and resources.

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.

Board Changes

The board membership reduced by two members; Dr. Agnes Zani and Hon. Eliud Mcharo representing Kwale and Taita Taveta Counties respectively.

Authority's Performance and Achievements

The Authority was recognized as Best Regional Authority during the Annual Performance Contracts Awards Ceremony.

The Chief Manager Research Planning and Development – Mrs. Josephine Mshai Rondo was awarded Head of State Commendation by H.E President Mwai Kibaki in recognition for her outstanding services rendered to the nation through the Malindi Intergrated Social Health and Development Program. The program has transformed the lives of the communities living in Malindi and Magarini district.

Debt Servicing

The current pending bill stands at 31.9 Million. The Authority is committed to settling the debt.

Self-Sustainability

Since its inception the Authority has strived towards the goal of self-sustainability. This has been achieved by adequate policy guidelines, time frame and financial support to enabling the Authority take off and start income generating activities.

The Authority has continued to enjoy goodwill of donors and has been able to achieve some of its most pronounced development goals through these agencies. In particular, I would like to single out the Malindi Integrated Social Health Development Programme (MISHDP), which is aimed at providing social and health facilities in Ngomeni Location of Malindi District through construction and rehabilitation of education, health and infrastructure facilities.

Further, priority has been given to the completion of ongoing projects. Specifically the Authority will give emphasis to projects that will enhance food and portable water security such as the Lake Challa Integrated Water Project whose feasibility study and detailed designs are complete, the Mwache Multipurpose Dam whose feasibility study is in the final stages and which is expected to among other outputs produce approximately 130,000m³ of water per day for domestic use.

The Authority has also achieved the completion of the Integrated Coast Region Master Plan that is meant to provide investors with a one-stop relevant investment reference to enhance the effective exploitation of natural resources in the coast region.

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. The institution has shown potential to be the real engine of development in the rural areas. 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.

Thank You.



Mr. Martin M. Tsuma
CHAIRMAN

REPUBLIC OF KENYA

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E-Mail: oag@oagkenya.go.ke
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P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON COAST DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Coast Development Authority set out on pages 9 to 24, which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 14 of the Public Audit Act, 2003. 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 of Coast Development Authority is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

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 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. 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 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 the 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 at 30 June 2013, the Authority realized a deficit of Kshs.191,532,553 (2011/2012 Kshs.132,158,890) which reduced its total funds to Kshs.560,248,722 (2011/2012 – 624,403,967). In addition, the statement of financial position reflects a net current liability of Kshs.27,332,056 clearly indicating that the Authority is unable to settle its obligations as they fall due.

Included in the Kshs.191,532,553 deficit is a loss of Kshs. 35,915,251 realised under the Coral Block Project as compared with a profit of Kshs. 28,102,029 in the previous financial year. No explanation was provided for the huge loss.

The financial statements have therefore been prepared on the going concern basis which assumes continued support from the Government and the donors.

2) Compliance with Law

Although the mandate and operating framework for the Authority is provided under Coast Development Authority Act, Cap 449, the Authority has undertaken activities that are in contravention of the Act and outside their mandate as detailed below:

- (i) The Authority though not in the business of lending monies, advanced to a private company an amount of Kshs.1,018,317 with no clear lending and repayment terms. The private entity is no longer in operation.
- (ii) The Authority advanced Kshs.1,756,135 to an insolvent Local Authority for construction of a stadium without any proper documentation on the terms and conditions of the advance. In addition, the Authority is unlawfully holding an

uncharged title to public land as security for the advance to the Local Authority. The local authority is no longer in existence as it ceased on 4 March 2013 rendering the recovery of the amount doubtful.

Under the circumstances, the Authority applied public and donor funds on activities that are not within their mandate and in contravention of Coast Development Authority Act Cap 449.

3) Non Compliance with Value Added Tax Act

The Authority is registered for VAT and is supposed to remit monthly returns to the Kenya Revenue Authority on all input and output tax incurred or charged by the Authority. The Authority consistently charge VAT on most of its sales and is also charged VAT on most of the purchases/expenditure but has never filed the VAT returns as required by the law, neither do they maintain any records of both input and output taxes. No provision to cover for unpaid principal VAT amount and the possible penalties that may be levied by Kenya Revenue Authority have been incorporated in these financial statements.

