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REPORT

OF

THE AUDITOR-GENERAL

ON

LAKE BASIN DEVELOPMENT AUTHORITY

FOR THE YEAR ENDED 30 JUNE, 2019

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LAKE BASIN DEVELOPMENT AUTHORITY (LBDA)

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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDING JUNE 30TH 2019

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

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KISUMU
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KEY LAKE BASIN DEVELOPMENT AUTHORITY INFORMATION AND MANAGEMENT

(a) Background information

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

The organization's area of jurisdiction covers a land area of approximately 39,000 Km^2 with an estimated population of 16.2 million people (KNBS, 2009). This region is endowed with an immense resource base, which include Land, water and human resources, which could anchor and stimulate economic Growth in the basin area and the entire country.

(b) Principal Activities

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

VISION

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

MISSION

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

CORE VALUES

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

R We shall respect diversity of opinion race
creed. We shall be responsible in all our action.

E We shall be ethical, uphold & sustain a culture of honesty in dealing with our stakeholders. We shall be emphatic to our constituents.

S We shall be socially responsible in all our activities.

P We shall act with utmost professionalism.
We shall adopt participatory approaches to development and forge effective partnership with all our stakeholders.

E We shall respect and protect the environment in all we do.

C We shall be committed to our vision and mission.
We shall foster creativity and innovation.

T We shall inspire trust among us and in the community.
We value team work both internally and externally.
We shall uphold tolerance among us and with the communities we serve.

Quality Policy

The Authority commits to comply with all applicable statutory requirements and continual improvement of its Quality Management System based on ISO 9001:2015 International Standards.

The Authority's top Management commits to review this policy and established quality objectives biennially to ensure sustained improvement and suitability.

LBDA's Quality Objectives:

- Lake Basin Development Authority (LBDA) is a Government Agency committed to providing demand driven quality products and services through integrated planning and development to catalyse sustainable, Socio and Economic development by promoting resource based investments in the Lake Basin Region;
- LBDA is committed to the effectiveness and efficiency of the quality management system through defined Quality Objectives that shall be reviewed annually at various functional levels within the organization
- To ensure consistent delivery of services, LBDA shall endeavour to meet and exceed the needs and expectations of our customers and interested parties through the implementation and maintenance of a Quality Management System based on the requirements of ISO 9001:2015;
- The management shall also be committed to timely compliance with the relevant statutory and regulatory requirements;
- LBDA shall regularly measure, analyse and evaluate the effectiveness and efficiency of the Quality Management System for continual improvement.

(c) Key Management

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

- Board of Directors
- Managing Director
- Management Team

KEY LAKE BASIN DEVELOPMENT AUTHORITY INFORMATION AND MANAGEMENT

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

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

(e) Lake Basin Development Authority Headquarters

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

(f) Lake Basin Development Authority Contacts

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

(g) Lake Basin Development Authority Bankers

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

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

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

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

Gumbo & Associates
Advocates P.O Box 2718-
Eldoret.

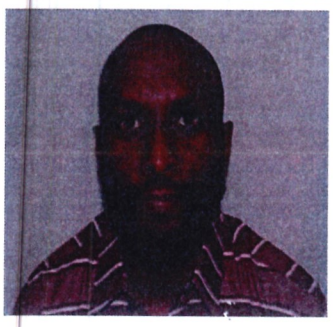
Amondi & Co. Advocates
P.O Box 675-40100,
Kisumu.

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

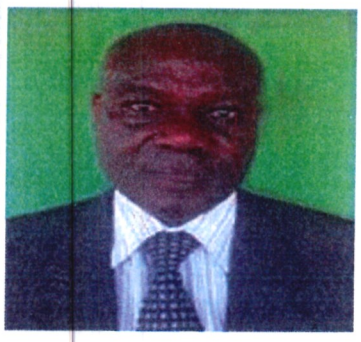
THE BOARD OF DIRECTORS

NO.	NAME	PARTICULARS
1	 **MR CAVINCE ODOYO OWIDI (CHAIRMAN)**	**D.O.B: 25th April 1968** ***Qualifications*** • Bachelor of Education Honours –Pure Applied Mathematics including computer science and applied statistics-Egerton University • Public Administration and leadership- University of South Africa ***Experience*** • Advisor- Nairobi Governor 2014-2017 • Managing Director-Parco Africa Ltd Nairobi/Dubai • Regional Manager PBI International 2004-2016 • Principal Horizon Academy-1994-2004 • Senior Teacher Arya Vedic GCE school 1996-1999
2	 **DR. RAYMOND OMOLLO (SECRETARY TO THE BOARD)**	**D.O.B: 27th December 1979** ***Qualifications*** • Doctor of Philosophy in Applied Statistics • Masters of Science in Biometry • Bachelor of Science in Statistics ***Experience*** • Managing Director and Board Secretary at LBDA (2019-To date) • Head of Data Centre & Statistician, DNDi Africa) • Research Fellow & Adjunct Lecturer- Strathmore University • External Examiner-University of Witwatersand-Johanesburg • Training on Corporate Governance for Directors
3	 **MS. BEATRICE O. OBINGO (DIRECTOR)**	**D.O.B:** 1967 ***Qualifications*** • Bachelor of Science degree in Health and Development • Diploma in Nursing Sciences from College of Health Professions; ***Work Experience*** • Over 15 years' experience in corporate strategy and operational excellence within the healthcare sector. My key skills are in the areas of Organizational Leadership and Change Management, business process and Quality

NO.	NAME	PARTICULARS
		Management Systems • Currently serving as the Chief Operations Officer at Centric Air Ambulance and an Executive Director on Centric's Board. • General Manager for Resolution Insurance Medical Division. Medical Manager and Quality management Representative with Mediplus Services Limited, The Aga khan University Hospital and the Ministry of Health in various Leadership capacities.
4	 **MS. RHODAH AMIMO (VICE CHAIR OF THE BOARD)**	**D.O.B: 1st April 1962** ***Qualifications*** • Diploma in Project Management: Kenya Institute of Management, 2011 • Certificate in monitoring and evaluation: Kenya institute of management, 2012 • BED Special Education: Kenyatta University, 2000 • Secretarial: Graffins College, 1982 • Certificate: Egoji Teachers College • EAACE: Private Candidate, 1989 • East Africa Certificate of Education: Pangani Girls' High School, Nairobi, 1979 ***Work Experience*** • Chief Officer-Education, Science and Technology-Vihiga County Government-2014-2017 • Also served as the Chief Officer Water and Environment, as well as Chief Officer Trade Tourism and Industrialization. • Teachers Service Commission under Ministry of Education, Science and Techology-1985 to December 2008- TSC NO. 211306.
5	 **MS. CATHERINE NYAMATO MORAA (DIRECTOR)**	**D.O.B: 28th February 1949** ***Qualifications*** • Diploma in Office Administration and Personnel Management • University of Nairobi-1972-Certificate in Personnel Management • Government Training Institute, Maseno, Kenya-1971-Diploma in Office and Personnel Management

NO.	NAME	PARTICULARS
6	 **MR. FRANKLINE MUTAI RONO (DIRECTOR)**	**D.O.B: 15th March 1982** ***Qualifications*** • Masters of Business Administration- University of Nairobi • Bachelor of Science in Computer Science- Kabarak University ***Work Experience*** • 2010 – Present: Bomet Teachers Training College -Position: Programme Co-ordinator. • December 2010: Interim Independent Electoral Commission -Deputy Presiding Officer, National Referendum. • 2007 – 2008: Bomet Teachers Training College -IT Manager and Tutor. • December 2007: Electoral Commission of Kenya -Presiding Officer, National General Elections. • 2006 – 2007: Bomet Academy-IT Consultant • December 2005: Electoral Commission of Kenya- Presiding Officer, National Referendum. • 2005: Emikwen Community Development program • Civic Education Provider on the draft constitution.
7	 **HON. WILFRED MORIASI OMBUI (DIRECTOR**	**D.O.B: 25th May 1956** ***Qualifications*** • Masters of Business Administration (Finance)-Egerton University • Bachelor of Commerce (Accounting) Maharshi Valmki National University of India. • Fellow of Financial Accountants (FFA) from Institute of Financial Accountants-UK. • CPA II • ACNC(K).
8	 **HON. ELISHA K. BUSIENEI (DIRECTOR)**	**D.O.B: 5th December 1972** ***Qualifications*** • Bachelor Degree of Development Studies-Mount Kenya University • Diploma in Public Administration- Chepkoilel University College (University of Eldoret) • Certificate in County Governance-Jomo Kenyatta University of Agriculture and Technology ***Work Experience*** • 2013-2017 - Member of National Assembly Turbo Constituency a member in Defence and Foreign relation and Delegated legislation

NO.	NAME	PARTICULARS
		• 2007-2012- Councillor at Municipal council of Eldoret and chairman Education Department
9	 **MS. EMILY P. OKOTH (DIRECTOR)**	**D.O.B:** 3rd July 1971 ***Qualifications*** • KCSE Certificate ***Work Experience*** • Business Person for the last 15 years
10	 **MR. FRED G. MWANGO (DIRECTOR)**	D.O.B: 24th December 1952 Qualifications • 1973 – 1976 University of Nairobi- Bachelor of Arts Degree (Hons. in • Sociology and Political Science) • 1971 -1973 A' Level Certificate of Education from Agoro Sare High School • 1967 – 1970: 'O' Level Certificate from Rapogi High School in Migori. Work Experience • 1977- 1980: District Officer in Wajir District • 1981 - 1982: District officer – Nairobi Area • 1982 - 1984: District Officer in Nanyuki – Laikipia District • 1984 - District Officer in Turkana District • 1987 - 1988: District Commissioner II & I– Nyandarua District • 1989 - Senior District Commissioner Kiambu District • 1990 -Deputy PC, Nairobi Area • 1991: Deputy Provincial Commissioner, Nyanza • 1992: Deputy Secretary in the Ministry of Planning • 1994 – 1996: Deputy Secretary Ministry of Water • 1996 – 1999: Deputy Secretary of Agriculture • 2001- 2003: Deputy Director, NACADA • 2003- 2011: Senior Deputy Secretary • 2012 – 2017: Senior Deputy Secretary in the Ministry of Health Work Content: While in the Central Government I was in charge of the general co-ordination of the affairs and activities in various

NO.	NAME	PARTICULARS
		ministries on behalf of the concerned Permanent Secretaries.
11	 **HON MARY SALLY K. OTARA (DIRECTOR)**	**D.O.B: 1st January 1964** **Qualifications** • Bachelor of Development Studies Degree -Mount Kenya university • Diploma in Community Development and Social work- Neema Lutheran college • Certificate Course in Social work- Ogango Lutheran college ***Work Experience*** • 1996 - 2012,-Social Worker Evangelical Lutheran Church in Kenya [ELCK] • 2001-2008,-Chairperson Habitat for Humanity Kisii Region • 2003-2006,-BOG.Signatory Botoro Sec School • 2007-2011,-PTA/BOG Nyabururu Girls High School.
12	 **MS. CHRISTINE BHOKE NCHAMAH (DIRECTOR)**	**D.O.B: 24th December 1979** ***Qualifications*** • Diploma in Community and Social Development • Certificate in Social Work ***Work Experience*** • 2013-2017: Worked as Secretary National Government -Kuria West Constituency Development Fund.
13	 **MR. GEOFFREY KITUYI PEKA** **ALT. DIRECTOR MINISTRY OF WATER & IRRIGATION**	**D.O.B: 23rd November 1961** ***Qualifications*** • Masters of Science in Environmental Science, Egerton University, • Bachelor of Science Agriculture (Hons.), University of Nairobi, • Diploma in Farmer Managed Advisory Services, Nordic Academy, - Denmark • Certificate in Advanced Project Management and Project Management Essentials, OTE Academy, Greece, • Certificate, Strategic Leadership Development Programme – Kenya Institute of Administration (KIA), • Certificate, International Service for Acquisition of Agri-Biotech Applications – JKUAT, • Certificate in Oil Seed Agronomy-Directorate of Research,

