


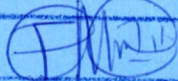
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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**REPORT**

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 04 JUN 2019	DAY: TUESDAY
TABLED BY:	MAJORITY LEADER
CLERK-AT-THE-TABLE:	

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
COAST DEVELOPMENT AUTHORITY**

**FOR THE YEAR ENDED  
30 JUNE 2018**

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
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**COAST DEVELOPMENT AUTHORITY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2018**

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

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## **I. KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

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

#### **Vision**

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

#### **Mission**

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

#### **Strategic Objectives**

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

#### **Role of Coast Development Authority**

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

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

### **Functions of the Authority**

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

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

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

## II. CORE FUNCTIONS OF THE AUTHORITY

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

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

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

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

### **Areas of Jurisdiction**

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

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

CDA's area of jurisdiction covers Coast Region with an estimated area of 83,681km<sup>2</sup> spanning 6 counties listed below:-

Kilifi	-	13,013km <sup>2</sup>
Kwale	-	8,322 km <sup>2</sup>
Taita -Taveta	-	16,556 km <sup>2</sup>
Mombasa	-	282 km <sup>2</sup>
Tana-River	-	38,694 km <sup>2</sup>
Lamu	-	6,814 km <sup>2</sup>
Ijara Town	-	19,465 km <sup>2</sup>
Kenya's Exclusive Economic Zone (EEZ)		

**(b) Key Management**

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

Managing Director  
Board of Directors

**(c) Entity Headquarters**

Mama Ngina Drive,  
Next to UhurunaKazi Building  
Mombasa, KENYA

**(d) Entity Contacts**

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

**(e) Entity Bankers**

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

Equity Bank  
P.O. Box 381-80108  
**MOMBASA**

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

Barclays Bank  
Kilifi Branch  
**KILIFI**

**(f) Independent Auditors**

Office of The Auditor-General  
Anniversary Towers, University Way  
P.O.Box 30084-00100  
**NAIROBI**

**(g) Principal Legal Adviser**

Attorney - General  
State Law Office  
Harambee Avenue  
P.O. Box 40112-00200  
**NAIROBI**

### III. THE BOARD OF DIRECTORS



**Chairman**

**Hon. Samwel Kazungu Kambi**

Hon. Kazungu Kambi is the former Cabinet Secretary in the Ministry of Labour, Social Security and Service. He was nominated as chairman of the National Government Constituency Development Fund (NGCDF).

Hon. Kazungu Kambi is a prominent Businessman of outstanding profile, a trained Public Relation Manager and holds various positions in business ventures. Besides business undertakings, He has a wide experience in policy development, project planning and management, conflict and resolution management as well as community mobilization. Based on this strength, he has represented the Republic of Kenya in various capacities. He is also experienced in project distribution, cultural and environment resource management and youth Empowerment. He has been involved in various negotiations on behalf of the Government.

Undergraduate student at the University of Eastern Africa Baraton for his undergraduate studies (Bachelor of Arts Development Studies). He joined the CDA Board on the 28th March, 2018.



**Hon. Ibrahim Sane  
Director**

Hon. Mr. Ibrahim Sane is a holder of BA Degree and International Relations and Diploma from the University of Atlanta, Georgia USA.

He served as a Member of Parliament (National Assembly) between 2013—2017. Hon. Sane has vast experience of drawing up plans and strategies for community development to deliver a sense of quality that sets the stage for long term success and partnerships in development. He joined the CDA Board on the 5th June, 2018



**Hon. Julius Ndegwa  
Director**

Hon. Julius Ndegwa holds a Diploma in Cooperative Audit from the Cooperative College Kenya and a holder of CPA Part II. He worked at Kenya Women Finance Trust as Business Development Officer. He is currently pursuing a Bachelor of Commerce at Mt. Kenya University. Before joining politics, he served as Councilor for Lamu County Council. He was elected as a Member of Parliament for Lamu West in 2013. Hon. Julius Ndegwa is also a well-established businessman.

He joined the CDA Board on the 5th June, 2018



**Beatrice Mbodze Gambo**  
**Director**

Beatrice Mbodze Gambo is a holder of BSc. Zoology, Botany and Chemistry, 1995- 1999 Punjab University, India.

She is an experienced CEO specialized in strategy, project management, advocacy and Community Economic Development. She is an alumni of the IVLP (International Visitors Leadership program).

She was the Gender Advisor-Office of the Prime Minister, - Strategy & Delivery Unit, CEO at Pwani Projects Development Consultants Ltd. Before joining Pwani Products Devt. Consultants, Ms. Gambo worked as a senior Agronomist at USAID Kenya Horticultural Development Programme.

She joined the CDA Board of Directors on the 6th June, 2018.



**Otto Sauka Mruttu**  
**Director**

Mr. Mruttu holds a B. Arch (Hons) Architecture - Canterbury School of Architecture, UK

Mr. Otto Mruttu the Managing Director of Otto Mruttu + Partner Architects. .

He is registered with the Board of Registration of Architects & Quantity Surveyors. Mr. Mruttu is a corporate member of Architectural Association of Kenya and the Royal Institute of British architects. He is a member of the Taita Taveta County Land Management Board.

He joined the CDA Board on the 23rd October, 2015.



**Omar Famau**  
**Director**

Mr. Omar Famau is currently pursuing a Post Graduate Diploma in Project Management and Evaluation from Cambridge. He is a successful business man and founder, CEO and Chairman of Tawasal Foundation Trust Fund. He served as the Chairman of Lamu County Council from 2004 - 2007. He has wide experience in creating awareness for the Swahili Speaking people of the Kenya Coast and the modes of cultural heritage. He joined the CDA Board on the 5th June, 2018.



**Amina Abdalla**  
**Director**

Ms. Amina Abdalla holds a Diploma in Beauty Therapy Course. She is the founder and Chairperson of Fight Against Drugs Women Organization (FADWO). She is a member of the Coast Regional Peace Committee and Mombasa County committee on Drug demand and supply reduction committee .

She joined the CDA Board on the 5th June, 2018



**George Kithi**  
**Director**

Mr. George Kithi holds a L.L.B from the University of Nairobi, a Postgraduate Diploma from the Kenya School of Law and is pursuing an LLM (Intellectual property) at the University of Nairobi. He has worked at Mungatana & company Advocates, Madzayo Mrima & Company Advocates and is currently the Managing Partner at Kithi & Company Advocates. He was admitted to the Roll of Advocates in the year 2002. He joined the CDA Board on the 5th June, 2018



**Mshenga Ruga**  
**Director**

Hon. Mshenga Ruga holds a Diploma in County Governance. He is currently pursuing Bachelors Degree in Community Development at Mount Kenya University. He also holds a diploma in Plant mechanics from NYS. He has over 15 years experience in Public Administration having served as Councilor and Mayor for defunct Kwale County Council. Before joining the CDA Board, he served as a Board of Director of Kenya Ferry services. He joined the CDA Board on the 5th June, 2018



**Theresa Wasike**  
**Director**

Ms. Theresa Wasike is the Alternate Director representing the PS—Ministry of Water and Sanitation. She is Deputy Secretary in the Ministry. She is a holder of M.A in International Relations from the Ukrainian Institute of International Relations, Kiev University. She has also trained in Strategic leadership and Management and sits as a member of the Regional Project Steering Committee Member of the Mara River Basin between Kenya and Tanzania.



**Timothy Ogwang**  
**Director**

Mr. Timothy Ogwang is the Alternate Director representing the PS - Ministry of Agriculture and Livestock Development. He holds a BSc. in Agriculture from the University of Nairobi. He worked as an Agriculture Officer in the Ministry from 2005 - 2009. He is currently the Chief Agricultural Officer in the Ministry of Agriculture and Livestock Production



**Swaleh Kadara**

**Director**

Mr. Swaleh Kadara holds a BA in Sociology and Arabic language, MA from the University of Nairobi and Ph.D from the University of Nairobi/University of Cape Town.

He has worked as a Lecturer at Pwani University in the Department of Philosophy and Religious studies.

He is currently the Director of Political Affairs for Jubilee Party in the office of the Secretary General.

He joined the CDA Board on the 5th June, 2018.



**James Nyamweya Mageto**

**Director**

Mr. Jospheh Nyamweya is the Alternate Director, representing the PS - Ministry of East African Community and Regional Development.

He is a holder of Postgraduate degree MBA in Finance, University of Nairobi. He is currently undertaking Doctoral Studies of Doctor of Philosophy (Ph.D) specializing in Finance at the University of Nairobi.

He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and registered Accounting with the Registration of Accountants Board (RAB). He has also attended Senior Management Course from KSG.

He is the Principal Accountant at the Ministry of East African Community and Regional Development (Head of Accounting Unit for the State Department for Regional and Northern Corridor Development )

**IV. MANAGEMENT TEAM**



**Dr. Mohamed Keinan Hassan ,Ph. D, OGW  
 Managing Director of Coast Development  
 Authority.**

**Education:**

Doctor of Philosophy (PhD) degree at JKUAT  
 Msc. Project Planning and Management, JKUAT  
 Senior Management course and Strategic  
 Leadership Development Program ,KSG  
 Australian Leadership Award Scholarship  
 Food Security through Increased Production and  
 Trade in the African Region, AusAid.