4) Inappropriate Payment of Bonus

The Authority paid bonus to staff and Director amounting to Kshs.2,590,000. However, the payment was not supported by the achievement of previously set objectives, since the financial years' deficit of Kshs.191,532,553 would not warrant payment of any bonus. In addition, an amount of Kshs.300,000 withdrawn for the purpose of paying the bonus could not be adequately supported.

Consequently, the propriety of the bonus expenditure of Kshs.2,890,000 could not be ascertained.

5) Property Plant and Equipments

As reported in the previous years, property plant and equipment balance of Kshs. 205,156,009 as at 30 June 2013 exclude the value of four (4) parcels of land located at various places in the Coast Region. The following issues were noted in respect to these parcels;

- (i) The land is yet to be surveyed as the Authority is yet to settle the necessary survey fees.
- (ii) The Authority does not have in its possession any documentation as a proof of ownership.
- (iii) The rates payable on the land have neither been determined nor has it been provided for in the financial statements.

Consequently the carrying values of the property, plant and equipment as stated in the financial statements as at 30 June, 2013 could not be confirmed.

6) Trade and Other Receivables

i) The trade and other receivables balance of Kshs.34,570,009 includes an amount of Kshs.30,655,905 in respect of outstanding imprest due from employees out of which, Kshs. 7,006,888 is owed to the Authority by former staff. In addition, an amount of Kshs. 260,256 due from former staff has been outstanding for several years. Any provision that would have been necessary in relation to these uncertainties has not been incorporated in these financial statements.

ii) Also, as reported in the 2011 / 2012 financial year, the trade and other receivables include an amount of Kshs.123,733 advanced to other Regional Development Authorities which has been outstanding for more than three years. There was no documentary evidence availed for audit in support of how the lending was done, and the terms and conditions for the lending.

iii) Similarly, as reported in the previous years, the trade and other receivables include an amount of Kshs.1,756,135 being funds advanced to Kwale County Council for the construction of a stadium at Ukunda showground. Information available however indicates that the construction work stalled owing to lack of funds. Although the Authority is holding uncharged land title deed for the showground as a security for the advance amounting Kshs.1,756,290, the recovery of the debt remains doubtful as realization of the security is not legally enforceable.

iv) In addition and as reported in the previous years, the Authority had in 1997 advanced an amount of Kshs.1,018,317 to Pambazuko Development Company Limited, a private company who have since ceased operating. The recovery of the advance to the Company is clearly doubtful as the advance neither had clear lending terms nor was there any security to safeguard the Authority in case of default.

Under the circumstances the accuracy and validity of the trade and other receivables balance of Kshs.34,570,009 as at 30 June 2013 could not be confirmed.

7) Trade and Other Payables

Trade and other payables balance of Kshs. 98,337,921 as at 30 June 2013 includes creditors amounting to Kshs. 26,203,533 which have been outstanding for more than a year.

In addition, trade and other payables balance include an amount of Kshs. 9,418,110 being unremitted VAT payable which has no supporting evidence. The balance decreased from Kshs.17,241,584 as at 30 June 2012 to Kshs.9,418,110 as at 30 June 2013 but the movement of Kshs.7,823,474 could not be explained or supported.

Under the circumstances, it has not been possible to ascertain the accuracy and validity of the trade and other payables balance of Kshs.98,337,921 as at 30 June 2013.

8) Prepayments

As reported in the previous years, included in the prepayments balance of Kshs. 1,297,332 as at 30 June 2013 is an amount of Kshs. 221,250 being an advance payment for purchase of computers in the year 2009/2010. The computers have not been received to date. Available information indicates that the supplier has since closed down business. In the circumstance, the recoverability of the amount of Kshs. 221,250 or receipt of the computers is uncertain.

9) Cash and Bank Balance

Included in the net cash and bank balance of Kshs. 24,334,399 as at 30 June 2013 is an amount of Kshs. 2,626,114 in respect of cash in hand at the coral block sales office whose cash count certificate and supporting documentation were not availed for audit. In addition, as at 30 June 2012 the coral block sale office cash in hand of Kshs. 11,232,565 could not be supported and has neither been supported as at 30 June 2013 thereby invalidating the opening balance of these financial statements.