NO.	NAME	PARTICULARS
		Hyderabad, India ***Work Experience*** • 1985 to date - Ministry of Agriculture -District Agricultural officer and Provincial Crops Officer in Rift Valley and Eastern Provinces • Currently deployed in the Directorate of Policy and External Relations at the Ministry headquarters.
15	 **CPA BENSON KINYUA** **ALT. DIRECTOR MINISTRY OF EAC&RDAS**	**D.O.B: 20th November 1979** ***Qualifications*** • Master of Science in Commerce Finance & Accounting • Bachelor of Commerce Accounting Option **Professional Qualifications** • CPA (K) • CPS ***Work Experience*** • 2018-to date – Head of Accounting Unit (State Dept for Regional & Northern Corridor) • 2017-2018 – Assistant Accountant General (Ministry of Defense) • 2014-2017 – Head of Accounts (The Presidency, State House) • 2011-2013- Chief Accountant (The Presidency, State House) • 2008-2011- Senior Accountant (State House) • 2005-2008- Accountant I (State House)
16	 **MR. AMBROSE WEDA (DIRECTOR)**	**D.O.B: 26th April 1969** ***Qualifications*** • Masters of Law (LLM) – Intellectual Property- University of Nairobi ***Work Experience*** • 2012-to date – Lead Partner Weda & Company Advocates • April 2015 to April 2018- Chairman Board of Directors South Nyanza Sugar Company (SONY) • July 1998 to July 2012- Senior Partner Odhiambo & Weda Advocates

MANAGEMENT TEAM

NO.	NAME	PARTICULARS
1	 **DR. RAYMOND OMOLLO**	**Managing Director** ***Qualifications*** •Doctor of Philosophy in Applied Statistics •Masters of Science in Biometry •Bachelor of Science in Statistics ***Experience*** • Managing Director and Board Secretary at LBDA (2019-To date) • Head of Data Centre & Statistician, DNDi Africa) • Research Fellow & Adjunct Lecturer- Strathmore University • External Examiner-University of Witwatersand-Johanesburg • Training on Corporate Governance for Directors
2	 **CPA(CS) FREDRICK O. CHERE**	**Chief Manager- Finance** **ICPAK Membership No. 4745** ***Qualifications*** • Masters of Business Administration Strategic Management • Bschelor of Commerce- Accounting • CPA(K), CPS (K), CFE • Certificates in Leadership and Governance • Professional Association: ICPAK, ICPSK, ACFE
3	 **MR. RAYMOND NDOLO**	**Ag. Manager, Procurement** ***Qualifications*** • Bachelor of Commerce – Marketing Management • Post Graduate Diploma- Logistics Management • Diploma Investment Analysis & Portfolio Management • Member KISM

NO.	NAME	PARTICULARS
4	 **MR. MAURICE OBASO**	**Ag. Chief Manager, Planning Research, Bus. Dev. & Inv. Pro** ***Qualifications*** • Masters of Business Administration Strategic Management • Bachelor of Arts Marketing
5	 **ENG. GODFREY M. MWANGI**	**Ag: Chief Manager, Technical Services & Operations** ***Qualifications*** • Bachelor of Science -Civil Engineering • Member: EBK; IEK
6	 **CPA GRACE ABUTO**	**Manager, Internal Audit** **ICPAK Membership No. 5629** ***Qualifications*** • Bachelor of Commerce-Finance • CPA(K), CPS Finalist • Member: ICPAK, ISACA
7	 **MR. ANDREW OSORO**	**Ag. Manager, Corporate Affairs** ***Qualifications*** • Bachelor of Arts Mass Communication • Diploma, Mass Communication

NO.	NAME	PARTICULARS
8	 **MR. JAMES NYAKWEBA**	**Ag. Manager, Human Resource** ***Qualifications*** • Masters in Human Resource management • Bachelor in Human Resource Management. • Member-IHRM • CPS-Part I
9	 **MR. EDWIN OLANG**	**Ag. Manager, Administration Services** ***Qualifications*** • Bachelor of Arts. – Development Studies
10	 **MRS. BEATRICE OKOKO**	**Ag. General Manager, LBDC** ***Qualifications*** • Masters- Project Planning & Management • Bachelor of Business Administration - Finance • Advanced Diploma in Business Administration • Member of PRSK
11	 **MR MICHAEL OKUK**	**Ag. Manager Legal Services** ***Qualifications*** • Diploma in Law • Certificate in Law • KCE DIV III

CHAIRMAN'S STATEMENT

The Lake Basin Development Authority (LBDA) is a State Corporation established in 1979 to coordinate meaningful development in the Kenyan portion of the Lake Victoria basin. LBDA has a number of strategies that it employs to achieve its broad mandate through a multi-sectoral approach due to the vast area it covers. LBDA covers 18 counties in the country whose population is approximately 42% of Kenya's population according to 2009 census

The Authority has continued to strive to attain the targets set in the strategic plan (2017-2022), the Vision 2030 and the Medium Term Plan (MTP).

Self-sustainability of LBDA being one of our key priorities has led to the construction of the LBDA mall. The Mall being the biggest in the region will generate the much-needed revenue hence reducing the overdependence on the exchequer releases to fund our operations and projects. Secondly, with additional capital injection of Kshs.230 million to Lake Basin Development Company (LBDC) activities are expected to increase by acquiring a new milling plant hence improving efficiency. The 18 Technology Transfer Centres (TTCs) spread across the regions are being refurbished to ensure quality products and services to the communities where they are located.

The major challenge we faced in the year was the delayed disbursement of development funds for the financial year, which greatly affected our operations, but my Board and the esteemed workforce of LBDA have worked tirelessly to ensure proper service delivery.

Going forward, we intend to pursue an ambitious strategy to deliver quality services to the masses, transform our workforce into an innovative instrument of regional and national development and also ensure visibility of our products and services.

Mr. Cavince Odoyo Owidi
Chairman, LBDA

REPORT OF THE CHIEF EXECUTIVE OFFICER

Since incorporation in 1979, we have focused our resources to deliver quality and demand driven quality services through integrated planning and development in the Lake Victoria basin. The promulgation of the new constitution in 2010 led to the establishment of County Government with some key National functions devolved to this units and therefore we saw it fit to repackage our product and services to effectively carry out our mandate.

During financial year 2018/19, the Authority received Kshs. 207 Million for recurrent expenditure from the exchequer. A further Kshs. 344 Million was also received to cater for the development activities. This fact has made us vulnerable especially in hard economic situation currently being experienced. To mitigate this, it is envisaged that LBDA mall will soon be operational with a view enhance our revenue streams to compliment the exchequer. The LBDC Rice Mill is another major project which is expected to guarantee our relevance in the region, and in this regard the Exchequer funded its up scaling to a tune of Kshs. 230 Million in the FY 2018/19.

The Authority has developed the Strategic plan 2017-2022 to align its activities to the new constitutional order and the Medium-Term Plan (MTP III). LBDA began the process of transiting the ISO 9001:2008 to the ISO 9000:2015 which mainly focuses on quality service delivery to our customers. A consultant has been brought on board and will ensure complete transition by 30th June 2020.

As of date, I am proud to say that with our permanent team of 266 regional and headquarters office personnel, we are well equipped to handle any project that is required of us to a complete satisfaction. The Authority has also ensured that all its workforce has a comprehensive enhanced medical cover from the National Hospital Insurance Fund (NHIF).

Our main challenge remains funding, either delayed or no funding for our development as well as operations and maintenance activities from the exchequer. We have prepared a sustainability paper in this regard and submitted to our parent Ministry for discussion.

The planned development initiatives for the FY 2018/19 will continue to promote rural-urban balance, employment creation, food security and nutrition, tourism and trade development in an integrated environment. This has been aimed at the creation of wealth and bringing about socio-economic transformation that empowers communities.

Dr. Raymond Omollo
Managing Director, LBDA

CORPORATE GOVERNANCE STATEMENT

Lake Basin Development Authority (LBDA) is a Regional Development Agency that was established by an Act of Parliament Cap 442 on the 31st August 1979 to coordinate the socio-economic development in the Lake Victoria Basin, Western Kenya. Currently, the Authority is under the Ministry of East African Community and Regional Development which provides the general policy and strategic direction of the Authority. In order for the Authority to achieve its strategic objectives, it is governed by the Board who exercise control.

The board adheres to the highest standards of corporate governance and ethics as well as ensuring compliance with all applicable laws. It is committed to ensuring that the Authority's obligations, roles and responsibilities to its various stakeholders are fulfilled through its corporate governance practices. The Members and Management perform their duties with impartiality, honesty, transparency and accountability, professionalism, integrity, care and due diligence and act in good faith to the best interests of the public.

Further, the Board is committed to ensuring that ethics and integrity remain at the core of the Authority's operations. It recognizes that ethical management is key to the Authority's sustainability and is therefore, continuously putting in place practices, systems and processes to integrate ethics in all the Authority's operations. All new Members and staff equally undergo mandatory induction training that includes ethical conduct and are required to sign the Code of Ethics and to adhere to its principles and provisions.

Role of the Chairman

The Chairman provides leadership and governance of the Board and creates conditions for overall Board and individual Director's effectiveness by ensuring that all key and appropriate issues are discussed by the Board in a timely manner. He ensures that the Board plays a full and constructive part in the development and determination of the Authority's strategies and policies. He also ensures that the Board is supplied with timely and sufficient information to enable it discharge its duties effectively. In furtherance of the above, the Chairman ensures adherence to good corporate governance practices and procedures, and continuously promotes the highest standards of integrity, probity and corporate governance throughout the Authority and particularly at Board level.

Role of the Board

The Board is responsible for overall strategic direction and operational guidance of the Authority.

In this regard, the responsibilities of the Board include:

i. Establishing short and long-term goals of the Authority and develop strategies to achieve these goals;
ii. Monitoring the Authority's performance against these set goals;
    a. Overseeing the preparation of annual financial statements and reports;
    b. Approving annual budgets; and

iii. Ensuring that the Authority has adequate systems of internal controls together with appropriate monitoring of compliance activities to ensure business continuity.

The Board's key achievements during the 2018/ 19 FY were: -

- Development of 2017/22 Strategic Plan;
- Approved and continually monitored the implementation of the Authority's Annual operating Plans and Budget;
- Implemented the Authority's Performance Contract with The National Treasury;
- Development of Human Resource Policies and Procedures Manual;
- Reviewed the Authority's financial controls, financial statements and reporting systems based on both strategic and long-term plans;
- Oversaw the Authority's management of enterprise risk and approved all significant corporate actions, among others.

Board Remuneration

Members are entitled to a sitting allowance for every meeting attended, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable. This is done within the limits set by the Government for State Corporations. In addition, the Chairman is paid a monthly honorarium.

Internal Audit and Assurance

As the Authority's third line of defence, the Internal Audit function's main objective is to provide assurance of the risk management, internal controls and governance processes. The assurance is meant to deepen good governance practices and support the achievement of the best internal controls through continual improvement and engagement. The Authority's system of internal controls has been defined by approved policies and procedures which contain operational and financial controls that ensures that the assets are safeguarded, transaction authorized and accurately recorded. Further, they ensure that material errors and irregularities are either prevented or detected within a reasonable time.

Internal assurance was carried out by the independent internal audit function. The objectivity and independence of the Internal Audit was enhanced through professionalism and competence of the function and governance support from the Board Audit Committee to which the function reports. During the financial year under review, planned audit reviews were carried out with a view to appraise the compliance levels against approved policies, relevant legislations as well as evaluate on the adequacy, design and operational effectiveness of internal controls.

The Office of the Auditor General also provided the external assurance through systems and financial reviews of the various expenditure cycles of the Authority.

Corruption Prevention Strategies

The Authority continued to implement the Anti- Corruption Policy and Corruption prevention strategies through the guidance of the Corruption Prevention Committee which is comprised of the Heads of the Departments and chaired by the Managing Director. These strategies included awareness creation aimed at raising the culture of integrity, ethical and professional conduct at the work place. Further, the Authority's staff awareness levels on ethics and integrity were enhanced through sensitization from Integrity Assurance Officers. Through the guidance of the Ethics and Anti-Corruption Commission, the Authority's entire management was sensitized on the new Anti-Bribery Act 2016 as well as other emerging issues on ethics and integrity.