**Work Experience:**

Managing Director Coast Development  
 Authority since May 2016. Before current  
 appointment Dr. Keinan worked with National  
 Drought Management Authority in the Ministry  
 of Devolution and Planning. Served in the Civil  
 Service for over 30 years in different ministries,  
 namely Ministry of Livestock and later in the  
 Office of the President Special Programmes in  
 the Arid lands Resource Management Project (a  
 food security project jointly funded by World  
 Bank and Government of Kenya). Awarded the  
 Order of Grand Warrior of Kenya (OGW) by the  
 President of Kenya in December 2011. The  
 award was in recognition of his approach in  
 service delivery, i.e. participatory methodologies  
 which empower communities to successfully  
 identify, implement and sustain priority projects  
 that address food security and reduce livelihood  
 vulnerability.

**Function :**

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

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



**Mr Ahmed Bashir Abdi**

**Manager, Human Resources**

**Education:**

MBA, Governance and Ethics, Mount Kenya  
 University  
 Bachelor's Degree (Hones) Public  
 Administration, Kampala University  
 Diploma in Human Resources Management,  
 University of Nairobi  
 Certificate in Guidance and Counselling,  
 University of Nairobi  
 Higher National Diploma, Human Resources  
 Management, NEP Technical Training Institute  
 Member of Institute of Human Resource  
 Management -HRPC

**Work Experience:**

County Human Resource Manager- County  
 Government of Garissa  
 Deputy Town Clerk-Municipal Council of  
 Garissa

**Function:**

Management HR Reporting  
 HR Administration  
 Performance Management  
 Employee Welfare and Relations  
 Recruitment  
 Payroll Management  
 Human Resource Laws  
 Employee Benefits Administration



**Mr. Fentus Mng'ong'o**  
 Ag. Chief Manager Business Development

**Education:**

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

**Work Experience:**

Agricultural Economic Specialist on agrarian agricultural development in Developing countries

Ag. Chief Manager, Business Development & Investment Promotion, Manager Natural, Technical Manager, Acting Deputy Managing Director, Planning Officer, Coast Development Authority

Research Associate – Egerton University  
 Planning Officer, Ministry of Agriculture  
 Freight Marketing Assistant: Mitchells Cotts (Shipping Division) Kenya Limited  
 Secretary to the Palm Products Working Group (PPWG)

Alternate Director, Ministry of Regional Development Authorities at the Board of Directors Kenya Coconut Development Authority

Vice Chairman, Coast Sisal Development Stakeholders Forum

Chairman – Palm Products Working Group (CBO)

**Function:**

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



**Ms. Pamela Maghema Ngure**  
 Manager, Finance and Accounts

**Education:**

B.Com (Accounting) University of Nairobi  
 MBA Public Policy and Administration (on-going)

Member Association of Chartered Certified Accountants

IPSAS Reporting -Public Sector Accounting, Deloitte & Touché /National Treasury, Kenya School of Government, Nairobi Kenya  
 Corruption Prevention and Good Adaptation, Transparency International Kenya

ISO 19011:2011 Quality Management System Internal Audit, Internment System Consultants  
 IFS System Certified Trainer, APM Terminals, Mombasa Kenya

Tax Risk Management, KPMG  
 SAP R/3 Systems Certified Trainer, A.P. Moller – Maersk, Cape Town South Africa

Retirement Benefits, Corporate & Pension/Hymans Robertson  
 Proficient in SAP/IFS, QuickBooks, IPSA's Reporting and Microsoft Products

**Work Experience:**

Manager Finance and Account Current (Coast Development Authority)

Senior Accountant –Coast Development Authority

Cluster Regional Accountant –Maersk Shipping Line (East and Horn of Africa)

Sap Business Training Coordinator – APM Terminals and Maersk Line Mombasa Branch  
 Maersk Shipping Line, Mombasa

## V. CHAIRMAN'S STATEMENT

### Introduction

The Coast Development Authority is a State Corporation established by an Act of Parliament No. 20 of 1990 (Cap 449), revised in 1992 with the mandate to provide integrated development planning, coordination and implementation of projects and programmes within the whole of Coast region, including the southern part of Garissa County and the Kenya's Exclusive Economic Zone (EEZ) and for connected purposes. The CDA area of jurisdiction covers 103,326 km<sup>2</sup> and the EEZ (200 Nautical Miles of the Indian Ocean). The Coast region is well endowed with natural resources. The resources include the ocean, rivers, springs lakes, deltas, water catchments, hills and rangelands, marine resources (fisheries, corals), tree crops (cashewnuts, coconuts, mangoes, bias), forestry (mangroves), minerals (gemstones), wildlife and diverse cultures, CDA has been employing a participatory and integrated development approaches for sustainable utilization of the natural resources for the region's economic development.

### Functions

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

### Governance and Board Changes

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

### Management Changes

During the year Mr. Fentus Mng'ong'o Chief Manager Business Development retired from public service. We thank him for the dedicated public service and wish him well in his future endeavours. His position is yet to be substantively filled.

### Authority's Performance and Achievements

After concerted efforts to address the serious underfunding of the Authority, The National Treasury approved a supplementary budget of Ksh 31.2M. The supplementary budget approved was for settling accrued Pension Interest. The Authority managed to clear the outstanding statutory arrears and is now settling all statutory payments within the stipulated deadlines. The regular salary payment has promoted positivity and staff morale.

### Conclusion

In conclusion, we sincerely believe that the future of the Coast Development Authority currently domiciled in the Ministry of East African Community and Regional Development, State Department of East African Community is bright as the Government has recognized

COAST DEVELOPMENT AUTHORITY  
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the complementary and not duplicative role of the Authority in development of the region. We look forward to more support from the Parent Ministry, The National Treasury, County Governments and other development agencies so that we can serve our people even better in the future.

**Appreciation**

I would like to take this opportunity to thank the Cabinet Secretary Ministry of East African Community and Regional Development and Board of Directors for their support. I commend the Management and Staff of CDA who have tirelessly and with dedication served the coastal communities and indeed indirectly all Kenyans through successful implementation of approved projects

  
Hon. Samwel Kazungu Kambi  
CHAIRMAN

20<sup>th</sup> 3. 2019

## VI. REPORT OF THE CHIEF EXECUTIVE OFFICER

### Overview

In 2017/2018FY the Authority continued with the implementation of 2013 -2017 Strategic Plan whose programs and projects are anchored on Vision 2030 and Medium Term Plan II.

### Public Private Partnership

The Authority has reviewed its concepts under the Public Private Partnership arrangement so as to be aligned to the Blue Economy and the Big Four Agenda. The resource mobilisation is underway from the Government and development partners. The Lake Challa Water Resources Integrated Development Project is still at the National Treasury for review and approval considerations under the PPP arrangement as a Privately Initiated Investment Proposal. Stefanutti Stocks, a South Africa firm that had shown interest to implement the project is to decide whether the type of funding will be under a G2G arrangement or under the traditional PPP as a PIIP. The Authority did not renew the MoU between CDA and Shelter Solutions Limited (SSL) for the Shimoni Integrated Development Project (SIDEP) since the development partners did not comply with the requirements of the National Treasury (PPP Unit). Currently, any MoU's by investors are required to be forwarded to the Cabinet Secretaries for onward discussion at the cabinet level for further approvals.

### Donor Funded Projects

Under the donor funded project the project implementation of the Mwache Multi-Purpose Dam Development Project and the Kenya Climate Change Adaptation Projects are on course. The Mwache Multi-Purpose Dam Development Project will benefit residents of Kwale and Mombasa. 12,000 acres of land will be developed for irrigation. 186,000m<sup>3</sup> of water per day will be provided for domestic and livestock to both Kwale and Mombasa Counties. The KCCAP project focuses mainly on rehabilitation of Vanga and Gazi mangrove forest. In addition the Italian Agency for Development Cooperation approved funding of Euros 6.34 Million for the Malindi Integrated Social Health Development Program Phase II. The overall goal of the program is to improve the social and economic development of Malindi and Magarini sub-counties. The program is expected to take 3 years to implement.

### ISO 9001:2015 SURVEILLANCE AUDIT

In the year 2017/2018, the Authority undertook an ISO 9001:2015 surveillance audit. This resulted into continued certification of the ISO 9001:2015. This continued certification has enforced into maintaining the Quality Management Systems (QMS) thus acting as a continuous improvement strategy of work processes within the Authority. In addition to this, upholding the international standards is a major global recognition for the Authority as it opens up businesses all over the world and gives confidence to our suppliers and other stakeholders at large.

### **Performance Contracting**

The Authority is on performance contracting. The Authority signed the Performance Contract with the Government through the Ministry of East Africa Community and Regional Development. The Authority is now domiciled in this Ministry under the State Department of East Africa Community. The performance contracting has been cascaded to all members of staff.

### **ASK Mombasa International Show**

The Authority participated in the Mombasa International ASK Show organized by the Agricultural Society of Kenya to showcase what the Authority has done and is planning to do for the region in relation to the theme. CDA competed against private and public entities and emerged top in the 1<sup>st</sup> Best organization in Social Functions and 2<sup>nd</sup> Best organization in implementing Community Projects, in line with the show theme 'Promoting Innovation and Technology in Agriculture and Trade'. The Authority aligned all its projects with the Government's Big Four Agenda that depicted Food Security, Affordable Health Care, Affordable Housing and Industrialization.

During the event CDA sponsored as part of its CSR, Mazeras Girls High School and Giriama Dance group who performed at the arena during the official opening.

### **Human Resources Development**

During the year the Ag. Chief Manager Business Development and Investment Promotions attained retirement age and exited the Authority services. We took cognizant of his hard, commitment and dedication during his long service at CDA.

The Authority engaged services of Director of Public Services Management (DPSM) to review and develop the following Human Resources Policy document (Human Resource Policy and Procedure Manual Organization Structure, functions and staffing manual Carrier guidelines which were submitted to State Corporation Advisory Committee for Approval.