Under the circumstances, the accuracy of the net cash and bank balance of Ksh. 24,334,399 as at 30 June, 2013 could not be confirmed.

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 the Coast Development Authority as at 30 June 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and

comply with the Coast Development Authority Act, Cap 449 of the Laws of Kenya



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

29 October 2014

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE
2013**

INCOME	NOTES	2012/2013	2011/2012
		KSHS	KSHS
RECURRENT GRANTS	13 (a)	53,113,918	54,942,460
GRANTS FROM DONORS	13 (b)	8,048,131	22,099,300
ASSET DONATION	13 (c)	2,420,000	0
OTHER RECEIPTS	13 (d)	59,406,884	68,679,837
TOTAL INCOME		122,988,933	145,721,597
EXPENDITURE			
ADMINISTRATION COSTS	14	9,183,610	6,561,626
OPERATING COSTS	15	101,902,158	38,535,281
STAFF COSTS	16	145,429,734	138,720,099
FINANCE AND LEGAL COSTS	17	237,410	193,097
OTHER NON FINANCE COSTS	18	8,120	21,394,378
PROJECT COSTS	19	57,760,455	72,476,006
TOTAL EXPENDITURE		314,521,486	277,880,487
DEFICIT		(191,532,553)	(132,158,890)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	Development Grants	Revaluation Reserves	Accumulated Deficit	Total
As at 30 June 2012	699,125,113	102,840,314	(177,561,460)	624,403,967
Net Surplus For The year	0	0	(191,532,553)	(191,532,553)
Net GoK grants	185,169,833	0	0	185,169,833
Completed Community Projects	(57,792,475)	0	0	(57,792,475)
As at 30 June 2013	826,502,471	102,840,314	(369,094,013)	560,248,772

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Development Grants	Revaluation Reserves	Accumulated Deficit	Total
As at 30 June 2011	468,336,167	102,840,314	(45,827,665)	525,348,816
Prior year adjustment	0	0	425,095	425,095
Net surplus for the year	0	0	(132,158,890)	(132,158,890)
Net GoK grants	230,788,946	0	0	230,788,946
As at 30 June 2012	699,125,113	102,840,314	(177,561,460)	624,403,967

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2012/2013	2011/2012
Deficit for the year		(191,532,553)	(132,158,890)
Adjustment for			
Depreciation	2	23,304,008	20,616,737
Other Receipts	7	(767,424)	561,461
Decrease in Reserves		0	(136,369)
Cash flow from operating activities before working capital changes		(168,995,969)	(111,117,061)
Increase in Inventory	6	(836,215)	0
Increase in Debtors	7	(20,898,038)	(5,697,859)
Increase in Prepayments	8	(164,080)	(835,802)
Increase in Creditors	12	38,036,113	15,337,244
Net cash flow from operating activities		(152,858,189)	(102,313,478)
Purchase of Fixed Assets	2	(44,008,238)	(46,576,747)
Increase/decrease in Work in Progress	3	(44,285,678)	(163,327,281)
Increase in Investments & Deposits	5	(794,468)	(2,119,107)
Net cash flow from investing activities		(89,082,134)	(212,023,135)
Cashflow from financing Activities			
Development Grants		185,169,833	230,788,946
Net cash flow from financing activities		185,169,833	230,788,946
Cash and cash equivalent generated in the year		(56,770,490)	(83,547,667)
Cash and cash equivalent at the beginning of the year		91,072,799	174,620,466
Cash and cash equivalent at the end of the year		34,302,309	91,072,799

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:-

a) Accounting Convention

Statement of compliance

- (i) The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS)
- (ii) **Basis of measurement**
The financial statements have been prepared on accrual basis
- (iii) **Functional and presentation currency**
These financial statements are presented in Kenya Shillings, which is the Authority's functional currency

b) Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation. Depreciation is calculated on the straight line basis to write down the cost of each asset to their residual values over their estimated useful life as follows:-

(i) Depreciation

Depreciation is recognized in statement of comprehensive income on a straight- line basis commencing in the year of purchase at annual rates estimated to write off the asset over the estimated useful life.