The Authority also carried out a Corruption Risk Assessment in all its functional areas, developed and implemented appropriate mitigation plans.

Whistle Blowing Policy

The Authority is committed to protecting the Lake Basin Development Authority and well-being of all employees and stakeholders when they provide information regarding corruption related activities or participate in investigations. Towards this, it has established three reporting channels through which anonymous reports on unethical/fraudulent behaviour can be made without fear of retaliation from the suspected individuals. The channels are corruption reporting hotline, email and corruption reporting box.

Conflict of Interest

The Members and staff are obligated to fully disclose and declare any potential or real conflict of interest, which comes to their attention, whether direct or indirect. At any meeting of the Authority, Members and staff are expected to declare any interest they may have in an agenda item under discussion. In case of conflict of interest, the affected member or staff is excluded from any discussion or decision on the matter in question.

Code of Conduct

The Authority has continued to observe and implement the provisions of the gazetted Code of Conduct. This code binds both the Board Members and staff as they must commit to its requirements upon joining the Authority.

Risk Management

Risk management is one of the strategic functions and is applied in the day-to-day operations of the Authority. This ensures that all risks are managed optimally and comply with the approved policies and tenets of good corporate governance. In the year under review, the Authority continued to implement the various mitigation strategies to ensure that the risk levels are minimized.

Relevant risks are those within the control of the Authority, a possible event or outcome that could cause the organization not operate or fulfil its mandate. In order to ensure the Authority remains up to date in its

risk identification and mitigation strategies, the current risk management framework and related tools are being reviewed.

The Board shall review this Statement not less than annually and shall recommend any changes for its approval.

Committees of the Board

The Board has **four** committees with specific delegated authorities. These are the **Human Resource Committee**, the **Finance & Budget Committee**, **The Planning Strategy & Development Committee** and **The Audit Committee**. The specified members and detailed terms of reference are indicated below:

Human Resource Committee

- Mr. Fred G. Mwango - Chairperson
- Dr. Raymond Omollo - MD, Secretary
- CPA Benson M Kinyua - Member, Alt. Director – Min. of EAC & RD
- Mr. Geoffrey P. Kituyi - Member, Alt. Director - Min, Of Agric & Livestock
- Hon. Catherine Nyamato - Member
- Mr. Ambrose Weda - Member
- Mr. Frankline R. Mutai - Member
- Ms. Emily P Okoth - Member
- Ms, Bhoke C. Nchama - Member
- Hon. Mary S. Otara - Member

Finance & Budget Committee

- Ms Beatrice A. Obingo - Chairperson
- Dr. Raymond Omollo - MD, Secretary
- Mr. Abraham Koech - Member, Alt. Director – Treasury.
- CPA Benson M Kinyua - Member, Alt. Director – Min. of EAC & RD
- Hon. Catherine Nyamato - Member
- Mr. Ambrose Weda - Member
- Ms, Bhoke C. Nchama - Member.
- Hon Elisha Busienei - Member.

Planning, Strategy & Development Committee

- Hon Elisha Busienei - Chairperson
- Dr. Raymond Omollo - MD, Secretary
- Mr. Andrew Mocha - Member, Alt. Director – Min. of Water & irrigation.
- Mr. Geoffrey P. Kituyi - Member, Alt. Director - Min, Of Agric & Livestock
- Ms. Rhoda Mbadu - Member, Vice Chair
- Hon. Mary S Otara - Member
- Hon. William Omondi - Member
- Ms. Emily P Okoth - Member
- Hon. Wilfred Ombui - Member

Audit Committee

- Hon. Wilfred Ombui - Chairperson
- Mr. Abraham Koech - Member, Alt. Director – Treasury
- Hon. Mary S Otara - Member
- Mr. Frankline R. Mutai - Member
- Ms. Rodah Mbandu - Member, Vice Chair
- Mr. Fred G. Mwango - Member
- CPA Grace Abuto - Internal Audit - Secretary

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Authority planned to implement 5 projects namely: Upscaling of the LBDC Rice Mill at Kibos in Kisumu County, Regional Demonstration and Technology Transfer Centres, Lake Basin Mall Project in Kisumu County, Lichota, Muhoroni and Alupe Solar Irrigation Project in Migori, Busia and Kisumu County as well as Construction of Nyakoe Market in Kisii County.

PROJECTS IMPLEMENTED IN THE FY 2018/19

S/No.	PROJECT NAME	PROJECT COST (Ksh. Millions)	FY 2018/19 Printed Estimates (Ksh. Millions)	FY 2018/19 Revised Estimates (Ksh. Millions)	Planned Outputs for FY 2018/19
1.	Upscaling of the LBDC Rice Mill	250	230	230	2,500 tonnes of paddy rice purchased from rice farmers and processed
2.	Regional Demonstration and Technology Transfer Centres	150	31	31	6,000,000 fingerlings produced
3.	Lake Basin Development Authority Mall - Kisumu	4,509	646	0	Ksh. 645,992,863 paid to settle pending bills
4.	Lichota, Muhoroni and Alupe Solar Irrigation Project	360	71	71	6 boreholes drilled
5.	Construction of Nyakoe Market in Kisii County	107.5	50	12.5	50% completion status
	Total	**5,376.5**	**1,028**	**344.5**	

IMPLEMENTATION STATUS OF THE PROJECTS

1. Upscaling of the Rice Mill

In the FY 2018/19, the Authority planned to purchase and process 2,500 tonnes of paddy from rice farmers in the region. Due to late disbursement of funds, the Authority managed to purchase and process 345 tonnes of paddy rice from farmers.

2. Regional Demonstration and Technology Development Centres

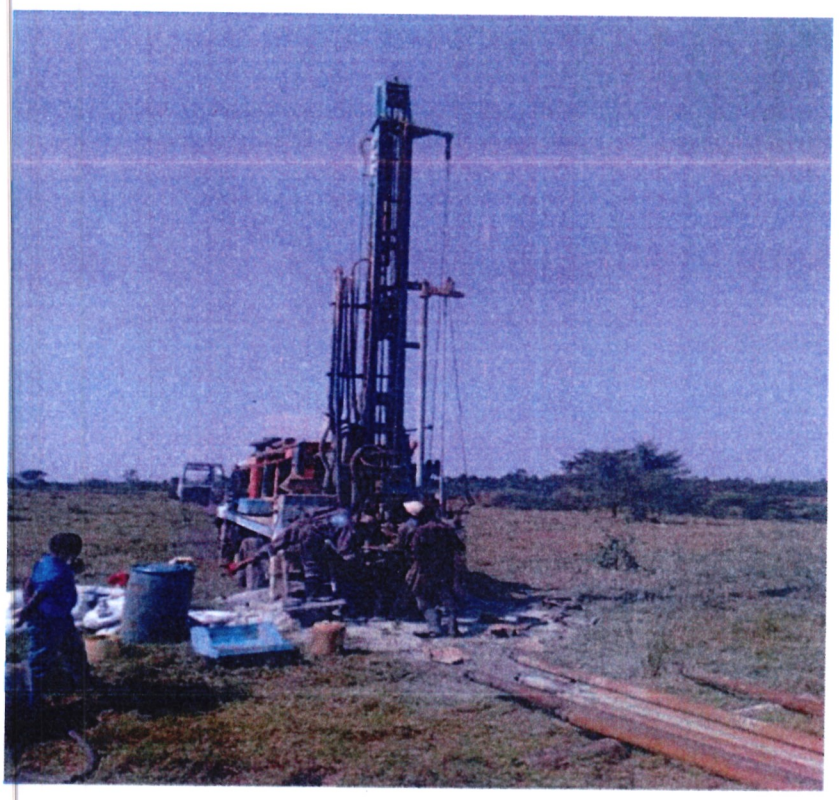
With regard to this project, the Authority planned rehabilitate eight (8) fish farming centres and set up the Reticulation Aquaculture System (RAS) which is a modern fish farming technology. Consequently, the Authority also targeted to produce 6,000,000 fingerlings so as to distribute to fish farmers within the region. Due to late disbursement of funds, the Authority managed to produce 94,023 fingerlings.

3. Lake Basin Mall - Kisumu

According to the Printed Estimates for FY 2018/19, the Authority was to receive Ksh. 645,992,863 from the National Exchequer for settlement of pending bills relating to the Lake Basin Mall. During the budget review, the allocation was revised to zero. Therefore, the Authority was not able to make payments with regard to the pending bills.

4. Lichota, Muhoroni and Alupe Solar Irrigation Project

This project involves the harnessing of ground water sources to irrigate 200 ha of land in Lichota, Muhoroni and Alupe farms. The Authority planned to drill six (6) boreholes in the FY 2018/19. The hydrogeological surveys were done to completion in collaboration with the State Department of Public Works. Tendering relating to the project was done and completed. Currently, contractors have been awarded contracts and are on the ground working.



5. Construction of Nyakoe Market

In the FY 2018/19, the Authority planned to complete the preliminaries of the project and start construction of a modern market at Nyakoe in Kisii County. The target was to develop the market to 50% completion status. The designs have already been developed and the Authority is working with the County Government of Kisii to fast-track the tendering process so as to get contractors on the ground working.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

ORGANIZATION SUSTAINABILITY

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

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

(1) People and Community

The Authority as an employer

Lake Basin Development Authority is committed to being a good employer, and to contribute positively to the local community through social economic initiatives. As an employer LBDA is committed in ensuring that all staff members are fully supported in their work, have a decent working environment, and are fairly rewarded. The Authority also encourages and supports staff to engage in activities which benefit the wider community and society.

In order to achieve this, the Authority commits to:

- Embedding equality and diversity into all operations
- Ensuring staff can achieve their full potential through training, mentoring, and other staff development activities.
- Achieving the highest practical standards of health and safety for our staff and visitors.

In our commitment to promote employee well-being at the workplace, we have continued to provide services and benefits that not only motivate employees but also enhance their productivity. Towards this, the Authority has maintained a healthy workforce through the provision of a medical scheme.

The Authority operates a defined Contribution Retirement Benefits Scheme for its employees on Permanent and Pensionable terms of employment, the assets of which are held, managed and administered in a separate trustee scheme as per the RBA requirements.

(2) Finance and Economic activity

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

(3) Environmental Sustainability

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

The Corporate Affairs Department was allocated 2,000,000.00 for Corporate Social Responsibility (CSR) activities for the Financial Year 2018/19 from a requisition of 5,000,000.00 due to the Presidential Directive on Tree Planting.

This financial year, the Authority had a major drive in tree planting events by formulating tree planting days in areas along the Basin as a way of fighting deforestation. This is in line with our mandate of promoting management and conservation of Natural Resources and which by extension also falls under the Presidential Directive on tree planting. The events were led by the Managing Director, Dr. Raymond Omollo and in some activities, the Chairman Mr. Odoyo Owidi.

Output

i) Enhance Community relationship and collaborations
ii) LBDA Brand recognition
iii) Community empowerment
iv) Creating mass awareness on the importance of trees
v) Enhancing environmental conservation
vi) Donating tree seedlings

National Holiday

The Authority was privileged to be invited by the county government of Kisumu to celebrate this day together at the Kisumu Sports Ground. The LBDA Choir represented the authority, accompanied by some staffs. They were part of the entertainment teams and therefore showcased their items by entertaining the crowd like other invited organizations.

Output

1. Brand recognition through our choir
2. Enhancing National Cohesion
3. Creating contact between the Authority and the County Government of Kisumu
4. Entertainment

A budget of Kshs 40,000 was raised in order to facilitate the day. The amount was to cater for the participants' refreshment and a lunch allowance.