Due to financial constraints management encouraged staff to enhance their skills by undertaking professional self-sponsored long and short courses.

### **Financial Status**

In The 2017/2018, The Authority was able to pay salaries on time settle all statutory payments within the stipulated deadlines. The regular salary payment has improved staff morale and we now have a more vibrant workforce.

Despite the additional supplementary funding the Authority still faces inadequate funding that delays project implementation and results in accumulation of pending bills under both recurrent and development votes. The recurrent deficit currently stands at Ksh56.62M .The Authority has pending bills amounting to Ksh 93.2M.

### **Outlook**

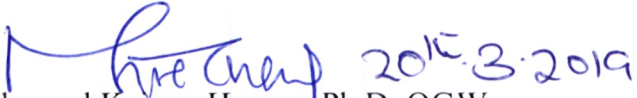
Our goal for 2017/2018 is to attract funding for major projects such as Free Trade Port, Dry Port and the Lake Challa/Mwakitau Integrated water Project. The Authority will also finalise and start operation of the Integrated Fruit Processing Plant in Hola, Tana River County.

**Appreciation**

I also extend my appreciation to the board and the parent Ministry for their support during the past year. I commend the management and employees of the Authority for their cooperation, effort, commitment and hard work during the past year.

The Authority is committed to ensuring that all service regulations including procurement and accounting for goods and services, statutory compliance will be adhered to without exception.

We look forward to another positive year ahead.

  
Mohamed Keinan Hassan, Ph.D, OGW  
**MANAGING DIRECTOR**

## **VII. CORPORATE GOVERNANCE STATEMENT**

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

### **Board of Directors**

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

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

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

### **Code of Ethics**

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

### **Communication with the Government**

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

### **Directors Emoluments**

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

### **VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

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

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

The aim of this initiative was to help the residents of Kilifi County reclaim land that was put under mining economic activities and was now deemed unproductive. The Authority identified Casuarinas and Neem tree species as the most ideal for restoration of the closed mining sites. Planting of trees play a key role in our battle against climate change, feed our rivers, help to regulate the impact of storms and floods, harbour biologically-diverse ecosystems and provide shelter, jobs and security for forest-dependent populations. The tree planting activity provided an opportunity for community involvement and empowerment that contributed to improve the quality of life in their neighbourhoods. All cultures, ages, and genders had an important role to play at a tree planting event. Planting a tree is an incredible symbol of hope. It symbolises a belief in the future – of our communities and our country. It brings people together – with each other and Mother Nature. It is a living, breathing gift to the generations to come.

## IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which shows the state of the Authority affairs.

### Principal activities

The principal activities of the entity continue to be

- Mwache Multipurpose Dam Development Project
- Lake Challa Water Resources Project
- Integrated Water and Coastal Management Project (Adaptation to climate change)
- Integrated Community Water Supply (Water pans, dams and boreholes)
- Integrated Fruit Processing Plant Project
- Integrated Community Development Projects (Mineral Exploration and Promotion).
- Integrated Livestock improvement
- Boji Irrigation Scheme
- Wananchi Cottages

### Results

The results of the entity for the year ended June 30, 2018 are set out on page 28-32

### Directors

The members of the Board of Directors who served during the year are shown on page 6-9. In accordance with Cap 449 sub section 4:2-3 the non-official members shall hold office for a period of three years from dates of their respective appointments. A retiring member shall be eligible for appointment.

### Committees of the Board

The Board has three standing committees,

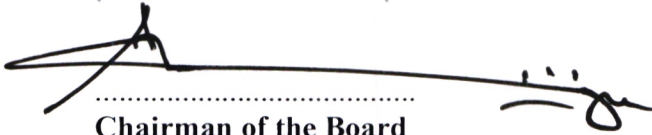
- a) Audit Committee  
The Audit committee is comprised of 7 members. The committee responsibility includes review of financial statements, compliance with accounting standards and maintain oversight on internal controls. The Authority's internal auditor attends all meetings of the committee.
- b) Finance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

COAST DEVELOPMENT AUTHORITY  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR FINANCIAL YEAR ENDED JUNE 30, 2018

**Auditors**

The Office of The Auditor General is responsible for the statutory audit of the Coast Development Authority in accordance with the Section 84 of the Public Audit Act, 2015, which empowers The Office of The Auditor General to nominate other auditors to carry out the audit on his behalf.

On behalf of the Board



.....  
**Chairman of the Board**

**Date:** .....

**X. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

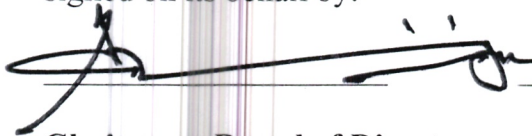
Section 8 of the Public Finance Management Act, 2012 and section 15 (2) of the State Corporations Act, 2012 require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results of the Authority for the financial year ended on June 30, 2018. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

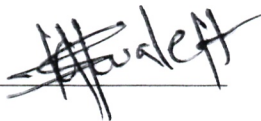
The Directors accept responsibility for the Authority financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards –Accrual (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Authority financial statements give a true and fair view of the Authority transactions during the financial year ended June 30, 2018, and of the Authority financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority financial statements as well as the adequacy of the systems of internal financial control. Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Authority financial statements were approved by the Board on 22<sup>nd</sup> 11 2018 and signed on its behalf by:



**Chairman, Board of Directors**



**Director**



**Director**

# REPUBLIC OF KENYA

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NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON COAST DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Coast Development Authority set out on pages 23 to 47, which comprise the statement of financial position at 30 June 2018, 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 Coast Development Authority as at 30 June 2018, 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 Coast Development Authority Act, Cap 449 of the Laws of Kenya.

#### Basis for Qualified Opinion

##### 1.0. Presentation of the Financial Statements

Note 14 to the financial statements for the year ended 30 June 2018 reflects finance cost balance of Kshs.776,342. However, included in this figure is audit fees balance of Kshs.614,542. According to IAS 23 finance cost include interest on bank overdrafts and borrowings, finance charges on finance leases and exchange differences on foreign currency borrowings where they are regarded as an adjustment to interest costs. Hence, audit fees are not part of finance costs.

Consequently, the accuracy of finance costs of Kshs.776,342 for the year ended 30 June 2018 could not be ascertained.

##### 2.0 Service Deposit

As previously reported, included in the receivables from exchange transactions balance of Kshs.23,168,974 and as detailed in note 16 to the financial statement for the year ended 30 June 2018 is a service deposit of Kshs.221,250 being advance payment for

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*Report of the Auditor-General on the Financial Statements of Coast Development Authority for the year ended 30 June 2018*

purchase of computers in the year 2009/2010. Review of the status during the audit review indicated that the computers were not received during the year under review. Available information indicates that the supplier has since closed down business.

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

## **2.0. Receivables from Non-Exchange Transactions**

### **3.1 Outstanding imprests**

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.51,965,210 as detailed in note 17 to the financial statements for the year ended 30 June 2018. Included in this balance is Kshs.25,255,112 in respect of outstanding imprests due from employees. However, imprests of Kshs.15,257,624 due from former employees have been outstanding for more than one year and the recoverability of the same is doubtful. This is contrary to Section 92(5) of The Public Finance Management (National Government) Regulations 2015 which states that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station.

Consequently, the recoverability of outstanding imprest of Kshs.15,257,624 for the year ended 30 June 2018 could not be ascertained.

### **3.2 Other Debts**

As previously reported, receivables from non-exchange transactions include an amount of Kshs.123,734 advanced to other Regional Development Authorities (RDA's) and which has been outstanding for more than six (6) years. No documentary evidence has been availed for audit review to show how the lending was done and other terms and conditions for the lending.

In the circumstance, the accuracy and validity of the receivables from non-exchange transactions balance of Kshs.51,965,210 as at 30 June 2018 could not be confirmed.

### **3.3 Negative Receivables**

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.51,965,210 as detailed in note 17 to the financial statements for the year ended 30 June 2018. Included in this balance is Kshs.2,172,938 PAYE, Kshs.4,800 Union, and Kshs.380,945 VAT receivable. However, ledgers availed for audit review reflected negative balances of the same figures. This resulted to netting off of assets and liabilities which is prohibited by the IPSAS 1 Paragraph 48 which states that Assets and liabilities, and Revenue and expenses, shall not be offset unless required or permitted by an IPSAS.

In the circumstance, the accuracy and validity of the receivables from non-exchange transactions balance of Kshs.51,965,210 as at 30 June 2018 could not be confirmed.

The statement of financial performance reflects board expenses balance of Kshs.7,134,558 as detailed in note 9 to the financial statements for the year ended 30 June 2018. However, re-computation of the board expenditure schedule amounted to Kshs.6,282,708 resulting to a variance of Kshs.851,850 and which has not been explained or reconciled.

In the circumstances, the accuracy and completeness of board expenses balance of Kshs.7,134,558 as at 30 June 2018 could not be confirmed.

#### 4.0. Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.198,627,744.09 as detailed in note 15 to the financial statements for the year ended 30 June 2018. Included in the bank reconciliation statements availed for audit as at 30 June 2018 are stales cheques amounting to Kshs.147,381 which had not been reversed into the cash book as at 30 June 2018.

In the circumstances, the accuracy and completeness of the cash and cash equivalent balance of Kshs198,627,744.09 as at 30 June 2018 could not be confirmed.