Depreciation for the current year has been reclassified under operating cost instead of Finance cost.

The rates of depreciation are:-

Land	-	1%
Building	-	2%
Plant	-	12.5%
Computers/Photocopiers	-	30%
Motor vehicles	-	25%
Furniture and Fittings	-	12.5%

Leasehold land is amortized over the period of the lease.

The assets' residual values and useful lives are reviewed and revaluated if appropriate, at each financial reporting date.

(ii) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

(iii) Subsequent costs

The cost of the day-to-day servicing of property and equipment are recognized in the statement.

c) Income and Revenue Recognition

The Recurrent Grants are recognized as income when received and reflected in the statement of comprehensive income. Development Grants are credited in the statement of Financial Position.

Uncategorized Income

The uncategorized income is composed of longstanding creditors write offs approved by the Board and previous years Malindi Integrated Project VAT Tax waived by Treasury in the current financial year.

d) Translation of Foreign Currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate ruling at the financial reporting date. Resulting exchange differences are recognized in the statement of comprehensive income for the year.

e) Provision for Bad and Doubtful Debts

The Authority has provided a 100% for bad and doubtful debts in relation to Ukunda Showground and Pambazuko Development Company.

f) Employee Benefits

Retirement Benefits 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:	Liaison Insurance Brokers Company Limited
Fund Manager:	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.

The Authority's contributions to both the defined contribution schemes are charged to the statement of comprehensive income in the year to which they relate. The Authority has no further obligation once the contributions have been paid.

Total number of Staff as at 30th June 2013 was 141

g) Provisions

A provision is recognized in the financial statement when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. There had been an error in plot allotment identification that led to the Authority developing the wrong plot at Shimoni. The error is being redressed and as at the date of these accounts there was no litigation charge.

The Authority has made a provision for PAYE on bonus paid to all staff and board members during the year.

h) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand bank balances and short term deposits.

i) Donated Assets

Donated assets and equipment's are only shown in the accounts after the project period expires when they are handed over to the Authority.

j) Inventory

A survey is usually done by a Board of Survey at the end of every financial period to verify their physical existence and locations indicated in the inventory list.
Inventory has been valued based on Net Realizable value.

k) Revaluation Reserve

The increase is mainly due to gain on assets revalued over the years

l) Related Parties

There were no related party transactions during the year.

m) Community Assets

Completed community assets are reduced accumulated Capital Fund.

2. PROPERTY, PLANT AND EQUIPMENT

PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2013							
COST /VALUATION	LAND	BUILDING	COMPUTER/ PHOTOPIER	FURNITURE & FITTINGS	PLANT EQUIPMENT	MOTOR VEHICLE	TOTAL
	1%	2%	30%	12.50%	12.50%	25%	
BAL.1.7.2012	69,180,000	42,658,673	5,434,334	5,847,483	70,765,873	34,936,530	228,822,893
ADJUSTMENT	0	0	0	0	0	900,000	900,000
ADDITIONS	0	23,262,097	291,862	8,723,072	5,566,207	6,165,000	44,008,238
DONATIONS	0	0	0	0	0	2,420,000	2,420,000
ASSETS ADJUSTMENT /DISPOSALS	0	0	(1,662,044)	(2,001,770)	(596,028)	(7,912,000)	(12,171,842)
BAL.30.6.2013	69,180,000	65,920,770	4,064,152	12,568,785	75,736,052	36,509,530	263,979,289
DEPRECIATION							
BAL.1.7.2012	3,081,402	3,362,827	2,848,136	3,194,795	15,105,121	16,864,929	44,457,210
OPENING BAL ADJUSTMENT	0	0	573,606	147,072	109,476	2,403,750	3,233,903
ACC. DEPR ON DISPOSED ASSETS	0	0	(1,662,044)	(2,001,770)	(596,028)	(7,912,000)	(12,171,842)
CHARGE FOR THE YEAR	691,800	1,318,415	1,128,306	1,571,098	9,467,006	9,127,383	23,304,008
BAL.30.6.2013	3,773,202	4,681,243	2,888,004	2,911,195	24,085,575	20,484,061	58,823,280
NBV AS AT							
30.6.2013	65,406,798	61,239,527	1,176,148	9,657,590	51,650,477	16,025,469	205,156,009
30.6.2012	66,098,598	39,295,846	2,586,198	2,652,688	55,660,752	18,071,601	184,365,682