SUMMARRY OF EVENTS

No	Date	Organization/Activity	Donated Item	Amount
1.	06/09/2018	West Sangalo Ward Dairy Farmers CBO,	Guernsey 7 months in-calf heifer Donation	60,000.00
2.	5/06/2019	Conservation of Kisumu County Riparian Land	1,000 bamboo Tree seedlings	150,000.00
3.	Assorted	National Holidays	LBDA Choir	40,000.00
4.	11/05/2019	Regional Tree Planting Day-St. Elizabeth Mary Girls, Mamboleo	600 Tree seedlings	12,000.00
5.	**Schools' Greening Program: Presidential Directive**			
	27/05/2019	Siaya County: - Kubar Primary and Obambo Community	1,200 Tree seedlings	24,000.00
	28/05/2019	Busia County: -Igara Girls and Boys secondary School and Igara Primary	2,823 Tree seedlings	56,460.00
	29/05/2019	Nandi County:-Kipkwibon Primary School, Kapsabet Township, Mosobecho Primary and Kiropket Primary	2,000 Tree seedlings	40,000.00
	30/05/2019	Homa bay County: - Oriwa Primary School and Oriwo Community	1,570 Tree seedlings	31,400.00
	31/05/2019	Migori County:- Masaba primary School and Masaba Secondary	1,447 Tree seedlings	28,940.00
	03/06/2019	- Trans Nzoia County:- St Francis Boys Secondary School Suwerwa - St Francis Girls Secondary School Suwerwa - St Francis Church Suwerwa	2,610 Tree seedlings	52,200.00
		Logistics, Allowances, Give Away Branded T-Shirts		**519,450.00**
	TOTAL Donation amount			**495,000.00**
	TOTAL			**1,014,450.00**

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Lake Basin Development Authority's affairs.

Principal activities

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

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

Interventions of strategic national government interest

Results

The results of the Lake Basin Development Authority for the year ended June 30, 2019 are set out on page one.

Directors

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

Dividends/Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Lake Basin Development Authority did not make any surplus during the year (FY 2018-2019) and hence no remittance to the Consolidated Fund.

Auditors

The Auditor General is responsible for the statutory audit of the LBDA in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

Mr. Cavince Odoyo Owidi
CHAIRMAN
Date:.....

Dr. Raymond Omollo, PhD
MANAGING DIRECTOR
Date: .....

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, - (entities should quote the applicable legislation under which they are regulated require the Directors to prepare financial statements in respect of that Lake Basin Development Authority, which give a true and fair view of the state of affairs of the Lake Basin Development Authority at the end of the financial year/period and the operating results of the Lake Basin Development Authority for that year/period. The Directors are also required to ensure that the Lake Basin Development Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Lake Basin Development Authority. The Directors are also responsible for safeguarding the assets of the Lake Basin Development Authority.

The Directors are responsible for the preparation and presentation of the Lake Basin Development Authority's financial statements, which give a true and fair view of the state of affairs of the Lake Basin Development Authority for and as at the end of the financial year (period) ended on June 30, 2019. 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 Lake Basin Development Authority; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Lake Basin Development 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 Lake Basin Development Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act) – entities should quote applicable legislation as indicated under) . The Directors are of the opinion that the Lake Basin Development Authority's financial statements give a true and fair view of the state of Lake Basin Development Authority's transactions during the financial year ended June 30, 2019, and of the Lake Basin Development Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Lake Basin Development Authority, which have been relied upon in the preparation of the Lake Basin Development Authority's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Lake Basin Development 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 Lake Basin Development Authority's financial statements were approved by the Board on 27/09 2019 and signed on its behalf by:

Director	Director	Director

REPUBLIC OF KENYA

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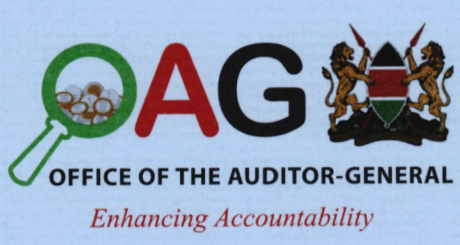
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON LAKE BASIN DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Lake Basin Development Authority set out on pages 1 to 47, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Lake Basin Development Authority as at 30 June, 2019, 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 the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Several balances reflected in the financial statements are not supported with sufficient and appropriate records and information, as explained in the following paragraphs:

1.0 General Expenses

The statement of comprehensive income reflects general expenses totalling Kshs.233,362,737, which include daily subsistence allowance payments totalling Kshs.23,088,944 that, however, differ with the balance of Kshs.28,578,037 reflected in respect to the account in the general ledger. No explanation was provided by Management for the difference of Kshs.5,489,093 between the two set of records.

Consequently, the accuracy and completeness of the general expenses balance totalling Kshs.233,362,737 as at 30 June, 2019 could not be confirmed.

2.0 Property, Plant and Equipment

The statement of financial position reflects non-current assets totalling Kshs.5,014,617,095 as at 30 June 2019. However, the analysis provided for the balance reflected the following unsatisfactory issues:

2.1 Assets Without Ownership Documents and Book Values

As similarly reported in the previous year, several assets, namely; farms, vehicles and machinery with book values totalling Kshs.56,471,525 highlighted in Appendix I(A) to this report were not supported with records that confirmed their ownership by the Authority as at 30 June, 2019.

In addition several of the assets were not assigned any book values although they were treated as property of the Authority which derived economic benefit from their use in the year under review. The assets are listed in Appendix I(B).

In view of these issues, the accuracy and completeness of the value of the property plant and equipment balance totalling 56,471,525 as at 30 June, 2019, and the assets not assigned book values, could not be confirmed.

2.2 Unverified Assets at Yala Swamp

Included in the net non-current assets balance totalling Kshs.5,014,617,095 reflected in the statement of financial position as at 30 June, 2019 are buildings and infrastructure assets valued at Kshs.148,742,123 listed in Appendix II to this report.

The assets are located in Yala Swamp previously leased to Dominion Farms Limited but transferred to a new lessee, Lake Aglo Limited, through Gazette Notice No. 350 of 17 January, 2020. However, physical verification of the assets planned to be carried out in March, 2020 was not done as the Authority's officers and audit team were not allowed access to Yala Swamp. Consequently, the existence, valuation and ownership by the Authority of the assets valued at Kshs.148,742,123 as at 30 June, 2019 could not be confirmed.

In view of these issues, the accuracy, completeness, existence and ownership of the property, plant and equipment balance totalling Kshs.5,014,617,095 reflected in the statement of financial position as at 30 June, 2019 could not be confirmed.

3.0 Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions totalling Kshs.64,376,523 as at 30 June, 2019, as further disclosed in Note 22 to the financial statements.

The balance decreased by Kshs.8,389,576 or 12% from Kshs.72,766,099 in 2017/2018 to Kshs.64,376,523 in 2018/2019 as highlighted below:

Receivables	2018/2019	2017/2018	Variance
	Kshs.	Kshs.	Kshs.
Ex-board debtors	616,221	569,689	46,532
Ex-staff debtors	10,827,587	15,628,064	-4,800,477
Staff debtors	5,062,239	4,582,003	480,236
Trade debtors	195,694,866	199,810,733	-4,115,867
Less: provision for bad debts	-147,824,390	-147,824,390	0
Total	**64,376,523**	**72,766,099**	**-8,389,576**

In spite of the debtors' balances changing over the years, the provision for bad debts remained unchanged at Kshs.147,824,390 which suggested that the Company did not have an appropriate bad debt management policy.

In view of the discrepancy, the receivables from exchange transactions balance totalling Kshs.64,376,523 as at 30 June, 2019 may not be fairly stated.

4.0 Trade and Other Payables from Exchange Transactions.

The statement of financial position reflects trade and other payables from exchange transactions totalling Kshs.334,980,240 under current liabilities and Kshs.2,500,000,000 under non-current liabilities, as further disclosed in Note 27(a) and 27(b) of the financial statements respectively.

Included in the balance are long outstanding workmen compensation claims totalling Kshs.151,605 incurred in 2014. Management did not explain the prolonged delay in paying the employees.

In addition analysis of the payables indicated that some were long outstanding with ages ranging from ten (10) to twenty nine (29) years. Management did not explain the reasons for the delays in settling the debts, or when they would be paid, and whether these had attracted penalties and interest as a result of the delays.

In view of these issues, the trade and other payables from exchange transactions under current liabilities and non-current liabilities totalling Kshs.334,980,240 and Kshs.2,500,000,000 may not be fairly stated.

5.0 Accumulated Deficit

Records on the accumulated deficit totalling Kshs.368,926,577 reflected in the statement of financial position indicated that, consultancy and legal services expenses incurred in 2016/2017 financial year resulted in adjustments totalling Kshs.237,595,151 which were however, supported by journal transactions totalling Kshs.237,562,238 resulting in an unexplained variance of Kshs.32,913 between the two sets of records.

As a result, the accumulated deficit balance totalling Kshs.368,926,577 as at 30 June, 2019 may not be fairly stated.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements of the current year. I have determined that there are no key audit matters to report in the year under review

Other Matter

1.0 Budget Performance Analysis

A comparison between the final budget and actual amounts under both receipts and payments balances revealed material variances under various items.

In regard to revenue, significantly large shortfalls were recorded in government grants (54%) sale of agricultural products (64%) and other income (91%) at the budget.

Notably no expenditure was incurred on capital projects and contracted services in spite budgets totalling Kshs.645,992,863 and Kshs.179,136,400 respectively being set aside for the items.

Failure to implement planned projects implied that the Authority' development goals for the year under review may not have been attained.

2.0 Previous Year Issues

The audit report for the year ended 30 June, 2018 highlighted several issues relating to the balances reflected in the financial statements; lawfulness and effectiveness in use of public resources; and effectiveness of internal control, risk management and governance. Management's report on progress made in resolving the issues at Appendix I indicates that some of the issues have since been resolved and efforts to resolve the rest are ongoing.

The status of all the issues shall be confirmed after they are deliberated upon by the Legislature.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Irregularities in Composition of the Board of Directors

The following anomalies were noted concerning membership of the Board of directors' and its operations:

i. The Board comprised twelve (12) Board members contrary to the Mwongozo Code for State Corporations which recommends that the Board of a State Corporation shall have a minimum of seven (7) and a maximum of nine (9) members.

ii. The Board did not prepare or adopt a board charter that defined its role, responsibilities, and functions in the entity's governance, as required by the Code.

Consequently, governance and leadership in the Authority may not have been properly established and as a result, there was high risk of the Board not leading the Authority in an effective way.

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

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Lake Basin Development Authority monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists,

I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

24 January, 2022

Appendix I (A)

Assets Without Ownership Documents

	Assets	Acreage/Registration No.	Location/Station	Net Book Value (Kshs.)
1	Bulldozer-Kumatsu	53A	Kisumu	1,343,750
2	Hydraulic Excavator	UH 033	HQ	1,250,000
3	Tractor - Case International Civil	-	Yala	1,167
4	Tractor - Case International Civil Works Machinery	-	Yala	1,000
5	Tractor-Case International Civil Works Machinery	-	Muhoroni	1,167
6	Tractor - Kubota	KWU 041	Yala	54
7	Tractor - Kubota	KWU 049	Kokwanyo	54
8	Muhoroni Livestock Marketing Centre	136 Hectares	Muhoroni	478,000
9	Lichota Livestock Marketing Centre	401.1 Hectares	Migori	4,529,728
10	Alupe Livestock Marketing Centre	120 Hectares	Busia	925,000
11	Yala Swamp Complex	2300 Hectares	Siaya	No Value
12	Lugari Livestock Marketing Centre	120.1 Hectares	Turbo	No Value
13	Solongo Brick Plant	7.5 Hectares	Solongo	No Value
14	Chwele Fish Farm	10 Hectares	Chwele	800,272
15	Kokwanyo Livestock Marketing Centre	120 Hectares	Ringa	686,000
16	Sironga Brick Plant	15.5 Hectares	Sironga	1,100,000
17	Kodera Brick Plant	15 Hectares	Oyugis	850,000
18	Kibos Fish Farm	2.2 Hectares	Kisumu	1,470,000
19	Borabu Fish Farm	1 Hectares	Kisii	No Value
20	Sangalo Livestock Marketing Centre	140 Hectares	Bungoma	No Value
21	Kapsabet Brick Plant	-	Kapsabet	985,000
22	Upper Kanyakwar Residential	7.77 Hectares	Kisumu	18,000,000

	Assets	Acreage/Registration No.	Location/Station	Net Book Value (Kshs.)
23	Lower Kanyakwar Residential	9.3 Hectares	Kisumu	16,700,000
24	Migosi Poultry	1.76 Hectares	Kisumu	5,805,333
25	Ndhiwa Honey Refinery	0.6 Hectares	Ndhiwa	No Value
26	Bondo Honey Refinery	7 Hectares	Bondo	No Value
27	Rongo Fish Farm	-	Migori	No Value
28	KSM Block 12/40	0.37 Hectares	Kaundi Hills	1,545,000
	Total			**56,471,525**

NB: Among the assets in Appendix I(A) are those in Appendix1(B) below which, in addition to lacking ownership documents, were not assigned any book values.