#### 5.0. Property, Plant and Equipment

##### 6.1 Excluded Parcels of Land

As reported previously, property, plant and equipment balance of Kshs.410,600,629 as at 30 June 2018 (2016/2017 - Kshs 362,952,354) excluded un-valued nine (9) parcels of land located in Kwale, Kilifi, Taita Taveta and Tana River Counties. Further, the Authority only has allotment letter on the said parcels of land as proof of ownership as detailed below:

S. No	Asset/Property	Size	Location & County	Functions Undertaken/ Coordinated	Remarks/ Status of Asset/ Ownership status/ In use or Idle
1	CDA Wananchi Cottages /Conference Resort-Land Parcel	0.200Hectares or 0.494 Acres	Kilifi County	Accommodating the Wanainchi Cottages and Conference Facility	Title for full Acquisition on its Final Stages
2	PDP No/12/07 Kwale Town	0.200 Hectares or 0.494 Acres	Kwale County	Not in use for the moment	Plot Planned for CDA Kwale offices
3	PDP Malindi/4/08 Malindi Township	0.090 Hectares or 0.222 Acres	Kilifi County	Undeveloped	Plot Planned for CDA Malindi Office

S. No	Asset/Property	Size	Location & County	Functions Undertaken/ Coordinated	Remarks/ Status of Asset/ Ownership status/ In use or Idle
4	CDA Masalani Farm –Ijara-Masalani/1656	100 Acres	Garrissa County	Land allocated to Coast development Authority	Letter of Allotment
5	Galole Fruits Processing Project -Hola	40 Hectares or 98.84 Acres	TanaRiver County	Parcel of Land which is Partly developed with the integrated Fruit processing Plant	Title for full Acquisition on its Final Stages
6	Proposed Milk Processing plant- Wundanyi Township	1.0Acre Plinth Area 1515 Square feet	Taita Taveta County	Incomplete Building Structure 55% Complete	Letter of Allotment
7	Taveta Parcel- Kirimeri Village Nakuruto Location	1.0 Acres	Taita Taveta County	Currently not in use But with a drilled Borehole	Title for full Acquisition on its Final Stages
8	Kwale South Samburu/62-300n Acres	300 Acres	Kwale County	Proposed Solar Power Generation	No Acquisition Title
9	Masalani LAND(PDP No NEP/13/2003/2	1.12Ha	Garrissa County	CDA Masalani Offices	Title for full Acquisition on its Final Stages

In addition, records availed for audit review indicated that included in the balance of land of Kshs.333,900,000 as at 30 June 2018 is revaluation of land amounting to Kshs.53,514,000 which has not been reflected in the revaluation section of the assets movement schedule, nor in the changes to net assets but only disclosed in the significant accounting policies under note 2(t) to the financial statements under the sub heading: revaluation. The assets movement schedule in note 27 only indicates opening land balance of Kshs.280,386,000 and a closing balance of Kshs.333,900,000 with no details on the movement or variance of Kshs.53,514,000.

Consequently, the accuracy and completeness of the carrying values of the property, plant and equipment totaling to Kshs.410,600,629 as at 30 June 2018 could not be confirmed.

## 6.2 Land Balance Payable

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.25,874,990 as at 30 June 2018. Excluded in this balance is Kshs.5,199,500 in respect to land balance payables. Records availed for audit revealed that the purchase price of one of the piece of land (Mwapula/Magogoni plot no.

432/1211) of 49 acres was for Kshs.9,800,000 as per the sales agreements, and the Authority paid Kshs.4,600,500 and had an outstanding balance of Kshs.5,199,500 as at 4 August 2014. However, as per land report tabled at the 76<sup>th</sup> full Board meeting held on 19 September 2018, it was reported that the total purchase price of Kshs.9,800,000 had been paid but the land was unscrupulously sold by a squatter to a private investor. The case is before the Court awaiting determination.

Consequently, the accuracy and completeness of the carrying values of the property, plant and equipment totaling to Kshs.410,600,629 as at 30 June 2018 could not be confirmed.

## **7.0 Audit Fees**

Note 22 to the financial statements for the year ended 30 June 2018 reflects trade and other payables from exchange transactions balance of Kshs.25,874,990. Included in this balance is audit fees of Kshs.895,520 owed to the Office of the Auditor-General. However, records availed from the Office of the Auditor-General reflects a balance of Kshs.814,560, resulting to unreconciled variance of Kshs.80,960. In addition, the audit fees provision amount of Kshs.614,800 has been included under finance cost. International Accounting Standard 23 defines finance costs as “interest and other costs that an entity incurs in connection with the borrowing of funds”. Finance costs are also known as “financing costs” and “borrowing costs”. Audit fees are not related with the borrowing of funds and hence wrongly classified under finance cost. Further, this amount has not been disclosed separately in the financial statements.

In consequence, the accuracy and completeness of audit fees balance of Kshs.895,520 for the year ended 30 June 2018 could not be ascertained.

## **8.0 Project Expenses**

Note 10 to the financial statement for the year ended 30 June 2018 reflects project expenses balance of Kshs.18,714,220. Further, note 6 to the financial statements reflects other income of Kshs.12,683,521 which directly relates to these projects. There was therefore a net outflow of resources from the project of Kshs.6,030,699. This brings into question the validity and sustainability of the projects.

Consequently, the validity and property of the project expenditure of Kshs.18,714,220 for the year ended 30 June 2018 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Coast Development Authority in accordance with ISSAI 30 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 opinion.

## **9.0 Trade and Other Payables from Exchange Transaction**

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.25,874,990 as detailed in note 22 to the financial

statements as at 30 June 2018. However, the creditors' age analysis availed for audit revealed that an amount of Kshs.18,644,312 has remained unpaid for over five (5) years. Consequently, failure to pay creditors on time may affect Authority's service delivery to residents of coast region and lead to unnecessary litigations from creditors. Further, there is no justification for the Authority's failure to pay its obligations as and when they fall due.

## 10.0 Medical Expenses

Note 7 to the financial statements for the year ended 30 June 2018 reflects medical expenses of Kshs.5,305,995.75. Review of payment voucher No.10775 revealed procurement of medical cover for staff through tender number REF:CDA T-10/2017-2019 and contract of Kshs.13,304,522 was awarded to AAR Insurance. However, approved budget for the same was not availed for audit review.

Consequently, the propriety of the medical expenses of Kshs.5,305,995.75 for the year ended 30 June 2018 could not be ascertained.

## 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. Except for the matters described in the Basis for Qualified Opinion and other Matter sections, I have determined that there are no Key Audit Matters to communicate in my report.

## Other Matter

### 1.0 Budgetary Control and Performance

#### 1.1 Revenue Budget

During the year under review, the Authority's revenue budget amounted to Kshs.313,274,000 against actual disbursement of Kshs.307,969,000 (98%), thus resulting to net under disbursement of Kshs.3,305,000 or 2% as detailed below:

Detail	Actual	Budget	Under Disbursement	% Over Disbursement
Public Contributions and Donations	46,023,000	48,000,000	1,977,000	(4)
Government Grants and Subsidies	241,092,000	241,092,000	0	0
Sale of Goods	20,854,000	24,150,000	3,296,000	(13)%
Finance Income		32,000	32,000	(100)%
<b>Total</b>	<b>307,969,000</b>	<b>313,274,000</b>	<b>5,305,000</b>	<b>(2)%</b>

The Authority had a slightly negative balance of Kshs.5,305,000 or 2% on its revenue budget during the year under review.

## 1.1 Expenditure Budget

During the year under review, the Coast Development Authority had a final budget of Kshs.313,274,000 against actual expenditure of Kshs.300,296,000, resulting to an overall under absorption of Kshs.12,978,000 or 4 % as summarized below:

Receipt/ Expense Item	Final Budget	Actual on Comparable Basis	Under Absorption in Kshs.	Over Absorption in Kshs.	% of Utilization	Over/Under Absorption - %
Compensation of Employees	176,332,000	158,376,000	17,956,000		90	10
Use of goods and services	70,692,000	81,370,000		10,678,000	115	(15)
Other Payments	18,250,000	18,250,000			100	
Grants and Subsidies Paid	48,000,000	42,300,000	5,700,000		88	12
<b>Total</b>	<b>313,274,000</b>	<b>300,296,000</b>	<b>23,656,000</b>	<b>10,678,000</b>	<b>96</b>	<b>4</b>

Underutilization of budgeted amount of Kshs.23,656,000 or 4% is an indication of non-implementation of planned development projects negatively affecting community development and empowerment. Further, approval for the over expenditure of Kshs.23,656,000 was not availed for audit review as per Section 12 of the State Corporations Act, Cap 446 which states that no state corporation shall, without the prior approval in writing of the Minister (Cabinet Secretary) and the Treasury, incur any expenditure for which provision has not been made in annual estimate prepared and approved in accordance with section 11.

The management was therefore in breach of the law.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matter described in the Conclusion on Compliance and Effectiveness section of my report, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

### Basis for Conclusion

#### 1.0 Unremitted VAT

Note 23 to the financial statements for the year ended 30 June 2018 reflects trade and other payables from non-exchange transactions balance of Kshs.11,658,412. Included in this balance is Kshs.2,821,193 in respect to VAT which as at the time of audit it has not been remitted to the commissioner of VAT. Late remittance of the said amount

attracts a penalty as per Section 83(1) of Tax Procedures Act, 2015 which states that a person who submits a tax return after the due date shall be liable to a penalty of twenty-five percent of the tax due or ten thousand shillings whichever is higher.

Consequently, the Authority was in breach of the law.

