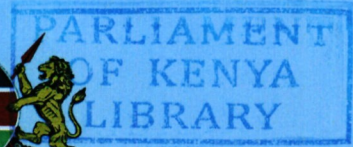
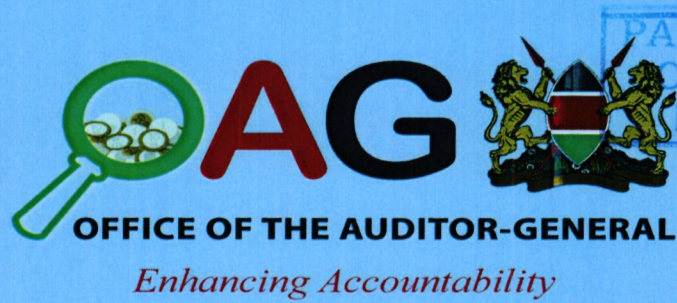


REPUBLIC OF KENYA



REPORT

THE NATIONAL ASSEMBLY P.O. BOX 30000 NAIROBI	
DATE: 03 MAR 2022	DAY: Thurs
TABLED BY: LDM	
CLERK-AT THE-TABLE: C- Ndintu	

OF

THE AUDITOR-GENERAL

ON

**LAKE BASIN DEVELOPMENT
AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE, 2020**

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

26 APR 2021

RECEIVED

LAKE BASIN DEVELOPMENT AUTHORITY

Annual Reports and Financial Statements for the year ended June 30th 2020



LAKE BASIN DEVELOPMENT AUTHORITY (LBDA)

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDING JUNE 30TH 2020

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

P.O BOX 1516, 40100
KISUMU
TEL. 254-057-20272

EMAIL: info@lbda.go.ke
FAX: 254-057-2027370
WEBSITE: www.lbda.go.ke

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KEY LAKE BASIN DEVELOPMENT AUTHORITY INFORMATION AND MANAGEMENT

(a) Background information

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

The organization's area of jurisdiction covers a land area of approximately 39,000 Km² with an estimated population of 16.2 million people (KNBS, 2009). This region is endowed with an immense resource base, which include Land, water and human resources, which could anchor and stimulate economic Growth in the basin area and the entire country.

(b) Principal Activities

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

VISION

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

MISSION

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

CORE VALUES

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

- R** We shall respect diversity of opinion race creed.
We shall be responsible in all our action.
- E** We shall be ethical, uphold & sustain a culture of honesty in dealing with our stakeholders.
We shall be emphatic to our constituents.
- S** We shall be socially responsible in all our activities.
- P** We shall act with utmost professionalism.
We shall adopt participatory approaches to development and forge effective partnership with all our stakeholders.
- E** We shall respect and protect the environment in all we do.
- C** We shall be committed to our vision and mission.
We shall foster creativity and innovation.
- T** We shall inspire trust among us and in the community.
We value team work both internally and externally.
We shall uphold tolerance among us and with the communities we serve.

KEY LAKE BASIN DEVELOPMENT AUTHORITY INFORMATION AND MANAGEMENT

Quality Policy

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

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

LBDA's Quality Objectives:

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

(c) Key Management

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

- Board of Directors
- Managing Director
- Management Team

KEY LAKE BASIN DEVELOPMENT AUTHORITY INFORMATION AND MANAGEMENT

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

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

(e) Lake Basin Development Authority Headquarters

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

(f) Lake Basin Development Authority Contacts

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

(g) Lake Basin Development Authority Bankers

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

LAKE BASIN DEVELOPMENT AUTHORITY
Annual Reports and Financial Statements for the year ended June 30th 2020

Kisumu, Kenya

KEY LAKE BASIN DEVELOPMENT AUTHORITY INFORMATION AND MANAGEMENT

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

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

(h) Independent Auditors

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

(i) Principal Legal Adviser




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

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




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



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




THE BOARD OF DIRECTORS



NO.	NAME	PARTICULARS
1	 <p>MR CAVINCE ODOYO OWIDI (CHAIRMAN)</p>	<p>D.O.B: 25th April 1968</p> <p><i>Qualifications</i></p> <ul style="list-style-type: none"> • Bachelor of Education Honours –Pure Applied Mathematics including computer science and applied statistics-Egerton University • Public Administration and leadership- University of South Africa <p><i>Experience</i></p> <ul style="list-style-type: none"> • Advisor- Nairobi Governor 2014-2017 • Managing Director-Parco Africa Ltd Nairobi/Dubai • Regional Manager PBI International 2004-2016 • Principal Horizon Academy-1994-2004 • Senior Teacher Arya Vedic GCE school 1996-1999
2	 <p>DR. RAYMOND OMOLLO, PhD (SECRETARY TO THE BOARD)</p>	<p>D.O.B: 27th December 1979</p> <p><i>Qualifications</i></p> <ul style="list-style-type: none"> • Doctor of Philosophy in Applied Statistics • Masters of Science in Biometry • Bachelor of Science in Statistics <p><i>Experience</i></p> <ul style="list-style-type: none"> • Managing Director and Board Secretary at LBDA (2019-To date) • Head of Data Centre & Statistician, DNDi Africa) • Research Fellow & Adjunct Lecturer- Strathmore University • External Examiner-University of Witwatersand-Johanesburg • Training on Corporate Governance for Directors
3	 <p>MS. BEATRICE O. OBINGO (DIRECTOR)</p>	<p>D.O.B: 1967</p> <p><i>Qualifications</i></p> <ul style="list-style-type: none"> • Bachelor of Science degree in Health and Development • Diploma in Nursing Sciences from College of Health Professions; <p><i>Work Experience</i></p> <ul style="list-style-type: none"> • Over 15 years’ experience in corporate strategy and operational excellence within the healthcare sector. My key skills are in the areas of Organizational Leadership and Change Management, business process and Quality