Appendix I(B)

Assets Without Book Values

	Assets	Acreage/Reg No.	Location/Station
1	Yala Swamp Complex	2300 HA	Siaya
2	Lugari Livestock Marketing Centre	120.1 HA	Turbo
3	Solongo Brick Plant	7.5 HA	Solongo
4	Borabu Fish Farm	1 HA	Kisii
5	Sangalo Livestock Marketing Centre	140 HA	Bungoma
6	Ndhiwa Honey Refinery	0.6 HA	Ndhiwa
7	Bondo Honey Refinery	7 H.A.	Bondo
8	Rongo Fish Farm	-	Migori

Appendix II

Unverified Assets at Yala Swamp

	Asset	Location	Size/Quantity	Net Book Value 30 June 2019 (Kshs.)
1	Yala Swamp Complex	Siaya	2300 Hectares	
2	Guest House	Yala Swamp	1	1,508,592
3	Bungalow Type E (2 Lots)	Yala Swamp	4	1,846,787
4	Semi Detached Units Type F	Yala Swamp	6	5,348,718
5	Two (2) Bedroom Houses	Yala Swamp	2	3,810,736
6	One (1) and Two (2) Bedroom Houses	Yala Swamp	12	12,342,920
7	Transit Stores	Yala Swamp	3	1,677,690
8	Yala Swamp Weir	Yala Swamp	1	122,206,680
	Total			**148,742,123**

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2018-2019	2017-2018
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments – gifts and services-in-	6	551,341,717	337,721,717
		551,341,717	**337,721,717**
Revenue from exchange transactions			
Sale of Rice	7		8,253,586
Sale of Agricultural Produce	8	25,662,795	12,301,897
Rental revenue from facilities and equipment	9	19,996,612	20,340,097
Finance income - external investments	10	2,114,446	3,748,252
Other income	11	1,223,194	2,151,453
		48,997,047	**46,795,285**
Total revenue		**600,338,764**	**384,517,002**
Expenses			
Employee costs	12	204,992,190	269,828,380
Remuneration of directors	13	26,984,741	7,486,181
Depreciation and amortization expense	14	110,011,361	115,269,024
Repairs and maintenance	15	19,629,409	9,476,680
Contracted services	16	16,037,246	30,301,024
General expenses	17	233,362,737	133,156,892
Finance costs	18	932,362	384,036
Total expenses		**611,950,046**	**565,902,217**
Other gains/(losses)			
Gain on sale of assets	19	234,505	224
Gain/ loss on biological Assets	20	2,186,319	(6,935,170)
Surplus before tax		**(9,190,458)**	**(188,320,161)**
Taxation		-	-
Net Surplus for the year		**(9,190,458)**	**(188,320,161)**

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	2018-2019	2017-2018
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	21	344,282,192	183,640,253
Receivables from exchange transactions	22	64,376,523	72,766,099
Inventories	23	22,975,393	5,352,152
		431,634,108	**261,758,504**
Non-current assets			
Property, plant and equipment	24	4,999,605,842	5,105,927,647
Biological Assets	25	13,713,410	11,527,091
Intangible assets	26	1,297,843	1,622,304
		5,014,617,095	5.119,077,042
Total assets		**5,446,251,203**	**5,380,835,546**
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	27a	334,980,240	2,760,347,178
		334,980,240	**2,760,347,178**
Non-current liabilities			
Borrowings from Government		2,000,000,000	2,000,000,000
Trade and other payables from exchange transactions	27b	2,500,000,000	-
		4,500,000,000	2,000,000,000
Total liabilities		**4,834,980,240**	**4,760,347,178**
Net assets		**611,270,963**	**620,488,368**
Reserves		396,256,771	396,256,771
Accumulated surplus/Deficit		(368,926,577)	(359,709,172)
Capital Fund		583,940,769	583,940,769
Total net assets and liabilities		**5,446,251,203**	**5,380,835,546**

Managing Director
Dr. Raymond Omollo, PhD

Date.....

Head of Finance
CPA Christine Otieno
ICPAK Member Number: 10470

Date.....

Chairman of the Board
Cavince O. Owidi

Date 10.07.2020

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/ Development Grants/Fund	Total
At July 1, 2017	**391,826,295**	**0**	**66,204,140**	**583,940,769**	**1,041,971,204**
Revaluation gain	4,430,476	0	0	0	**4,430,476**
Fair value adjustment	0	-237,593,151	0	0	**-237,593,151**
Total comprehensive income	0	0	-188,320,161	0	**-188,320,161**
At June 30, 2018	**396,256,771**	**-237,593,151**	**-122,116,021**	**583,940,769**	**620,488,368**
At July 1, 2018	**396,256,771**	**-237,593,151**	**-122,116,021**	**583,940,769**	**620,488,368**
Total comprehensive income	0	0	-9,190,458	0	**-9,190,458**
Prior year Adjustment		(26,947.00)			**-26,947**
At June 30, 2019	**396,256,771**	**-237,620,098**	**-131,306,479**	**583,940,769**	**611,270,963**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

		2018-2019	2017-2018
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Government grants and subsidies		551,341,717	337,721,717
Sale of Agricultural Products		25,662,795	20,555,483
Finance income		2,114,446	3,748,252
Other income.		1,223,194	2,151,453
Rental income		19,996,612	20,340,097
Total Receipts		**600,338,764**	**384,517,002**
Payments			
Employee costs		204,992,190	269,828,380
Remuneration of directors		26,984,741	7,486,181
Repairs and maintenance		19,629,409	9,476,680
Contracted services		16,037,246	30,301,024
General expenses		233,362,737	133,156,892
Finance Cost		932,362	384,036
Total Payments		**501,938,685**	**450,633,193**
Net cash flows from operating activities		**98,400,079**	**(66,116,191)**
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible		(3,790,537)	(452,634,569)
Proceeds from sale of property, plant and			
Equipment		633,001	41,200
Decrease/Increase in Inventory		(17,623,241)	4,909,796
Decrease, Increase in non-current receivables		8,389,576	(19,256,705)
Decrease/Increase in Payables		74,633,062	124,411,407
Net cash flows used in investing activities		**62,241,861**	**(342,528,871)**
Cash flows from financing activities			
Proceeds from borrowings		-	500,000,000
Net cash flows used in financing activities		**-**	**500,000,000**
Net increase/(decrease) in cash and cash equivalents		**160,641,940**	**91,354,938**
Cash and cash equivalents at 1 JULY	21	183,640,253	92,998,823
Cash and cash equivalents at 30 June	21	**344,282,192**	**183,640,253**

(IPSAS 2 allows an Authority to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation). We have adopted the direct method as recommended.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

	Budget	Adjustments	Final Budget	Actual	Performance
	2018/2019	2018/2019	2018/2019	2018/2019	Difference
Revenue	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**
Government grants and subsidies	1,219,534,580	(22,200,000)	1,197,334,580	551,341,717	645,992,863
Sale of Agricultural Products	521,124,144	(450,000,000)	71,124,144	25,662,795	45,461,349
Rental Income	7,318,000		7,318,000	19,996,612	(12,678,612)
Finance Income	2,100,000		2,100,000	2,114,446	(14,446)
Other Income	170,670,928	(157,000,000)	13,670,928	1,223,194	12,447,734
Total income	**1,920,747,652**	**(629,200,000)**	**1,291,547,652**	**600,338,764**	**691,208,888**
Expenses			-		
Employee costs	194,541,716		194,541,716	204,992,190	(10,450,474)
Remuneration of directors	19,000,000		19,000,000	26,984,741	(7,984,741)
Repairs and maintenance	23,748,644		23,748,644	19,629,409	4,119,235
Contracted services	336,136,400	(157,000,000)	179,136,400	16,037,246	163,099,154
Capital Expenditure	645,992,863		645,992,863		645,992,863
General expenses	701,099,829	(472,200,000)	228,899,829	233,362,737	(4,462,908)
Finance Cost	228,200		228,200	932,362	(704,162)
Total expenditure	**1,920,747,652**	**(629,200,000)**	**1,291,547,652**	**501,938,685**	**789,608,967**
Surplus for the period	-	-	-	**98,400,079**	**(98,400,079)**

Budget notes

Explanation of Variance between the Budget and the Actual Expenses

a) **Transfer from GOK** - The disbursement from Exchequer decreased from Ksh. 1,197,334,580 to Ksh. 551,341,717 due to lack of disbursement of development allocation relating to LBDA mall during the financial year 2018/2019.

b) **Sale of Agriculture products**

The revenue arising from the sale of agriculture products dropped from budgeted figure of Ksh. 71,124,144 to Ksh. 25,662,795 due to frequent breakdown of milling plant as well as late disbursement of funds to purchase raw materials for milling and unfavourable weather conditions resulting to low milk production as well as low sale of seedlings.

c) **Rental Revenue and Other Income**

The revenue increased from budgeted figure of Ksh. 7,318,000 to Ksh 19,996,612 mainly due to letting out spaces at the mall and LBDC go downs not in use.

d) **Employee Costs**

The increase from the budgeted figure of Kshs 194,541,716 to Kshs 204,992,190 is mainly attributable to the payment of salary increment arrears for some senior management staff disbursed under supplementary budget during the financial year and substantive appointment of the Managing Director.

e) **General Expenses**

The expenditure increased from budgeted figure of Ksh. 228,899,829 to Ksh. 233,362,737 mainly due to commencement of earmarked projects.

f) **Remuneration of Directors**

The expenditure increased from budgeted amount Kshs. 19,000,000 to Kshs. 26,984,741 mainly due to special board meetings relating to recruitment for senior management staff and appointment of new board members during the financial year.

g) **Repairs and maintenance**

The expenditure decreased from budgeted amount mainly due non disbursement for anticipated funds for operations and maintenance.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

1. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Impact
IPSAS 40: Public Sector Combinations	**Applicable: 1st January 2019** The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

ADOPTION OF NEW AND REVISED STANDARDS (Continued)

2. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	**Applicable: 1st January 2022:** The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of Lake Basin Development Authority's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and ■ • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between Lake Basin Development Authority's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	**Applicable: 1st January 2022** The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Lake Basin Development Authority provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: (a) The nature of such social benefits provided by the Lake Basin Development Authority; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Lake Basin Development Authority's financial performance, financial position and cash flows.

3. Early adoption of standards

The Lake Basin Development Authority did not early – adopt any new or amended standards in year 2019.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

Interest income

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

Rental income

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

b) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly on June 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Lake Basin Development Authority upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Lake Basin Development Authority did not record additional appropriations on the 2018-2019 budget following the governing body's approval.

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

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

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

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Lake Basin Development Authority operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

c) Taxes (Continued)

Deferred tax

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

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

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

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

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

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable Lake Basin Development Authority and the same taxation authority.

c) Taxes (Continued)

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.

d) Investment property

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

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

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

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

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Lake Basin Development Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. On the year of acquisition assets are depreciated fully and not depreciated in the year of disposal.

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

		%
a)	Tractors	37.5
b)	Motor Vehicles/Cycles	25.0
c)	Farm Implements	12.5
d)	Buildings	2.0
e)	Loose Tools & Equipment	12.5
f)	Furniture, Fittings & Fixtures	12.5
g)	Office Machines & Equipment	12.5
h)	Computer &Other Class II Equipment	30.0
i)	Property Plant & Equipment	12.5
j)	Computer Software	20.0

f) Leases

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

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Lake Basin Development Authority will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Lake Basin Development Authority. Operating lease

payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets

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

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

h) Research and development costs

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

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

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

i) Financial instruments

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 Lake Basin Development Authority determines the classification of its financial assets at initial recognition.