## **2.0 Community Projects/ Work-In-Progress**

Note 18 to the financial statements for the year ended 30 June 2018 reflects community projects/work-in-progress of Kshs.417,260,740. Review of project files revealed that the amount is a cumulative figure dated from 2007 with only Kshs.14,802,039 incurred in the financial year 2017/2018 for various projects not funded as per state department approved estimates. Review of the bank statements for NBK main account number indicated receipt of Kshs.18,250,000 for Integrated Fruit Processing Plant on 10 April 2018. This is the same account that is used to bank recurrent disbursements. Vote book to control the project funds was not availed for audit review. This is in contravention of Section 52 (j) of the Public Finance Management (National Government) Regulation which states: each accounting officer shall cause records to be kept in such a form as will clarify at any time, in respect of each of his or her votes— (i) the total amount of expenditure sanctioned for service of the year; (ii) the amount of the expenditure charged; and (iii) any further known liabilities in respect of the year;

The management was therefore in breach of the law.

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT SYSTEMS AND GOVERNANCE**

### **Conclusion**

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

### **Basis for Conclusion**

#### **Weak Internal Controls and Failure to Bank Revenue On Time**

Note 6 to the financial statements for the year ended 2017/ 2018 reflects Kshs.12,683,520.85 with respect to other income generated from exchange transactions. Cash, cheques and Mpesa are all accepted as modes of payment for

Coast Development Authority (CDA). However, a review of sampled bank deposits revealed several instances of failure by the Authority in banking received cash revenue in time with no IOU signed by the cashier and handed over to the supervisor as per Section 10.1 of the CDA financial manual. Furthermore, cash collection and banking analysis form which is mandatory as per Section 10.1 of CDA financial manual as an internal control measure were not traced for all other incomes which were sampled during audit, implying a weakness in CDA control measures. This is in violation Section 10.1 of CDA Finance Manual for the year ended 2017/2018 which states that cheques and cash should be banked immediately, where this is not possible such banking should be done not later than the end of the next business day. The management was therefore in breach of the law.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 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 Those Charged with Governance**

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.

In preparing the financial statements, management is responsible for assessing the Coast Development Authority ability to continue as a going concern disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Coast Development Authority or to cease operations, or have no realistic alternative but to do so.

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

## **Auditor-General's Responsibilities for the Audit**

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

In addition to the audit of the Coast Development Authority's financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the Coast Development Authority's financial statements and review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal 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 Coast Development Authority 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:

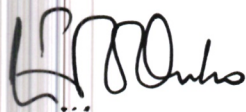
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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 going concern 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 Coast Development Authority ability to continue as a going concern or 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 Coast Development Authority to cease to continue as a going concern or 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 Coast Development Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

**Nairobi**

**06 May 2109**

**XII. STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2018**

INCOME		2017/2018	2016/2017
	NOTES	Ksh	Ksh
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	3	46,022,663	32,540,141
Transfers from other governments – gifts and services-in-kind	4	249,262,604	353,047,648
		-	-
		<b>295,285,267</b>	<b>385,587,789</b>
<b>Revenue from exchange transactions</b>			
Finance income - external investments	5	-	3,886
Other income	6	12,683,521	17,321,806
		<b>12,683,521</b>	<b>17,325,692</b>
<b>Total Revenue</b>		<b>307,968,788</b>	<b>402,913,481</b>
<b>Expenses</b>			
Employee costs	7	158,376,854	177,829,549
Depreciation and amortization expense	8	16,912,181	16,284,246
Board expenses	9	7,134,558	7,136,807
Project expenses	10	18,714,220	28,474,600
Repairs and maintenance	11	3,394,236	2,686,106
Grants and subsidies	12	78,534,793	55,523,950
General expenses	13	16,452,910	17,233,052
Finance costs	14	776,342	824,526
<b>Total expenses</b>		<b>300,296,094</b>	<b>305,992,836</b>
<b>Other gains/(losses)</b>			
<b>Surplus/Deficit before tax</b>			<b>96,920,645</b>
Taxation			
<b>Surplus/Deficit for the period</b>		<b>7,672,694</b>	<b>96,920,645</b>
Attributable to:		-	-
Deficit attributable to minority interest		-	-
Surplus attributable to owners of the controlling entity		<b>7,672,694</b>	<b>96,920,645</b>

The notes set out on pages 28 to 47 form an integral part of the Financial Statements

**XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018**

	NOTES	2017/2018	2016/2017
<b>Current Assets</b>		Kshs	Kshs
Cash and cash equivalents	15	198,627,744	174,711,410
Receivables from exchange transactions			
Receivables from non-exchange transactions	16	23,168,974	22,333,430
	17	51,965,210	45,713,966
Current portion of long-term receivables from exchange transactions		-	-
Community Projects/Work in progress	18	417,260,740	406,416,510
Inventories	19	933,394	1,538,175
		<b>691,956,062</b>	<b>650,713,491</b>
<b>Non Current Assets</b>			
Property, plant and equipment	27	410,255,529	362,952,354
Biological Assets	20	1,415,000	691,000
Investments		-	-
Long term receivables from exchange transactions		-	-
		<b>411,670,529</b>	<b>363,643,354</b>
<b>Total Assets</b>		<b>1,103,626,591</b>	<b>1,014,356,845</b>
<b>Liabilities</b>			
Trade and other payables from exchange transactions	22	25,874,990	32,565,498
Trade and other payables from Non exchange transactions	23	11,658,412	16,130,622
Deferred Income	26	47,227,061	55,057,250
Employee benefit obligation	24	39,999,850	9,550,988
Taxation			
		<b>124,760,313</b>	<b>113,304,358</b>
<b>Non Current Liabilities</b>			
Non-current employee benefit obligation	25	7,169,807	6,239,806
		<b>7,169,807</b>	<b>6,239,806</b>
<b>Total Liabilities</b>		<b>131,930,119</b>	<b>119,544,164</b>
<b>Net Assets</b>		<b>971,696,472</b>	<b>894,812,681</b>
Development Grants		1,262,997,589	1,244,747,589
Reserves		342,786,314	291,226,564
Accumulated Deficit		(634,087,432)	(641,161,473)
Minority Interest			
<b>Total Net Assets and Liabilities</b>		<b>1,103,626,591</b>	<b>1,014,356,845</b>

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

Managing Director

Date..... 2018/3/2019

Chairman of the Board

Date..... 2018/3/2019

**KIV.STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018****Attributable to the owners of the controlling entity**

	<b>Development Grants</b>	<b>Revaluation Reserves</b>	<b>Accumulated Deficit</b>	<b>Total</b>
	Kshs.	Kshs.	Kshs.	Kshs
<b>As at 30 June 2017</b>	<b>1,327,617,237</b>	<b>294,380,314</b>	<b>(745,397,422.90)</b>	<b>876,600,128</b>
Net Deficit For The year	-	-	96,920,645	96,920,645)
Transfer to /Accumulated deficit	-	-	7,315,304.65	7,315,305
Deprecation on Revalued assets		(3,153,750)		(3,153,750)
Revaluation for the year	-	-	-	-
Net GoK grants	100,000,000			100,000,000
Completed Community Projects	(182,869,647.54)	-	-	<b>(182,869,648)</b>
<b>Balance as at 30th June 2018</b>	<b>1,244,747,589.46</b>	<b>291,226,564</b>	<b>(641,161,473.25)</b>	<b>894,812,680</b>
Net Surplus for the period	-	-	7,672,694	7,672,694
Transfer to/from Accumulated Deficit	-	-	(598,652)	(598,652)
Revaluation for the Year		54,713,500		54,713,500
Deprecation on Revalued assets	-	(3,153,750)	-	(3,153,750)
Net GoK grants	18,250,000			18,250,000
<b>Balance as at 30 June 2018</b>	<b>1,262,997,589.46</b>	<b>342,786,314</b>	<b>(634,087,431.69)</b>	<b>971,696,472</b>

**XV. STATEMENT OF CASHFLOWS  
AS AT JUNE 2018**

	Notes	2017/2018	2016/2017
		Ksh	Ksh
Surplus for the period		7,672,694	96,920,645
<b>Adjustment for</b>			
Depreciation	8	16,912,181	16,284,246
Land payables Adjustments	21	1,199,500	1,484,000
Decrease in reserves	26(ii)	(598,652)	7,315,305
<b>Cash flow from operating activities before working capital changes</b>		<b>25,185,722</b>	<b>122,004,196</b>
Increase/Decrease in Inventory	19	604,781	96,185
Increase/Decrease in debtors Receivables- Exchange	16	(835,545)	(13,560,387)
Increase/Decrease in debtors Receivables- Non Exchange		(6,251,243)	3,070,865
Increase/Deferred Income	26	(7,830,189)	55,057,250
Increase/Decrease in creditors		(6,690,508)	(6,609,737)
Increase/Decrease in Trade payable - Non Exchange		(4,472,209)	(6,076,309)
Increase in Employee Obligations		31,378,862	(77,021,669)
<b>Net cash flow from operating activities</b>		<b>31,089,668</b>	<b>77,021,489</b>
<b>Cash flow from investment Activities</b>			
Purchase of fixed assets	27	(13,855,206)	(5,147,400)
Increase/decrease in work in progress	18	(10,844,229)	155,471,249
Purchase of Biological assets	20	(724,000)	593,000
Increase in investments		-	8,195,988
<b>Net cash flow from investing activities</b>		<b>(25,423,335)</b>	<b>159,112,837</b>
<b>Cash flow from financing Activities</b>			
Development Grants		18,250,000	(82,869,648)
<b>Net cash flow from financing activities</b>		<b>18,250,000</b>	<b>(82,869,648)</b>
Cash and cash equivalent generated in the year		23,916,333	153,264,678
Cash and cash equivalent at the beginning of the year		174,711,411	21,446,733
<b>Cash and cash equivalent at the end of the year</b>		<b>198,627,744</b>	<b>174,711,411</b>