NO.	NAME	PARTICULARS
		<p>Management Systems</p> <ul style="list-style-type: none"> • Currently serving as the Chief Operations Officer at Centric Air Ambulance and an Executive Director on Centric's Board. • General Manager for Resolution Insurance Medical Division. Medical Manager and Quality management Representative with Mediplus Services Limited, The Aga Khan University Hospital and the Ministry of Health in various Leadership capacities.
4	 <p>MS. RHODAH AMIMO (VICE CHAIR OF THE BOARD)</p>	<p>D.O.B: 1st April 1962</p> <p>Qualifications</p> <ul style="list-style-type: none"> • Diploma in Project Management: Kenya Institute of Management, 2011 • Certificate in monitoring and evaluation: Kenya institute of management, 2012 • BED Special Education: Kenyatta University, 2000 • Secretarial: Graffins College, 1982 • Certificate: Egoji Teachers College • EAACE: Private Candidate, 1989 • East Africa Certificate of Education: Pangani Girls' High School, Nairobi, 1979 <p>Work Experience</p> <ul style="list-style-type: none"> • Chief Officer-Education, Science and Technology-Vihiga County Government-2014-2017 • Also served as the Chief Officer Water and Environment, as well as Chief Officer Trade Tourism and Industrialization. • Teachers Service Commission under Ministry of Education, Science and Technology-1985 to December 2008- TSC NO. 211306.
5	 <p>MS. CATHERINE NYAMATO MORAA (DIRECTOR)</p>	<p>D.O.B: 28th February 1949</p> <p>Qualifications</p> <ul style="list-style-type: none"> • Diploma in Office Administration and Personnel Management • University of Nairobi-1972-Certificate in Personnel Management • Government Training Institute, Maseno, Kenya-1971-Diploma in Office and Personnel Management



NO.	NAME	PARTICULARS
6	 <p>MR. FRANKLINE MUTAI RONO (DIRECTOR)</p>	<p>D.O.B: 15th March 1982</p> <p>Qualifications</p> <ul style="list-style-type: none"> • Masters of Business Administration- University of Nairobi • Bachelor of Science in Computer Science- Kabarak University <p>Work Experience</p> <ul style="list-style-type: none"> • 2010 – Present: Bomet Teachers Training College -Position: Programme Co-ordinator. • December 2010: Interim Independent Electoral Commission -Deputy Presiding Officer, National Referendum. • 2007 – 2008: Bomet Teachers Training College -IT Manager and Tutor. • December 2007: Electoral Commission of Kenya -Presiding Officer, National General Elections. • 2006 – 2007: Bomet Academy-IT Consultant • December 2005: Electoral Commission of Kenya- Presiding Officer, National Referendum. • 2005: Emikwen Community Development program • Civic Education Provider on the draft constitution.
7	 <p>HON. WILFRED MORIASI OMBUI (DIRECTOR)</p>	<p>D.O.B: 25th May 1956</p> <p>Qualifications</p> <ul style="list-style-type: none"> • Masters of Business Administration (Finance)-Egerton University • Bachelor of Commerce (Accounting) Maharshi Valmiki National University of India. • Fellow of Financial Accountants (FFA) from Institute of Financial Accountants-UK. • CPA II • ACNC(K).
8	 <p>HON. ELISHA K. BUSIENEI (DIRECTOR)</p>	<p>D.O.B: 5th December 1972</p> <p>Qualifications</p> <ul style="list-style-type: none"> • Bachelor Degree of Development Studies-Mount Kenya University • Diploma in Public Administration- Chepkoilel University College (University of Eldoret) • Certificate in County Governance-Jomo Kenyatta University of Agriculture and Technology <p>Work Experience</p> <ul style="list-style-type: none"> • 2013-2017 - Member of National Assembly Turbo Constituency a member in Defence and Foreign relation and Delegated legislation