COST /VALUATION	PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012						
	LAND	BUILDING	COMPUTER/ PHOTOPIER	FURNITURE & FITTINGS	PLANT EQUIPMENT	MOTOR VEHICLE	TOTAL
	1%	2%	30%	12.50%	12.50%	25%	
BAL.1.7.2011	69,030,000	42,658,673	3,300,717	3,985,705	43,434,521	19,836,530	182,246,146
PRIOR YEAR ADJUSTMENT							
ADDITIONS	150,000		2,133,617	1,861,778	27,331,352	15,100,000	46,576,747
REVALUATIONS							
ASSETS ADJUSTMENT/DISPOSALS							
BAL.30.6.2012	69,180,000	42,658,673	5,434,334	5,847,483	70,765,873	34,936,530	228,822,892
DEPRECIATION							
BAL.1.7.2011	2,389,602	2,509,654	1,627,634	2,540,662	6,293,372	8,479,546	23,840,470
ACC.DEP.ADJUSTMENT/ ACC. DEPR ON DISPOSED ASSEST							
CHARGE FOR THE YEAR	691,800	853,173	1,220,502	654,133	8,811,749	8,385,383	20,616,740
BAL.30.6.2012	3,081,402	3,362,827	2,848,136	3,194,795	15,105,121	16,864,929	44,457,210
NBV AS AT							
30.6.2012	66,098,598	39,295,846	452,581	2,652,688	55,660,752	18,071,601	184,365,682
30.6.2011	66,640,398	40,149,019	1,673,083	1,445,043	37,141,148	11,356,985	158,405,676



NOTES TO THE ACCOUNTS CONTINUED

3. WORK IN PROGRESS

Work in Progress - Assets	2012/2013	2011/2012
Wananchi Cottages	0	6,138,088
Work in Progress - Projects		
Development Projects Expenditure	0	14,497,280
FAO-FFS RH Report	0	625,266
KKV Projects	0	7,709,591
Promotion of AIVS	0	410,417
Resource Inventory & Data bank	0	2,437,138
Integrated Master plan	0	15,372,492
Catchment Conservation	36,681,751	36,575,471
Lake Challa Integrated project	82,983,211	79,661,765
Water Project	0	6,521,406
KCDP	0	1,462,076
Mwache Dam	2,034,078	1,232,468
Integrated Fruit Processing	39,388,494	26,391,150
Ballast Crushing	4,910,163	4,313,170
Project Accounts	12,600	5,000
Mineral Exploration	8,160,976	7,864,340
Minor Irrigation	48,183,802	42,183,643
Micro Enterprise	7,962,578	7,914,648
Guruguru Borehole	60,378	0
Treecrop Project	26,167,846	22,623,010
Livestock Development	10,235,838	8,372,476
Malindi Integrated Project	6,564,939	6,564,939
Fisheries Development	9,011,601	8,338,501
Dam Construction	0	12,502,618
Non Residential Buildings	164,500	11,909,045
Eco-Tourism	0	2,183,358
Sabaki Integrated	1,150,929	745,929
Umba River Integrated	0	30,735
Integrated Community Enterprise	17,425,028	11,533,251
Boji Irrigation Scheme	9,998,892	0
Institutional Capacity	61,594,583	40,162,217
Wundanyi Cooling Plant	82,505	
Total	372,774,691	386,281,488

Completed projects amounting Ksh.57, 792,475 were transferred to the community.

NOTES TO THE ACCOUNTS CONTINUED

4. BIOLOGICAL ASSETS

	2012/2013	2011/2012
Mature Cows	1,463,300	0
Total	1,463,300	0

5. CAPITAL INVESTMENT

	2012/2013	2011/2012
Mariakani Milk Scheme	8,186,828	8,180,578
Total	8,186,828	8,180,578

6. INVENTORY

	2012/2013	2011/2012
Closing Stocks Slates	93,575	0
Closing Stocks Coral Blocks	742,640	0
Total	836,215	0

Inventory has been valued based on Net Realisable value.