## XV STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference
Revenue	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
Property Taxes	-	-	-	-	-
Public Contributions and Donations	48,000	-	48,000	46,023	1,977
Government Grants and Subsidies	279,092	(38,000)	241,092	241,092	-
Sale of Goods	24,150	-	24,150	20,854	3,296
Finance Income	32	-	32	-	32
<b>Total Income</b>	<b>351,274</b>	<b>(38,000)</b>	<b>313,274</b>	<b>307,969</b>	<b>5,305</b>
<b>Expenses</b>					
Compensation of Employees	176,332	-	176,332	158,376	17,956
Goods and Services	70,692	-	70,692	81,370	(10,678)
Finance Cost	-	-	-	-	-
Rent Paid	-	-	-	-	-
Taxation Paid	-	-	-	-	-
Other Payments	56,250	(38,000)	18,250	18,250	-
Grants and Subsidies Paid	48,000	-	48,000	42,300	5,700
<b>Total Expenditure</b>	<b>351,274</b>	<b>(38,000)-</b>	<b>313,274</b>	<b>300,296</b>	<b>12,978</b>
<b>Surplus for the Period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,673</b>	<b>7,673</b>

## **XVII. NOTES TO THE FINANCIAL STATEMENTS**

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

(i) The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. Previously the financial statements had been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

### **2. Summary of significant accounting policies**

#### **a) Revenue recognition**

##### **i) Revenue from non-exchange transactions – IPSAS 23**

##### **Transfers from other government entities**

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

##### **ii) Revenue from exchange transactions – IPSAS 9**

##### **Sale of goods**

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

##### **Interest income**

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

#### **b) Budget information – IPSAS 24**

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

#### **Sales tax**

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

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

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

#### **e) Property, plant and equipment – IPSAS 17**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts

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

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

#### **g) Intangible assets – IPSAS 31**

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

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

#### **h) Financial instruments – IPSAS 29**

##### **Financial assets**

##### **Initial recognition and measurement**

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

##### **Held-to-maturity**

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

#### **i) Inventories – IPSAS 12**

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

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

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

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

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

#### **j) Provisions – IPSAS 19**

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

#### **Contingent liabilities**

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

#### **Contingent assets**

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

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

#### **k) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. Entity to state the reserves maintained and appropriate policies adopted.

The entity has not made any reserve in the current financial year.

#### **l) Changes in accounting policies and estimates – IPSAS 3**

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

#### **m) Employee benefits – IPSAS 25**

##### **Retirement benefit plans**

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

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

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

Scheme Administrator:

Liaison Insurance Brokers Company Limited

Fund Manager:

Insurance Company of East Africa Ltd.

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

Total number of Staff as at 30<sup>th</sup> June 2018 was 130.

#### **p) Related parties – IPSAS 20**

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

#### **r) Cash and cash equivalents**

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

#### **s) Comparative figures**

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

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

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

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

#### **Estimates and assumptions**

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

#### **Useful lives and residual values**

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

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes

- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

### Depreciation Method

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

### Revaluation

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

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

As per the financial reports, revaluation for the year ended 30<sup>th</sup> June 2018 amounted to 53.5M. The revaluation relate to a report done in the year 2015/16 by Phina Valuers for which the value of the parcels of land were excluded from the financial reports for lack of ownership documents. The documents were received in the financial year under review. The parcels of land are as shown below;

Land Name/Number	Location	Value
Integrated fruit processing plant	Boji Hola	43M
Cda Masalani farm –ijara Masalani/1656	Ijara	10M
Kwale Township plot	Kwale	1.2M
Proposed milk processing plant-shamba "d" area wundanyi township	Wundanyi township	0.5M
		54.7M

### Provisions

Provisions were 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.

### Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

**3. Public Contributions and Donations**

	2017/18	2016/17
	Ksh	Ksh
Kenya Coastal Development Programme (KCDP)	-	8,178,433
Kenya Climate Change Adaptation Program (KCCAP)	17,291,200	8,553,786
KWSCRIP Mwache	28,731,463	15,807,922
Drought Mitigation Program	-	-
<b>Total</b>	<b>46,022,663</b>	<b>32,540,141</b>
<b>Reconciliation of Public Contributions and Donations</b>		
		<b>KSH</b>
Balance unspent at beginning of the Year	25,030,227	-
Current Year Receipts	65,412,619	100,070,368
Conditions met transferred to revenue	46,022,663	45,013,118
Conditions to be met remain liabilities	<b>47,227,361</b>	<b>55,057,250</b>

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

**4. Transfers from other Governments – Gifts and Services in Kind**

	2017/18	2016/17
	Ksh	Ksh
<b>Unconditional Grants</b>		
Operational Grants	249,262,604	335,047,648
Other	-	-
<b>Total Government Grants and Subsidies</b>	<b>249,262,604</b>	<b>335,047,648</b>

These are grants given by the government for recurrent expenditures.

**5. Finance Income – External Investments**

	2017/18	2016/17
	Ksh	Ksh
Cash Investments and Fixed Deposits	-	3,886
<b>Total Finance Income – External Investments</b>		<b>3,886</b>

The finance income interest earned from bank accounts.

**6. Other Income**

	2017/18	2016/17
	Ksh	Ksh
Appropriation in Aid (AIA)	1,547,183	540,562
Wananchi Cottages	6,755,373	4,747,913
Coral Block	3,412,916	10,657,194
Magalana /Slates	2,450	9,000
Interest Income	6,571.85	-
Cultural Village	-	797,886
Water Boozer	422,290	293,900
Rent Income	250,000	70,000
Other incomes	278,987	196,810
Disposal of assets	7,750	-
Decrease in provision of Bad Debts	-	8,540
<b>Total</b>	<b>12,683,521</b>	<b>17,321,805</b>

Income earned from income generating projects initiated by the Authority.

**7. Employee Costs**

	2017/18	2016/17
	Ksh	Ksh
Medical	5,305,995	938,102
NSSF Expenses	359,000	230,400
Pension 15%	39,795,419	68,766,063
Pension Trustee	78,400	14,000
Personal Emoluments CDA Main	94,208,746	102,479,702
Training	3,436,096	902,825
Travelling & Accommodation CDA	14,834,939	3,932,415
Wages	12,400	305,942
Stipend Allowance	96,430	63,750
Funeral cost	170,500	185,150
Subscriptions to Professional Bodies	58,760	11,200
Staff Welfare	20,168	-
<b>Total Employee Costs</b>	<b>158,376,853</b>	<b>177,829,549</b>

**8. Depreciation**

	2017/18	2016/17
	Ksh	Ksh
Property, Plant and Equipment	16,912,181	16,284,246
<b>Total Depreciation and Amortization</b>	<b>16,912,181</b>	<b>16,284,246</b>

**9. Board Expenses**

	2017/18	2016/17
	Ksh	Ksh
Board Expenses	7,134,558	7,136,807
<b>Total Board Expenses</b>	<b>7,134,558</b>	<b>7,136,807</b>

**10. Project Expenses (Income Generating)**

	2017/18	2016/17
	Ksh	Ksh
CDA Cultural Centre	40,000	822,694
CDA Wananchi Cottages	6,591,794	4,330,009
Slates/Magalana Restaurant	128,883	23,603
Coral Block	7,832,339	15,464,869
Fishing Project	-	10,540
Integrated Hola Plant	2,436,395	5,403,005
Chakama	317,922	856,225
Shimoni	328,995	-
Samburu Ranch	881,982	708,915
Water Boozer Expenses	155,910	261,740
Loss of Biological Asset	-	593,000
<b>Total Project Expenses</b>	<b>18,714,220</b>	<b>28,474,600</b>

**11. Repairs and Maintenance**

	2017/18	2016/17
	Ksh	Ksh
Building Maintenance	788,255	112,520
Office Equipment	156,864	160,066
Motor Vehicle Maintenance	2,250,269	2,256,301
Computer Maintenance	198,848	157,219
<b>Total</b>	<b>3,394,236</b>	<b>2,686,106</b>

**12. Grants and Subsidies (Donor Funded Project Expenses)**

	2017/18	2016/17
	Ksh	Ksh
Kenya Coastal Development Project (KCDP) Expenses	14,020	13,876,221
Malindi Integrated Social Health Development Program(MISHDP)	2,038,766	178,983
Kenya Climate Change Adaptation Project (KCCAP)	16,856,612	13,993,257
KWSCR-P-MWACHE	30,645,263	14,858,884
Special Programs-Drought Mitigation	28,980,132	12,616,605
<b>Total Grant and Subsidies</b>	<b>78,534,793</b>	<b>55,523,950</b>

**13. General Expenses**

		2017/18	2016/17
		Ksh	Ksh
Administration Costs		3,318,691	2,933,307
Bank Charges		-	135,300
Electricity And Water		805,303	863,636
Internet		1,030,012	876,749
Postage		120,640	126,772
Stationery		825,203	886,882
Telephone Exp		324,825	144,000
Advertising And Publicity		1,439,814	208,260
Insurance		774,813	1,370,044
Transport & Operation		127,160	987,402
Legal expense		7,390,440	8,086,877
PPP		-	118,984
General Office Supplies		-	490,539
COTU Union		-	4,300
ISO Audit		296,010	-
<b>Total General Office Expenses</b>		<b>16,452,910</b>	<b>17,233,052</b>

**14. Finance Costs**

		2017/18	2016/17
		Ksh	Ksh
Bank Charges		161,542	210,526
Audit Fee		614,800	614,000
<b>Total Finance Costs</b>		<b>776,342</b>	<b>824,526</b>