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Lake Basin Development Authority determines the classification of its financial liabilities at initial recognition.

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

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

j) Inventories

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

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

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

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

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

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

k) Provisions

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

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

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

Contingent liabilities

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

- During the financial year, the former Managing Director sued the Authority for wrongful dismissal. The court awarded him Ksh 11,458,954 as terminal dues. The management has since filed an appeal to contest the amount awarded.
- In respect to the Government loan of Ksh 2,000,000,000=,given to the Authority ,this was a bailout to assist the organization offset/settle the outstanding debt owed to M/S Erderman Property Ltd ; the appropriate records will be maintained and interest charged accordingly as there is evidence of a loan agreement between the Government and Lake Basin Development Authority(LBDA)
- Currently the Authority has no contractual agreement signed directly with Co-operative bank of Kenya. The borrower of the loan was M/S Erderman Property Ltd who is the contractor for the Mall. However we have initiated the process of taking over the Loan by writing to the Ministry and the National Treasury for approval. Co-operative Bank of Kenya has further written an offer letter requesting the Authority to take over the liability.

Contingent assets

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

l) Nature and purpose of reserves

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

m) Changes in accounting policies and estimates

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

n) Employee benefits

Retirement benefit plans

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

obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

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.

o) Foreign currency transactions

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

p) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

q) Related parties

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

r) Service concession arrangements

The Lake Basin Development Authority analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Lake Basin Development Authority recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Lake Basin Development Authority also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

s) Cash and cash equivalents

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

t) Comparative figures

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

u) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

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

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 Lake Basin Development Authority based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Lake Basin Development Authority. 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 Lake Basin Development Authority
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

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

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

6. TRANSFERS FROM OTHER GOVERNMENTS

Description	2018-2019	2017-2018
	KShs	KShs
Unconditional grants		
Recurrent grant	206,841,717	337,721,717
Development grants	344,500,000	
Total government grants	**551,341,717**	**337,721,717**

a) Transfers from Ministries, Departments and Agencies

Name of the entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount recogni in capital fund.	Total grant income during the year	2018-2019 KShs
KShs	KShs	KShs	KShs	KShs
State Department for Regional				
and Northern Corridor Development	551,341,717	0	551,341,717	551,341,717
Total	551,341,717	0	551,341,717	551,314,717

The amount recorded above has been received from the Ministry and fully reconciles to the amount recorded by the Lake Basin Development Authority. The details of the reconciliation have been included under appendix appendices

7. SALE OF RICE

Description	2018-2019	2017-2018
	KShs	KShs
Sale of rice	-	8,253,586
Total rendering of Services	**-**	**8,253,586**

8. SALE OF AGRICULTURAL PRODUCTS

Description	2018-2019	2017-2018
	KShs	KShs
Sale of rice	16,652,754	-
Sale of Sugar cane	-	1,048,595
Sale of Bricks	751,300	894,150
Sale of Milk	5,089,507	4,455,570
Sale of animals and Steers	346,000	1,075,000
Sale of Seedlings	269,754	2,581,283
Sales of Vegetables and fruits	52,370	38,860
Sale of Honey	636,640	844,640
Sale of Fingerlings and table size fish	1,515,175	1,312,120
Sale of Fish/Chicken feeds	165,900	25,900
Sale of bran meal, colored rice	183,395	21,780
Dipping & Bulls Services	-	4,000
Total revenue from the sale of goods	**25,662,795**	**12,301,898**

9. RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

Description	2018-2019	2017-2018
	KShs	KShs
Commercial Rent	19,478,382	19,298,582
Lease rentals	516,930	948,000
Hire of Tractors & Excavator	1,300	93,515
Total rentals	**19,996,612**	**20,340,097**

10. FINANCE INCOME - EXTERNAL INVESTMENTS

Description	2018-2019	2017-2018
	KShs	KShs
Cash investments and fixed deposits	2,114,446	3,748,252
Total finance income – external investments	**2,114,446**	**3,748,252**

11. OTHER INCOME

Description	2018-2019	2017-2018
	KShs	KShs
Boarded Stores	68,494	55,445
Hire of Grounds	397,275	556,340
Milling/Airing Charges	139,270	757,831
Surcharge Service	230,585	254,597
Tour Fees	387,570	527,240
Total other income	**1,223,194**	**2,151,453**

12. EMPLOYEE COSTS

	2018-2019	2017-2018
	KShs	KShs
Casual Wages	6,878,250	8,033,809
Ex-Gratia Payments	613,565	100,000
Staff Medical Insurance	15,357,846	17,010,348
Contribution to Pension Scheme	15,615,898	15,814,806
Service Gratuity	1,107,059	-
Salaries and Allowances	165,053,994	219,333,038
Terminal Dues	365,578	158,238
Staff Leave days provision	-	9,378,141
Employee costs	**204,992,190**	**269,828,380**

13. BOARD EXPENSES

Description	2018-2019	2017-2018
	KShs	KShs
Sitting Allowances & Accommodation	21,626,463	5,976,801
Travelling (Air tickets)	3,649,728	895,355
Entertainment	1,683,450	614,025
Others	25,100	-
Total Board Expenses	**26,984,741**	**7,486,181**

14. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2018-2019	2017-2018
	KShs	KShs
Property, plant and equipment	109,686,900	114,863,448
Intangible assets	324,461	405,576
Total depreciation and amortization	**110,011,361**	**115,269,024**

15. REPAIRS AND MAINTENANCE

Description	2018-2019	2017-2018
	KShs	KShs
Building Repair for Non- Residential	115,310	396,080
Building Repair for Residential	3,379,511	-
Plant and machinery Repairs	4,393,106	4,121,233
Repair of Office equipment	555,356	480,471
Repair of office furniture	272,170	-
Motor Vehicle Running	10,913,956	4,478,896
Total repairs and maintenance	**19,629,409**	**9,476,680**

16. CONTRACTED SERVICES

Description	2018-2019	2017-2018
	KShs	KShs
Audit Fees	850,000	916,612
Cleaning Services	2,477,200	5,049,785
Consulting Fee	1,320,600	1,660,000
Rehabilitation of Bore Holes	3,027,675	14,450,219
Security Expenses	8,361,771	8,224,408
Total contracted services	**16,037,246**	**30,301,024**

17. GENERAL EXPENSES

Description	2018-2019	2017-2018
	KShs	KShs
Animal Feeds	1,911,764	1,853,709
ASK Show	3,442,114	3,880,804
Communication cost	3,081,975	1,098,250
Computer supplies and accessories	447,094	1,020,039
Compound Maintenance	3,275,446	1,154,452
Daily subsistence allowance	23,088,944	12,625,286
Dairy Expenses	38,404	31,870
Donation	265,400	76,000
Drugs and Chemicals	1,298,247	1,370,432
Electricity	5,331,880	5,230,348
General Hardware	2,817,713	1,681,200
General Office supplies	3,146,964	2,915,320
Hire of plant and Machinery	231,600	647,630
Hire of Transport	882,130	241,610
Horticulture	272,880	-
Fuel and oil	342,000	160,270
Insurance of Assets	9,737,207	6,152,196
Legal Charges	21,679,182	31,199,280
Local Travel (Air Ticket)	2,653,529	7,567,631
Purchase of Newspapers, Magazines and Periodicals	234,010	164,714
Maintain. Water & Sewerage & Sanitation	5,298,055	1,544,368
Management Fee	620,397	
Official Entertainment	10,195,884	7,096,504
Penalty & Interest	100,000,000	-
Ploughing	739,500	-
Packaging materials	131,653	587,529
Printing and Advertising	8,864,706	2,848,733
Purchase of raw materials	8,078,436	1,110,241
Postage and Stamps	196,119	172,420
Purchase of Milled rice	6,886,000	7,375,900
Purchase of seeds and seedlings	779,042	2,825,438
Rents and rates Non- Residential	1,223,722	9,279,207
Sales and Marketing expenses	32,000	27,460
Staff welfare	515,220	147,100
Training	3,352,256	873,400
Subscription to professional bodies	1,199,210	801,645
Tax Penalty/WHT	-	18,421,626
Uniform and Clothing	952,639	930,640
Veterinary expenses	119,415	43,640
Total general expenses	**233,362,737**	**133,156,892**

18. FINANCE COSTS

Description	2018-2019	2017-2018
	KShs	KShs
Bank Charges (Commission and Ledger fee)	932,362	384,036
Total finance costs	**932,362**	**384,036**

19. GAIN ON SALE OF ASSETS

Description	2018-2019	2017-2018
	KShs	KShs
Revaluation/cost	701,269	287,790
Less: Accumulated Depreciation	(302,773)	(246,814)
Net Book Value	398,496	40,976
Cash Proceeds	633,001	41,200
Total gain on sale of assets	**234,505**	**224**

20. GAIN/ LOSS ON BIOLOGICAL ASSETS

Description	2018-2019	2017-2018	Gain/Loss 2018/2019	in/Loss 2017/18
	KShs	KShs	Kshs	Kshs
Bulls	232,500	90,000	142,500	18,000
Lactating/Dry Cows	3,858,750	3,874,500	(15,750)	(37,500)
Heifers	1,777,125	2,724,000	(946,875)	(941,750)
Local Breeds	135,000	24,750	110,250	(57,750)
Pigs	-	-	-	(11,250)
Fish/ Poultry	1,195,020	1,358,562	(163,542)	(3,765,374)
Crops WIP	6,515,015	3,455,279	3,059,736	(2,139,546)
Total gain/Loss	**13,713,410**	**11,527,091**	**2,186,319**	**(6,935,170)**

21. CASH AND CASH EQUIVALENTS

Description	2018-2019	2017-2018
	KShs	KShs
Cooperative Bank LTD	9,786,410	8,406,870
Development Bank of Kenya	-	558,111
Kenya Commercial Bank LTD	4,679,014	1,561,182
National Bank of Kenya LTD	329,736,910	172,363,406
MPESA and Cash	79,858	750,684
Total cash and cash equivalents	**344,282,192**	**183,640,253**

22. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2018-2019	2017-2018
	KShs	KShs
Current receivables		
Ex- board debtors	616,221	569,689
Ex- Staff debtors	10,827,587	15,628,064
Staff Debtors	5,062,239	4,582,003
Trade Debtors	195,694,866	199,810,733
Less: Provision for bad debts	(147,824,390)	(147,824,390)
Total current receivables	**64,376,523**	**72,766,099**