7. TRADE AND OTHER RECEIVABLES

	2012/2013	2011/2012
Imprests Outstanding	30,655,905	10,393,719
Ex-staff Imprest	260,256	260,256
Pledges	6,132	6,132
Staff telephone	15,485	15,485
Staff Advance	741,566	325,819
Advance to Other RDA's	123,734	123,733
Advance to MORDA (Ministry)	238,112	1,880,563
Claims	920,107	125,039
Other Advances	1,608,712	1,952,033
SUBTOTAL	34,570,009	15,082,779
Provision for Bad Debts 10%	-	(1,447,653)
SUBTOTAL	34,570,009	13,635,126
Ukunda Showground	1,756,136	1,756,135
Pambazuko Development Company	1,018,317	1,018,317
Provision for Bad Debts 100%	(2,774,453)	(2,737,607)
TOTAL	34,570,009	13,671,971

8. PREPAYMENTS/SERVICE DEPOSITS

	2012/2013	2011/2012
Computer	221,250	221,250
Kenya Power & Lighting	329,082	329,082
Pandya Memorial Hospital	30,000	30,000
Land Deposit Account	717,000	17,000
Access Kenya	0	535,920
TOTAL	1,297,332	1,133,252

NOTES TO THE ACCOUNTS CONTINUED

9. FIXED DEPOSIT

	2012/2013	2011/2012
Fixed Deposit account	9,967,910	9,179,692
Total	9,967,910	9,179,692

10. CASH AT BANK AND AT HAND

	2012/2013	2011/2012
NBK-Malindi Integrated Project	17,015,485	37,309,583
KCDP Standard Chartered	4,784,677	3,624,062
Barclays Bank Wananchi Cottages	2,292,163	0
CDA Main at NBK Nkrumah	1,629,798	0
Farmers Field Schools a/c at NBK Port way	1,023,623	1,024,623
MASMA bank	300,341	300,341
Equity	135,536	0
FFS-RH bank	74,646	74,646
NBK KazikwaVijana Bank	33,530	672,955
WUNDANYI (Tree crops & FFS) at KCB Wundanyi	3,652	3,651
KILIFI (Treecrops& FFS) at KCB Kilifi	3,650	130,027
Development A/c at NBK Nkrumah	0	15,450,641
Farms a/c at KCB Treasury Square	0	3,167,247
Barclays Coral Block	0	4,232,582
Barclays Coral Block B	0	7,738,514
NBK Water	0	1,500
Wetland lagoon bank	0	993
Sub Total	27,297,099	73,731,365
(b) Cash in Hand		
Cash Coral Block	2,626,114	11,232,565
Petty Cash	180	0
Unbanked cash	11,205	33,875
Cash Account Wananchi	6,352	0
Cash Account Development	3,094	13,637
CDA MAIN Cash in Hand	2,452	0
Undeposited claims- MISHDP	0	3,000
Undeposited claims- Coral Block Site B	0	219,800
Undeposited claims-Wananchi	0	1,060
Undeposited claims- Coral Block HQ	0	833,900
Sub Total	2,649,397	12,337,837
TOTAL	29,946,496	86,069,201

NOTES TO THE ACCOUNTS CONTINUED

11. NEGATIVE CASH BOOKS

	2012/2013	2011/2012
NBK Portway a/c	0	10,417
Barclays Coral	976	0
NBK Wetland Lagoon	7,006	0
NBK Borstal	10,500	10,500
Barclays Coral	573,288	0
NBK Development	1,778,773	0
KCB Treasury Farms	3,241,554	0
CDA Main at NBK Nkrumah	0	4,155,176
Total	5,612,097	4,176,093

12. TRADE AND OTHER PAYABLES

	2012/2013	2011/2012
Creditors	25,120,283	26,691,757
Other Payables	10,550,110	18,664,476
Claims	2,673,623	0
Payroll payables**	51,145,475	8,023,374
MISHDP retentions	6,408,285	6,922,197
Wetland Lagoon Retentions	2,440,146	0
Total	98,337,921	60,301,804