**15. Cash and Cash Equivalents**

	2017/18	2016/17
	Ksh	Ksh
Barclays Coral Block	(18)	404
Barclays Coral Block B	424,814	40,320
Barclays Wananchi Cottages	1,726,893	1,365,538
Cash Account-Wananchi Cottages	-	5,710
Cash A/C CDA Main	-	465,249
Cash Account Development	-	21,800
Cash Kazi KwaVijana	-	0.50
Equity Kilifi	187,250	187,251
KCB Kenya Climate Change Adapt	11,146,318	16,032,414
KCB Main Account	2,225	-
KCB Try Sq Farms	845,823	242,148
NBK-Malindi Integrated Project	94,477	94,478
NBK EEZ Project	136,092	111,959
NBK FFSs	163,747	83,168.05
NBK FFS RH	39,225	39,225.05
NBK Main Account	147,778,153	116,811,721
Standard Chartered KCDP	-	172,174
NBK Development	2,806,879	30,027,023
MPESA Cash Account	-	14
Equity Bank-KWSCRIP-Mwache	33,275,866	8,997,813
MPESA PAYBILL	-	13,000
<b>Total Cash and Cash Equivalent</b>	<b>198,627,744</b>	<b>174,711,410</b>

**16. Receivables from Exchange Transactions**

	2017/18	2016/17
	Ksh	Ksh
Staff Advances	1,166,267	1,163,843
Other Staff Receivables	1,647,937	1,690,804
Staff Telephone	15,485	15,485
Wananchi Cottages Receivables	2,834,962	2,861,040
COTU	-	-
Payroll Liabilities	-	771,000
Coral Block Receivables	1,424,400	1,424,400
NSSF	-	-
Pension (Evarestina Nyambu)	25,760	25,760
Service Deposits	15,200,929	13,537,864
Service Deposits: Computer	221,250	221,250
Service Deposits: Kenya Power Deposit	408,984	398,984
Service Deposits: Land Deposit	-	-
Service Deposits: Pandya M Hospital	30,000	30,000
Service Deposits: Rent Deposit	193,000	193,000

<b>Total Receivable from Exchange Transactions</b>	<b>23,168,974</b>	<b>22,333</b>
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### 17. Receivables from Non Exchange Transactions

	2017/18	2016/17
	Ksh	Ksh
Claims	3,277,987	5,601,578
Journal Book CDA	-	942,176
Imp rests Outstanding	25,255,112	29,525,938
Other Advances	275,509	275,508
Advance to MRD	510,336	510,336
Advances to Other RDA's	123,734	123,734
Pambazuko Dev Co	1,018,317	1,018,317
Pledges	6,132	6,132
MISHDP	565,912	317,757
Ukunda Showground	1,756,138	1,756,138
Advance to MSHDP	633,113	633,113
NHIF	-	116,800
NSSF	-	10,400
PAYE	2,172,938	4,607,582
UNION	4,800	4,800
VAT	380,945	263,657
Imprest Recovered	80,698	-
Govt Grants Receivables	15,903,538	-
<b>Total Receivable from Non Exchange Transactions</b>	<b>51,965,210</b>	<b>45,713,966</b>

### 18. Community Projects /Work in Progress

	2017/18	2016/17
	Ksh	Ksh
Project Accounts	12,600	12,600
Ballast Crushing	2,386,579	6,386,577
Boji Irrigation Scheme	12,539,164	12,398,954
Dam Construction	48,100	48,100
Development Expenditure: Ask Show/CDTF/Pension Trustee	12,540,245	10,178,188
Fisheries	9,011,601	9,011,601
Institutional Capacity	105,387,708	104,575,698
Integrated Community Enterprise	21,163,618	20,970,553
Integrated Fruit Processing	68,150,132	68,150,132
Lake Challa	103,451,063	92,600,976
Livestock Development	10,938,373	10,938,373
Malindi Integrated Project	6,885,659	6,885,659
Milk Cooling Plant	1,488,207	1,468,207
Mineral Exploration	16,916,348	16,714,548
Minor Irrigation	31,982,109	31,982,109
Mwache Dam	2,690,140	2,690,140
Dry Port	3,473,106	3,208,106

Mariakani Milk SCHEME		8,195,988	8,195,988
<b>Total Community Projects</b>		<b>417,260,740</b>	<b>406,416,510</b>

**19. Inventories**

		2017/18	2016/17
		Ksh	Ksh
Consumable Stores(Coral Block, Wananchi, Slates, Hola)		908,739	1,378,095
<b>Other Goods Held for Resale</b>			
Coral Block		12,155	100,420
Slates		12,500	59,660
<b>Total Inventories</b>		<b>933,394</b>	<b>1,538,175</b>

**20. Biological Assets**

		2017/18	2016/17
		Ksh	Ksh
Animals			
Samburu Ranch			
Mature Cows	25	875,000	220,000
Calves	13	130,000	40,000
Breeding Bull		-	50,000
Bulls(Medium Size)	10	350,000	300,000
Chakama Farm			
Mature Cows	-		
Calves	-		
Sheep 10 Male /14 Female Sheep	30	60,000	81,000
<b>Total Biological Assets</b>		<b>1,415,000</b>	<b>691,000</b>

**21. Land Payables Adjustments**

		2017/18	2016/17
		Ksh	Ksh
Opening Balance		5,199,500	6,683,500
Transfer from Ballast Crushing project (land payments posted to Ballast crushing project)		(4,000,000)	-
Land Balance Payable adjustments ( <b>Adjusted to Zero After reconciliation as there was no balance payable</b> )		(1,199,500)	(1,484,000)
<b>Total Land Balance payables</b>		<b>-</b>	<b>5,199,500</b>

**22. Trade and Other Payables from Exchange Transactions**

		2017/18	2016/17
		Ksh	Ksh
Creditors		25,874,990	27,365,998
Land Balance Payables		-	5,199,500
<b>Total Trade and Other Payables from Exchange Transactions</b>		<b>25,874,990</b>	<b>32,565,498</b>

**23. Trade and Other Payables from Non Exchange Transactions**

		2017/18	2016/17
		Ksh	Ksh
Surcharge		-	699,689
Claims		23,909	2,149,789
Imprest		180,075	359,529
Advance to Wananchi Cottages		190,258	190,258
Amedo Hire Purchase		2,415	2,415
Farmers Rev Fund Kilifi and Taita		105,310	105,310
Provisions for Bad and Doubtful Debts		2,774,453	2,774,453
MISHDP		2,790,043	2,790,043
VAT		2,821,193	2,821,944
Wetland Lagoon		2,440,145	2,440,145
Staff Claim Refund		319,760	1,746,617
COTU		10,850	10,850
Debt Recovery		-	39,579
<b>Total Trade and Other Payables from Non Exchange</b>		<b>11,658,412</b>	<b>16,130,621</b>

**24. Employee Benefit Obligation**

		2017/18	2016/17
		Ksh	Ksh
CDA Sacco		733,694	1,245,000
CDA Staff Welfare		1,048,600	919,110
CIC Insurance		218,554	218,554
DPM Dues		207,399	207,399
Group Life And Accident		9,073	9,073
HELB		146,646	146,646
ICEA Endowment Plan		63,644	63,644
KUFCAW		45,213	37,198
NBK Loan Administration Costs		6,574	6,574
PAYE: 30% WITHHOLDING TAX		756,000	756,000
Pension 20%		35,694,902	4,872,207
Salary Control		52,252	52,284
Training Levy		990,880	990,880
Ukulima Sacco		26,419	26,419
<b>Total Employee Benefit Obligation</b>		<b>39,999,850</b>	<b>9,550,988</b>

**25. Non Current Employee Benefit Obligation**

		<b>2017/18</b>	<b>2016/17</b>
		<b>Ksh</b>	<b>Ksh</b>
Service Gratuity		108,500	108,500
Service Gratuity: AbdallaLugogo		70,208	70,208
Service Gratuity 31%		6,686,319	5,756,319
Service Gratuity 31%Account		304,779	304,779
<b>Total Non Current Employee Benefit Obligation</b>		<b>7,169,807</b>	<b>6,239,806</b>

**26. (i) Deferred Income**

		<b>2017/18</b>	<b>2016/17</b>
		<b>Ksh</b>	<b>Ksh</b>
Deferred Income		47,227,061	55,057,250
<b>Total Deffered Income</b>		<b>47,227,061</b>	<b>55,057,250</b>

**26. (ii) Decrease in reserves**

The Decrease in reserves in the cash flow relates to a correction of double expensing of payments amounting to Kshs. 598, 652.