23. INVENTORIES

Description	2018-2019	2017-2018
	KShs	KShs
General hardware	651,387	899,975
Automotive spares	108,084	1,139,872
Drugs and chemicals	110,411	49,109
Animal Feeds	31,220	46,550
Uniform and Clothing	2,200	-
Stationaries	897,081	544,840
Seeds/Seedlings	3,494,435	661,454
Bricks	-	360,984
Raw materials	12,623,375	157,459
Packaging Materials	3,393,870	1,337,342
Finished Products	1,663,330	154,565
Total inventories at the lower of cost and net realizable value	**22,975,393**	**5,352,150**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant &equipment	Adaptive Research	Rural Access Roads	Work in Progress	Furniture &Fixtu	Computer & Othe	Motor Vehicle	Tractors	Total
Cost	S hs	S hs	S hs	S hs	S hs	S hs	S hs	S hs	S hs	S hs	S hs
At 30th June 2017	62,674,333	403,725,711	295,844,990	36,158,175	36,065,225	4,563,157,486	16,317,355	24,488,767	93,348,372	50,082,023	5,581,862,437
Additions		451,145,680	61,500					398,365			451,605,545
Disposals							(242,790)	(109,550)	(849,292)	(15,000)	(1,216,632)
Transfers/Adjustments		4,138,895,104				(4,376,457,342)			(69,890,856)	(44,314,479)	(351,767,573)
Revaluation									2,158,760	2,271,716	4,430,476
At 30th June 2018	62,674,333	4,993,766,495	295,906,490	36,158,175	36,065,225	186,700,144	16,074,565	24,777,582	24,766,984	8,024,260	5,684,914,253
Additions		1,113,014	1,464,872				885,352	327,299			3,790,537
Disposals								(221,269)	(480,000)		(701,269)
Transfer/adjustments											-
At 30th June 2019	62,674,333	4,994,879,509	297,371,362	36,158,175	36,065,225	186,700,144	16,959,917	24,883,612	24,286,984	8,024,260	5,688,003,521
Depreciation and impairment											-
At 30th June 2017	-	125,283,123	226,760,436	36,158,175	36,065,225	-	12,814,859	21,796,030	73,467,680	46,869,173	579,214,701
Depreciation	-	97,369,668	8,643,257				433,027	907,156	5,433,660	2,056,680	114,843,448
Disposal							(204,512)	(42,302)	(844,139)	(14,913)	(1,105,866)
Transfer/Adjustments									(69,651,196)	(44,314,480)	(113,965,676)
At 30th June 2018	-	222,652,791	235,403,693	36,158,175	36,065,225	-	13,043,374	22,660,884	8,406,005	4,596,460	578,986,607
Depreciation	-	95,444,534	7,740,528	-	-	-	489,568	726,600	4,000,245	1,285,425	109,686,900
Disposals								(182,773)	(120,000)		(302,773)
Transfer/adjustment			43,445					(16,498)			26,947
At 30th June 2019		318,097,325	243,187,666	36,158,175	36,065,225	-	13,532,942	23,188,213	12,286,250	5,881,885	688,397,681
Net book values											-
At 30th June 2019	62,674,333	4,676,782,184	54,183,696	-	-	186,700,144	3,426,975	1,695,399	12,000,734	2,142,375	4,999,605,840
At 30th June2018	62,674,333	4,771,113,704	60,502,797	-	-	186,700,144	3,031,191	2,116,698	16,360,979	3,427,800	5,105,927,646

25. BIOLOGICAL ASSETS

Description	2018-2019	2017-2018
	KShs	KShs
Bulls	232,500	90,000
Lactating/Dry cows	3,858,750	3,874,500
Heifers	1,777,125	2,724,000
Local Breed	135,000	24,750
Fish/Poultry	1,195,020	1,358,562
Crops Wip	6,515,015	3,455,279
Total Biological	**13,713,410**	**11,527,091**

26. INTANGIBLE ASSETS-SOFTWARE

Description	
	KShs
Cost	
At 30th June 2017	**3,012,960**
Additions	1,029,024
At 30th June 2018	**4,041,984**
Additions–	-
At 30th June 2019	**4,041,984**
Amortization and impairment	-
At 30th June 2017	2,014,104
Amortization	405,576
At 30th June 2018	2,419,680
Amortization	324,461
At 30th June 2019	**2,744,141**
NBV	
At 30th June 2019	**1,297,843**
At 30th June 2018	**1,622,304**

27. PAYABLES FROM EXCHANGE TRANSACTIONS

(a)

Description	2018-2019	2017-2018
	KShs	KShs
Contractors Claims	28,335,767	2,528,335,768
Gratuity & Terminal Dues	11,642,071	11,642,071
Inter – Ministerial Dues	25,894,491	38,879,042
Legal Claims	3,489,195	3,489,195
Service and utilities	1,627,158	1,962,067
Staff Claims (workmen compensation)	151,605	151,605
Unremitted payroll deductions	499,130	499,130
Trade suppliers	263,340,823	166,010,160
Staff leave days provision		9,378,141
Total trade and other payables (Current)	**334,980,240**	**2,760,347,179**

(b)

Description	2018-2019	2017-2018
	KShs	KShs
Contractors Claims	2,500,000,000	-
Total trade and other payables (Non-current)	**2,500,000,000**	-

Trade suppliers represents outstanding payments to suppliers for services consumed. Staff creditors complies of unpaid staff salaries and other amounts due to staff. Contraction retentions relates to:

28. PROVISIONS

Description	2018/2019	2017/2018
	KShs	KShs
Staff Leave provision	0	9,378,141
Audit Fee Provision	0	870,000
Total provisions as at 30.6.2019	**0**	**10,248,141**

Provisions are recognized when:

i. A reliable estimate can be made of the obligation,

ii. It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and

iii. The Authority has a present obligation as a result of a past event.

Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate or reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation. Employee's entitlement to annual leave is recognised when it accrues. A provision is made on the estimated liability for annual leave as a result of services rendered by employees up to the amount of the obligation.

29. EMPLOYEE BENEFIT OBLIGATIONS

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2018-2019	2017-2018
	KShs	KShs	KShs	KShs	KShs
Current benefit obligation	15,694,465	0	0	15,694,465	15,814,806
Total employee benefits obligation	15,694,465	0	0	15,694,465	15,814,806

The Lake Basin Development Authority operates a defined benefit scheme for all full-time employees from July 1, 2017. The scheme is based on 10 percentage of salary of an employee at the time of retirement.

The Lake Basin Development Authority also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Lake Basin Development Authority's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.360 per employee per month.

30. BORROWINGS

Description	2018-2019	2017-2018
	KShs	KShs
Domestic borrowings	2,000,000,000	2,000,000,000
Balance at end of the period	**2,000,000,000**	**2,000,000,000**

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

	2018-2019	2017-2018
	KShs	KShs
Domestic Borrowings		
Kenya Shilling loan from The National Treasury	2,000,000,000	2,000,000,000
Total balance at end of the year	**2,000,000,000**	**2,000,000,000**

31. CASH GENERATED FROM OPERATIONS

	2018-2019	2017-2018
	KShs	KShs
Surplus for the year before tax	**-9,190,458**	**-554,245,016**
Adjusted for:		
Depreciation	110,011,361	106,253,162
Gains and losses on disposal of assets	-2,420,824	6,973,816
Adjustment		0
Working Capital adjustments		
Decrease/Increase in inventory	-17,623,241	4,909,796
Decrease/Increase in receivables	8,389,576	-16,255,006
Decrease/Increase in payables	74,633,062	-44,274,421
Net cash flow from operating activities	**163,799,476**	**-496,637,669**

32. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2019				
Receivables from exchange transactions	212,200,913	22,298,740	33,380,000	156,522,173
Bank balances	344,277,964	344,277,964	0	0
Total	**562,119,056**	**372,216,883**	**33,380,000**	**156,522,173**
At 30 June 2018				
Receivables from exchange transactions	220,590,489	30,688,316	33,380,000	156,522,173
Bank balances	183,640,253	183,640,253	0	0
Total	**404,230,742**	**214,328,569**	33,380,000	156,522,173

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

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

(ii) Liquidity risk management

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

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

	Less than 1 Year	Between 1-3 Year	Over 5 Year	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2019				
Trade payables	16,251,257	232,305,485	2,586,423,498	2,834,980,240
Total	**25,308,441**	**2,732,305,485**	**86,423,498**	**2,844,037,424**
At 30 June 2018				
Trade payables	105,445,427	2,568,478,253	86,423,498	2,760,347,178
Total	**105,445,427**	**2,568,478,253**	**86,423,498**	**2,760,347,178**

(iii) Market risk

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

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

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

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

33. RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

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

	2018-2019	2017-2018
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from National Govt	551,341,717	337,721,717
Government Loan	0	500,000,000
Total	**551,341,717**	**837,721,717**
b) Key management compensation		
Directors' emoluments	26,619,291	7,486,181
Compensation to the CEO	4,007,458	2,926,728
Total	**30,626,749**	**10,412,909**

EVENTS AFTER THE REPORTING PERIOD

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

34. ULTIMATE AND HOLDING LAKE BASIN DEVELOPMENT AUTHORITY

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

35. Currency

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

APPENDIX 1: 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:	Timeframe:
1.0	Inaccuracies in the Financial Statements	• The changes in net assets is as a result of the amended figures in the adjusted financial statements of Kshs 237,593,151.00 from prior year adjustments of Kshs 150,000,000.00 for legal charges for the mall, Kshs 87,562,237.80 feasibility and Kshs 42,000.00 for audit fees. • The difference in cash and cash equivalents as at 30th June 2018 is due to reclassification of staff imprests from cash and cash equivalents to Receivables from exchange transactions. • Contracted services include audit fees, cleaning services, consulting services and security services as per note 13. • General expenses previously included expenditure items such as cleaning, audit fees, security and consulting fees which have now been reclassified under contracted services (Note 13). Training and staff welfare which were previously classified under employee costs have now been reclassified under General Expenses.	Managing Director	Resolved	
2.0	Property, Plant and Equipment	• We take due cognizance that some of our assets require valuation hence the lack of inclusion in the fixed asset register in particular the Lichota Dairy Unit and Ndiwa Honey Refinery. The management has already embarked on the procurement process of revaluation of all Authority assets which will then be presented to the board for approval. The Authority had already included 4 trailers and water buzer at Muhoroni farm. • ii. As regards the parcels of land, the Authority has title deeds for various plots, whereas due process is in progress to fast track the acquisition of land ownership documents so as to avert any possible encroachment by the	Managing Director	Not Resolved	Expected to be resolved by 30th June 2020/2021

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status:	Timeframe:
		public. The management has acquired title deeds for Upper Kanyakwar residential, Lower Kanyakwar non-residential and Migosi Poultry all based in Kisumu. The parcels of land which do not have values were handed back to the communities with their respective projects as a Corporate Social Responsibility to enable the community own the Regional mandate. Such plots include:- o Solongo Brick Plant o Lugari (Livestock Multiplication Centre) o Bondo Honey Refinery • Other plots such as Yala Swamp Complex, Borabu Fish Farm, Ndhiwa Honey refinery and Rongo Fish Farm were allotted to the Authority of which we are in the process of obtaining PDPs and allotment letters for several parcels of land and the current status is herein attached (annex iv). • **) Unavailability of assets ownership documents** • We wish to clarify that the bulldozer and hydraulic excavator were donations from JICA and the registration process stalled due to misplaced import documents though due process was followed through various ministries (annex iii). • All the Tractor Models, (Case International) and Kubota were sold by way of tender in previous financial years. The management entered into a contractual agreement with M/s Erdemann Property Ltd for the construction of LBDA Mall in 2013. Due to a delay in payment of the full amount of the initial contract deposit sums, and subsequent installments, the contractor invoiced LBDA Kshs 370,656,063.00. • This cost was levied on finance cost, interest and penalties and running costs as of contractual hand over date. The Parent Ministry appointed a finance expert who based the running cost of Kshs 10,215,066.67 on the reviewed		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:	Timeframe:
		documents from both entities and as adopted by the board. • The payment of interest was approved at a Full board meeting held on 15th December 2017. Interest and penalty which were expensed have now been duly capitalized as per your recommendations.			
3.0	Receivables from Exchange Transactions	The management has noted your observations and wish to respond as follows:- **(i)** The amount of Kshs 16,197,753 reflected for ex-board members and ex-staff pertain to historical debts, some of whom are deceased, do not have adequate supporting documents or are untraceable. Most the ex-staff have not been cleared by the Authority hence their dues will not be paid until they do so. The management has initiated due process to have some of the historical debts written off through seeking approvals from the Treasury and the Parent Ministry; as the cost of litigation to recover the debtors which are not supported may prove to be costly. **(ii)** The main liability held by M/s China Jiangstu Co. Ltd. of Kshs 122,269,659.10 arose as a result of overpayment to the contractor on account of Rice Mill complex. The Authority has engaged an external lawyer, M/s Ngaywa, Ngigi & Kibet Advocates to trace, pursue and recover the previous debt of colossal amount. The external lawyers have been instructed to initiate further litigation charges. (iii) The management has provided a general provision on bad and doubtful debts. Nevertheless, we have noted the concern on the need to put in place a policy for provision for bad debts. A draft policy is in progress and this will be fast tracked and presented to the board for approval in a bid to enhance financial reporting and disclosures. (iv) The figure of Kshs 1,497,906.00 for imprest issued to staff as at the closure of the financial year for official purposes. It is worth noting that in the event that a staff is unable to retire any amounts given to them and it has so	Managing Director	Not Resolved Resolved	Expected to be resolved by 30th June 2020/2021