NOTES TO THE ACCOUNTS CONTINUED

13. GRANTS

	2012/2013	2011/2012
	Kshs.	Kshs.
a) Recurrent Grants	53,113,918	54,942,460
b) Grants from Donors	8,048,131	22,099,300
c) Asset Donation	2,420,000	0
Total	63,582,049	77,041,760

d) OTHER RECEIPTS

	2012/2013	2011/2012
Appropriation in Aid (AIA)	2,621,174	1,290,372
Wananchi Cottages	8,065,005	0
Coral Block	35,915,963	65,156,497
Interest Earned	828,317	2,082,968
Rent Income	95,000	150,000
Uncategorized Income	10,470,617	0
Sub Total	57,996,076	68,679,837
Decrease in provision for Bad Debts	1,410,808	0
Total	59,406,884	68,679,837

14. ADMINISTRATION COSTS

RESTATED

	2012/2013	2011/2012
Administration expenses	441,320	407,785
Board Expenses	5,705,738	4,758,367
Electricity and Water	175,698	328,224
Official entertainment	341,533	218,125
Postage	56,090	75,902
Stationery	8,330	208,999
Telephone expenses	1,226,000	68,870
Internet services	879,043	495,354
Bank Charges	349,858	193,097
Total	9,183,610	6,754,723

NOTES TO THE ACCOUNTS CONTINUED

15. OPERATING COSTS

RESTATED

	2012/2013	2011/2012
Building maintenance	11,027	58,302
Coral block expenses	71,831,214	37,054,468
Computer maintenance	165,108	73,820
Magalana Restaurant	313,873	0
Transport operation	633,463	475,149
Motor vehicle insurance	113,589	428,186
Plant & Equipment Maintenance	30,525	19,090
Publicity	212,091	0
Motor vehicle maintenance	418,800	192,892
Rent & rates	0	35,851
Photocopying	57,969	1,000
Wananchi Cottages	4,867,689	0
Cultural Village	779,016	0
Depreciation	23,304,008	20,616,737
Less: Closing Inventory	(836,215)	0
Total	101,902,158	58,955,495

16. STAFF COSTS

	2012/2013	2011/2012
Gratuity	437,520	0
Group life insurance	7,715,652	8,637,081
Pension trustee	484,799	255,200
Personal emoluments	130,109,877	117,129,603
Staff welfare	80,000	173,926
NSSF expenses	0	296,200
Training expenses	57,300	0
Travel & Accommodation	119,395	118,840
Wages	155,008	265,029
Honoraria	1,000,000	0
Funeral expenses	100,000	0
Group personal accidents cover	4,044,183	11,844,220
Leave Commutation	1,126,000	0
Total	145,429,734	138,720,099

17. FINANCE COSTS AND LEGAL COSTS

RESTATED

	2012/2013	2011/2012
Audit fees	216,000	216,000
Legal fees	21,410	196,523
Total	237,410	412,523

NOTES TO THE ACCOUNTS CONTINUED

18. OTHER NON FINANCE COSTS

RESTATED

	2012/2013	2011/2012
Business Resource Centre	8,120	0
Provision for Bad Debts	0	561,641
Total	8,120	561,641

19. PROJECT COSTS

	2012/2013	2011/2012
Farmers Field School (FFS)	188,466	6,239
Water project	500	0
Africa Indigenous Vegetation (AIV)	5,000	0
Coastal Micro-enterprise program	0	259,500
KaziKwaVijana	490,206	0
MASMA	0	8,000
Wetland Lagoon	7,500	595,279
MISHDP	50,426,664	66,728,550
KYEP	0	4,858,022
Kenya UN Joint Project	0	20,416
Kenya Coastal Development Project	6,642,119	0
Total	57,760,455	72,476,006

20. BOARD EXPENSES

These include board sitting allowances, accommodation expenses, mileage allowances and transport allowances etc.

21. DONOR FUNDED PROJECTS

These include ongoing donor funded projects implemented by the Authority

a) Malindi Social Health Development Project (MISHDP)

This project aims at providing social and health facilities in Ngomeni location of Malindi in Kilifi County through construction and rehabilitation of education, health and infrastructural facilities.

b) Marine Science Management (MASMA)

The programme aims to study the underlying causes of shoreline changes, their social economic impacts and recommend effective and relevant mitigation and adaption options.

c) Kenya Coastal Development Programme

The program aims to achieve social and economic wellbeing for coastal zone through value chain studies and business development services.