**27. Property, Plant and Equipment**  
**PROPERTY PLANT AND EQUIPMENT SCHEDULE AS AT 30 JUNE, 2018**

COST /VALUATION	LAND	BUILDING	COMPUTER/ PHOTOCOPIER	FURNITURE & FITTINGS	PLANT EQUIPMENT	M/VEHICLE	TOTAL (KSHS)
<b>DEPRECIATION RATE IN %</b>		<b>2.00%</b>	<b>30.00%</b>	<b>12.50%</b>	<b>12.50%</b>	<b>25.00%</b>	
<b>BAL.30.6.2017 (COST)</b>	280,386,000	65,270,966	2,107,964	11,207,160	79,013,744	47,575,300	485,561,134
<b>ADDITIONS</b>	-	3,439,466	572,260	202,990	110,990	9,529,500	13,855,106
<b>REVALUATION FOR THE YEAR</b>	54,713,500	-	-	-	-	-	54,713,500
<b>WRITEOFF/ADJUSTMENTS</b>	(1,199,500)						(1,199,500)
<b>BAL.30.6.2018 (COST)</b>	<b>333,900,000</b>	<b>68,710,432</b>	<b>2,680,224</b>	<b>11,410,150</b>	<b>79,124,734</b>	<b>57,104,800</b>	<b>552,930,240</b>
<b>DEPRECIATION</b>							
<b>BAL.1.7.2017</b>	-	9,893,097	1,537,645	7,198,024	62,989,939	40,990,075	122,608,780
<b>Write offs/Adjustments</b>	-	-	-	-	-	-	-
<b>CHARGE FOR THE YEAR ON REVALUED ASSETS</b>	-	-	-	-	-	3,153,750	3,153,750
<b>CHARGE FOR THE YEAR</b>	-	1,374,209	804,067	1,367,620	9,845,087	3,521,200	16,912,181
<b>BAL.30.6.2018 (ACC DEP)</b>		<b>11,267,304</b>	<b>2,341,712</b>	<b>8,565,644</b>	<b>72,835,026</b>	<b>47,665,025</b>	<b>142,674,711</b>
<b>NBV AS AT</b>							
<b>30.6.2018</b>	<b>333,900,000</b>	<b>57,443,028</b>	<b>333,512</b>	<b>2,844,506</b>	<b>6,289,708</b>	<b>9,439,775</b>	<b>410,225,529</b>
<b>30.6.2017</b>	<b>280,386,000</b>	<b>65,270,966</b>	<b>2,107,964</b>	<b>11,207,160</b>	<b>79,013,744</b>	<b>47,575,300</b>	<b>485,561,134</b>

**NB: Depreciation calculated is based on the cost of Assets less the fully depreciated Assets which are awaiting revaluations as stated below:**

Assets Type	Computer	Furniture & Fittings	Plant & equipment	Motor Vehicle
<b>Cost</b>	<b>345,100</b>	<b>469,190</b>	<b>364,040</b>	<b>30,405,000</b>
<b>Accumulated Depreciation</b>	<b>345,100</b>	<b>469,190</b>	<b>364,040</b>	<b>30,405,000</b>

**27. Property, Plant and Equipment**  
**PROPERTY PLANT AND EQUIPMENT SCHEDULE AS AT 30<sup>TH</sup> JUNE, 2017**

<b>COST/VALUATION</b>	<b>LAND</b>	<b>BUILDING</b>	<b>COMPUTER/ PHOTOCOPIE R</b>	<b>FURNITURE &amp; FITTINGS</b>	<b>PLANT EQUIPMENT</b>	<b>M/VEHICLE</b>	<b>TOTAL (KSHS)</b>
<b>DEPRECIATION RATE IN %</b>	<b>1.00%</b>	<b>2.00%</b>	<b>30.00%</b>	<b>12.50%</b>	<b>12.50%</b>	<b>25.00%</b>	
<b>BAL.30.6.2016 (COST)</b>	280,386,000	65,270,966	5,268,936	12,948,785	79,013,744	43,000,000	485,888,431
<b>ADDITIONS</b>	-	-	572,100	-	-	4,575,300	5,147,400
<b>Write offs/Adjustments</b>	-	-	(3,733,072)	(1,741,625)	-	-	(5,474,697)
<b>REVALUATIONS</b>	-	-	-	-	-	-	-
<b>BAL.30.6.2017 (COST)</b>	<b>280,386,000</b>	<b>65,270,966</b>	<b>2,107,964</b>	<b>11,207,160</b>	<b>79,013,744</b>	<b>47,575,300</b>	<b>485,561,134</b>
<b>DEPRECIATION</b>							
<b>BAL.1.7.2016</b>	-	8,587,678	4,638,328	7,538,754	53,113,221	34,767,500	108,645,481
<b>Write offs/Adjustments</b>	-	-	(3,733,072)	(1,741,625)	-	-	(5,474,697)
<b>CHARGE FOR THE YEAR ON REVALUED ASSETS</b>	-	-	-	-	-	3,153,750	3,153,750
<b>CHARGE FOR THE YEAR</b>	-	1,305,419	632,389	1,400,895	9,876,718	3,068,825	16,284,246
<b>BAL.30.6.2017 (ACC DEP)</b>		<b>9,893,097</b>	<b>1,537,645</b>	<b>7,198,024</b>	<b>62,989,939</b>	<b>40,990,075</b>	<b>122,608,780</b>
<b>NBV AS AT</b>							
<b>30.6.2017</b>	<b>280,386,000</b>	<b>55,377,869</b>	<b>570,319</b>	<b>4,009,136</b>	<b>16,023,805</b>	<b>6,585,225</b>	<b>362,952,354</b>

**28. Related Party Disclosures**

The Authority did not pay any Chairman's Allowance during the year. Mr Ibrahim Mutwafi has been the acting Board chair since the time former Chairman Hon. Suleiman Kamolleh resigned in May to pursue political interests.

**29. Commitments and Contingencies**

There were no commitments during the year.

**30. Cash Generated from Operations**

	Notes	2017/18	2016/17
		Ksh	Ksh
Deficit for the period		7,672,694	96,920,645
<b>Adjustment for</b>			
Depreciation		16,912,181	16,284,246
Decrease in Land Payables Provision		1,199,500	1,484,000
Increase/Decrease in reserves		(253,554)	7,315,305
<b>Cash flow from operating activities before working capital changes</b>		<b>25,530,821</b>	<b>122,004,196</b>
Increase/Decrease in Inventory		604,781	96,185
Increase/Decrease in debtors Receivables Exchange		(835,545)	(13,560,387)
Increase/Decrease in debtors Non Exchange		(6,251,243)	3,070,685
Increase /Decrease in prepayments		(7,830,189)	55,057,250
Increase /Decrease in creditors		(6,690,508)	(6,609,737)
Increase/Decrease in Trade payable - Non Exchange		(4,472,209)	(6,076,309)
Increase/Decrease in Employee Obligations		31,378,862	(76,960,394)
<b>Net cash flow from operating activities</b>		<b>31,434,768</b>	<b>77,021,489</b>
<b>Cash flow from investment Activities</b>			
Purchase of fixed assets		(14,200,306)	(5,147,400)
Increase/Decrease in work in progress		(10,844,229)	155,471,249
Purchase of Biological assets(Write off)		(724,000)	593,000
Increase in investments		-	8,195,988
<b>Net cash flow from investing activities</b>		<b>(25,768,435)</b>	<b>159,112,837</b>
<b>Cash flow from financing Activities</b>			
Development Grants		18,250,000	(82,869,648)
<b>Net cash flow from financing activities</b>		<b>18,250,000</b>	<b>(82,869,648)</b>
Cash and cash equivalent generated in the year		23,916,333	153,264,678
Cash and cash equivalent at the beginning of the year		174,711,411	21,446,733
<b>Cash and cash equivalent at the end of the year</b>		<b>198,627,744</b>	<b>174,711,410</b>

**31. Events after the reporting period.**

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

**VIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Service Deposits	The company directors cannot be traced. The Authority has requested permission from The National Treasury to write off the amount.	Manager Finance and Accounts Pamela M. Ngure	Not Resolved	
2	Property Plant and Equipment	<ul style="list-style-type: none"> <li>The aggregate value of the 9 parcels of land is pending survey and valuation. The Authority is working with County surveys to ascertain the value of these parcels of land and is in the process of acquiring relevant titles.</li> <li>Authority has acquired ownership documents for Kwale and Hola Plots</li> </ul>	Ms Hafsa Thabit Legal Officer	Unresolved	31 <sup>st</sup> December, 2019
3	Trade and Other Payables from Exchange Transactions	Some outstanding creditors mainly AGPO have been paid. The other creditors outstanding have been forwarded as pending bills to the National Treasury for settlement. The bills accumulated due to budget cuts and delayed financing in previous years.	Manager Finance and Accounts Pamela M. Ngure	Not Resolved	30 <sup>th</sup> Sep 2019
	Land Payables	There is no liability on land balances	Manager Finance and Accounts Pamela M. Ngure	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3.3	Unremitted VAT	The VAT was for MISHDP project phase I which was tax –exempt. Some VAT has been approved for w/off by Treasury and was posted out of the system. Other claims were time barred	Manager Finance and Accounts Pamela M. Ngure	Not Resolved	30 <sup>th</sup> Sept,2019
3.4	Audit Fees	The outstanding amount payable under Audit fees is captured under payables from exchange under creditors.	Manager Finance and Accounts Pamela M. Ngure	Resolved	
4 4.1	Receivables from non-exchange: Outstanding Imprests	<ul style="list-style-type: none"> <li>Stringent measures have been put in to manage outstanding Imprest. There is no incidence of multiple Imprest</li> <li>The Ex staff have not finished clearing with the Authority. The outstanding Imprest will be offset against their terminal dues upon clearance</li> </ul>	Manager Finance and Accounts Pamela M. Ngure	Not Resolved	
4.2	Other Debts	These were payments made on behalf of the other Authorities.			
5	Project Expense	<ul style="list-style-type: none"> <li>Management has put measures in place to strengthen the internal controls and seal any possible loopholes and reduce operating expenses e.g. Staff reshuffled on some projects site as one of the control measures.</li> <li>The Business Development is</li> </ul>	Ms Susan Mulewa Ag. Manager Business Development And Investment Promotion	Resolved	31 <sup>st</sup> Dec 2018

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		reviewing performance viability and sustainability of income generating projects, Those projects that are loss machining will be closed and efforts concentrated on profit making ventures			

Managing Director

Date: 20<sup>th</sup> 3. 2019

Chairman of the Board

Date: 20<sup>th</sup> 3. 2019.