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status:	Timeframe:
		exceeded the stipulated time frame, the same is deducted from their individual payroll or terminal dues whichever is applicable. The imprests recovered from the staff dues and payslips are attached as per the copies of deduction payment vouchers. The management regularly issues notices to all staff to retire outstanding imprests held by them as a deterrent measure.			
4.0	Government Loan	i) **Loan interest not incorporated in the financial statements**. The loan agreement stipulated under Article IV (4.02 & 4.04) that the loan period shall be 20 years with three (3) years grace period all inclusive. Interest accruing over the first year of grace period will be capitalized on the first principal repayment date. The loan interest payable on Kshs 1,500,000,000.00 has now been recognized and capitalized in the amended financial statements. ii.) **Use of loan proceeds on activities not related to the Mall debt payment** Upon release of Kshs 1,500,000.00 clear instruction was formally given on the utilization of Kshs 79,902,309. This was earmarked for Interim management and logistics of the mall which was approved by the Board. All the payments for operational expenses relating to the mall have been duly supported for your perusal **iii) Non-establishment of Joint Oversight Committee** A letter was done to the Principle Secretary requesting for members to be appointed in the Joint Oversight Committee as per the loan agreement. However, a reminder is duly attached for your reference. We are awaiting their response.	Managing Director	Resolved	
5.0	Revenue from Exchange Transaction	**5.1 Rental Revenue from Facilities and Equipment** i) Revenue amounting to Kshs 526,000.00 was received on account of rent paid by M/s Chopard Capital Ltd. The former letting agent has been requested to avail the contract/lease for tenant for your perusal and confirmation.	Managing Director	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:	Timeframe:
		ii) The revenue of Kshs 1,659,775 in relation to service charge from tenants is to cater for operational costs of maintaining the facilities. The process of engaging the Property Manager was still in process and on completion of the same, the expenses will be charged to the respective account. Furthermore the amounts for interim management and logistics is available for mall related expenditures. **5.2 Finance Income –External Investment** The management has noted your observation and wish to ensure you that the board is usually notified on the action taken by management as a mitigating measure to safeguard the monies for the intended purposes. The management did a board paper for the same which was approved in the 95th Full Board Committee meeting.			
6.0	Materiality uncertainty relating to Going Concern	The negative performance as observed in 2016/2017 and 2017/2018 is majorly due to the pending bill of Kshs 2.5 billion on account of LBDA Mall. This is included in our Accounts payables schedule. The management has received goodwill and support of the Government through a disbursement of Kshs 2 billion as loan top offset the pending bill due to the contractor (M/s Edemarnn Property Ltd). The Authority has requested the Treasury to allow us take over the loan to facilitate the payment to Co-operative bank on amicable terms so as reduce the escalation of the interest. We are positive that the matter will be resolved and that the Mall will be officially opened and fully operational in 2019 financial year to allow inflows as expected.	Managing Director	Not Resolved	Expected to be resolved by 30th June 2020
7.0	Lake Basin Development Company Limited	Lake Basin Development Authority filled a notice to the Registrar of Companies in 1989 to have the Rice Mill operate as a registered company. To this end, the details of the status are appended for your records and information. The company is wholly owned by LBDA and documents of these	Managing Director	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:	Timeframe:
		are lodged at the Registrar's office.			
EMPHASIS OF MATTER					
1.0	Budget Performance	We wish to emphasize that the variance in negative revenue targets was due to lack of development grants for the financial year 2017/2018. The authority submitted their budgetary request to the Treasury as required and was approved but no funds were received which affected our revenue generation. Increase in rental revenue from facilities and equipment relate is actually Kshs 4,580,158.00 which is from rent received from the Mall and LBDC godowns for the year under review as indicated in the financial statements under **notes 6** and **34**. The variance in expenditures arose from the disbursement of Supplementary budget for payment of staff commuter and house allowance arrears by the Treasury. This was done in line with Salaries and Remuneration Commission (SRC) approvals on the reviewed civil servants allowances from 2012 which the Authority had not implemented. The authority to utilize the Supplementary budget was approved in the Full board meeting. The costs factored under contracted services was as a result of Government disbursement through our Parent Ministry, released development funds to implement drought mitigation strategies through boreholes construction as a National Government initiative along with other RDAs and selected State departments during the course of the year.	Managing Director	Resolved	
2.0	Formalization of Takeover of Principle Loan Amount for the Mall	We have noted your observations and wish to respond as follows:- i) M/s Erdemann Property Ltd procured the loan from Co-operative bank as the loanee. LBDA did not sign a loan agreement with the bank hence the management request to Treasury through the Parent Ministry to take over the	Managing Director	Not Resolved	Expected to be resolved by 30th June 2020/2021

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status:	Timeframe:
	Construction-	loan. The Government allocated additional funding in 2017/2018 financial year foe the LBDA Mall project under the then Ministry of Devolution and Planning which was approved by the National Assembly for the pending bills **(annex xiv).** ii)The management has requested for authority to take over the loan which is being awaited and is currently in active conversation involving LBDA management and board, Parent Ministry officials, Treasury officials and representatives of Attorney General office on any issues pertaining to any further claims where admissible **(annex xv).** iii)As at the end of the year, the developer had not instituted further claims from the Authority.			
3.0	Amount Due to Kenya Revenue Authority	It is true that included in the payables from exchange transactions are Inter-Ministerial dues of Kshs 38,879,042 and Kshs 34,409,533 payable to KRA. The figure for Inter-Ministerial dues relate to outstanding rent and rates for various counties where the Authority has its projects. The management has since submitted a Supplementary budget for 2018/2019 financial year requesting for funding for purposes of offsetting pending bills. The funding disbursement is being followed up with Treasury. The amount owed to KRA for tax arrears was initially Kshs 38,692,731.00 in respect of the principal sum of Kshs 23,049,922.00 and interest of Kshs 15,642,809. So far the principal amount has been fully paid off, the interest and penalties amount of Kshs 15 million has been requested by the management for waiver	Managing Director	Not Resolved	Expected to be resolved by 30th June 2020
Report on Compliance, Lawfulness and Effectiveness in use of Public Resources					
1.0	Over Committed of salary	**1. Over Commitment of Salary** We have noted your observation on the over commitment of salary by various staff members. The management will in future ensure adherence to the	Managing Director	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:	Timeframe:
		Employment Act and that staff are advised and guided to live within their abilities.			
2.0	Contravention of Procurement Law	**2. Contravention of Procurement Law** **2.1 Motor Vehicle Running Expense** The management wishes to confirm that the availability of procurement documents for services procured for the mentioned suppliers. i) Fuel replenishment of Kshs 723,010 was derived from Total Kenya. The company provides fuel to all the Authority vehicles and this was based on a Government directive in 2013/2014 to all state departments, when fuel cards were then introduced and implemented in a bid to enhance accountability and to ensure procurement of unadulterated fuel from unregistered filling stations. Based on market knowledge and extensive coverage of Total stations within the area of LBDA's mandate, Total Kenya was identified to provide seamless service to the Authority. ii) Repair of Authority vehicle KBL 686G was carried out at Toyota Kenya, a reputable company identified via market surveys to affirm the market knowledge that it is the sole manufacturer and source of genuine Toyota spare parts in the Country. These services were procured in compliance with Section 103 (1) and 103 (2) of the Public Procurement and Assets Disposals Act 2015 which refers to when Direct Procurement can be used by a procuring entity. iii) Motor vehicle spare parts. These were procured from a prequalified supplier who was awarded the tender for the goods supplied. iv) The service for the repair of Bulldozer amounting to Kshs 1,000,000.00 was procured via a duly constituted Tender Committee, operating under the now repealed Public Procurement Disposals Act 2005. The Tender committee minutes for the same are available for further perusal. The works on the Komatsu took longer than	Managing Director	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:	Timeframe:
		anticipated due to challenges experienced by both parties to the contract. **2.2 Legal Services** The management engaged the services of the law firm to handle a pending tax penalty case. The services were procured due to the expertise of the firm that lodged our appeal in the tribunal resulting in a reduction of the original figure. **2.2 Extension of Contracts for Suppliers** The aforementioned services were procured via request for quotation as per provisions of the Public Procurement and Assets Disposals Act (2005 repealed) and 2015 from an existing list of prequalified suppliers. As per Section 7.5 (s) of the General Procurement and Disposal Manual of 2009, for contracts within the Maximum threshold, it states that…'a written contract may not be necessary and orders may be placed using a local purchase order or a local service order.' The LSOs (Local Service Order) for the contracted services as indicated for cleaning and security have requests for extensions and approvals from the Accounting Officer are hereby attached for your perusal and confirmation **(annex xix).** The Public Procurement and Disposals Regulations 2006, in the First Schedule highlights the threshold matrix for procuring entities. For reduction of risks going forward, the Authority is intends to enter into written contracts for the mentioned service providers in addition to LPOs and LSOs. All payments to service providers for contracted services are matched to the respective LPOs and LSOs and there are no variations to the originally awarded amounts on the face of the documents of engagement.			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status:	Timeframe:
		2.4 Management Information System Upgrade The firm was sought to upgrade and provide a lifeline to LBDA systems from Microsoft Dynamics Solomon to Ms Dynamic Navision on a trial basis, after the former developed technical hitches. The amount paid was in relation license fees for use of the starter pack i.e. software cost while training and implementation for the other users was to be done in phase II of the agreement. The firm was identified based on Market knowledge after benchmarking was carried out in a public university within the region. Section 8 (1) (z) of the Public Procurement and Disposal Regulations (2006) and General Procurement and Disposal Manual (2009) in Section 7.5 refers to the utilization of periodic market surveys for information of the Procuring entity. This service had also been included in the user department's procurement plan for the financial year 2017/2018.			
Report on Internal Controls Effectiveness, Governance and Risk Management Systems					
1.0	Approval of Payment Vouchers	**Approval of Payment Vouchers** The Managing Director is the Accounting officer as mandated in the PFM Act. However, the Heads of Divisions/Departments/Regions and their designated Managing officers are designated to act as AIE holders by reason of heading their Director respective vote heads as well as indicated in their job descriptions.	Resolved		

Managing Director

Date.....

Chairman of the Board

Date 19.07.2020

APPENDIX II: INTER-LAKE BASIN DEVELOPMENT AUTHORITY TRANSFERS

	LAKE BASIN DEVELOPMENT AUTHORITY:			
	Break down of Transfers from the State Department			
	FY 2018/2019			
a.	**Recurrent Grants**			
		Bank Statement Date	**Amount (KShs)**	**Indicate the FY to which the amounts relate**
	FT18240ZDJ6K	28.08.2018	47,885,429	FY 2018/2019
	FT18312NZM3L	08.11.2018	47,885,429	FY 2018/2019
	FT19043P39MN	12.02.2019	47,885,429.75	FY 2018/2019
	FT191228Z1RK	02.05.2019	47,885,429	FY 2018/2019
	FT19184XQ538	03.07.2019	15,300,000	FY 2018/2019
		Total	**206,841,716.75**	
b.	**Development Grants**			
		Bank Statement Date	**Amount (KShs)**	**Indicate the FY to which the amounts relate**
	FT18347R5YHI	13.12.2018	15,500,000	FY 2018/2019
	FT18347MJKF9	13.12.2018	35,500,000	FY 2018/2019
	FT18347BJYL3	13.12.2018	115,000,000	FY 2018/2019
	FT19080L7QGZ	21.03.2019	35,500,000	FY 2018/2019
	FT19080HHMBY	21.03.2019	115,000,000	FY 2018/2019
	FT18347R5YHI	21.03.2019	15,500,000	FY 2018/2019
	FT1917642TT2	25.06.2019	12,500,000	FY 2018/2019
		Total	**344,500,000**	

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

Finance Manager

Lake Basin Development Authority

Sign ----------

Head of Accounting Unit

Ministry of EAC&RD

Sign----------

APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

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

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