NO.	NAME	PARTICULARS
9	 <p>MS. EMILY P. OKOTH (DIRECTOR)</p>	<ul style="list-style-type: none"> • 2007-2012- Councillor at Municipal council of Eldoret and chairman Education Department <p>D.O.B: 3rd July 1971</p> <p>Qualifications</p> <ul style="list-style-type: none"> • KCSE Certificate <p>Work Experience</p> <ul style="list-style-type: none"> • Business Person for the last 15 years
10	 <p>MR. FRED G. MWANGO (DIRECTOR)</p>	<p>D.O.B: 24th December 1952</p> <p>Qualifications</p> <ul style="list-style-type: none"> • 1973 – 1976 University of Nairobi- Bachelor of Arts Degree (Hons. in Sociology and Political Science) • 1971 -1973 A' Level Certificate of Education from Agoro Sare High School • 1967 – 1970: 'O' Level Certificate from Rapogi High School in Migori. <p>Work Experience</p> <ul style="list-style-type: none"> • 1977- 1980: District Officer in Wajir District • 1981 - 1982: District officer – Nairobi Area • 1982 - 1984: District Officer in Nanyuki – Laikipia District • 1984 - District Officer in Turkana District • 1987 - 1988: District Commissioner II & I- Nyandarua District • 1989 - Senior District Commissioner Kiambu District • 1990 -Deputy PC, Nairobi Area • 1991: Deputy Provincial Commissioner, Nyanza • 1992: Deputy Secretary in the Ministry of Planning • 1994 – 1996: Deputy Secretary Ministry of Water • 1996 – 1999: Deputy Secretary of Agriculture • 2001- 2003: Deputy Director, NACADA • 2003- 2011: Senior Deputy Secretary • 2012 – 2017: Senior Deputy Secretary in the Ministry of Health <p>Work Content: While in the Central Government I was in charge of the general co-ordination of the affairs and activities in various</p>



NO.	NAME	PARTICULARS
		ministries on behalf of the concerned Permanent Secretaries.
11	 <p>HON MARY SALLY K. OTARA (DIRECTOR)</p>	<p>D.O.B: 1st January 1964</p> <p>Qualifications</p> <ul style="list-style-type: none"> • Bachelor of Development Studies Degree -Mount Kenya university • Diploma in Community Development and Social work- Neema Lutheran college • Certificate Course in Social work- Ogango Lutheran college <p>Work Experience</p> <ul style="list-style-type: none"> • 1996 - 2012,-Social Worker Evangelical Lutheran Church in Kenya [ELCK] • 2001-2008,-Chairperson Habitat for Humanity Kisii Region • 2003-2006,-BOG.Signatory Botoro Sec School • 2007-2011,-PTA/BOG Nyabururu Girls High School.
12	 <p>MS. CHRISTINE BHOKE NCHAMAH (DIRECTOR)</p>	<p>D.O.B: 24th December 1979</p> <p>Qualifications</p> <ul style="list-style-type: none"> • Diploma in Community and Social Development • Certificate in Social Work <p>Work Experience</p> <ul style="list-style-type: none"> • 2013-2017: Worked as Secretary National Government -Kuria West Constituency Development Fund.
13	 <p>MR. GEOFFREY KITUYI PEKA ALT. DIRECTOR MINISTRY OF WATER & IRRIGATION</p>	<p>D.O.B: 23rd November 1961</p> <p>Qualifications</p> <ul style="list-style-type: none"> • Masters of Science in Environmental Science, Egerton University, • Bachelor of Science Agriculture (Hons.), University of Nairobi, • Diploma in Farmer Managed Advisory Services, Nordic Academy, - Denmark • Certificate in Advanced Project Management and Project Management Essentials, OTE Academy, Greece, • Certificate, Strategic Leadership Development Programme – Kenya Institute of Administration (KIA), • Certificate, International Service for Acquisition of Agri-Biotech Applications – JKUAT, • Certificate in Oil Seed Agronomy-Directorate of Research,





NO.	NAME	PARTICULARS
		<p>Hyderabad, India</p> <p>Work Experience</p> <ul style="list-style-type: none"> • 1985 to date - Ministry of Agriculture -District Agricultural officer and Provincial Crops Officer in Rift Valley and Eastern Provinces • Currently deployed in the Directorate of Policy and External Relations at the Ministry headquarters.
14	 <p>MR. AMBROSE WEDA (DIRECTOR)</p>	<p>D.O.B: 26th April 1969</p> <p>Qualifications</p> <ul style="list-style-type: none"> • Masters of Law (LLM) – Intellectual Property- University of Nairobi <p>Work Experience</p> <ul style="list-style-type: none"> • 2012-to date – Lead Partner Weda & Company Advocates • April 2015 to April 2018- Chairman Board of Directors South Nyanza Sugar Company (SONY) • July 1998 to July 2012- Senior Partner Odhiambo & Weda Advocates
15	 <p>MR. GEORGE OUMA OPIYO (DIRECTOR)</p>	<p>D.O.B: 1975</p> <p>Qualifications</p> <ul style="list-style-type: none"> • Bachelor of Science (Zoology)- Kenyatta University <p>Work Experience</p> <ul style="list-style-type: none"> • 1996 to Date: Director Sibuoche Enterprise. • Chairman Board of Directors,Nileperch matatu service • Chairman Association of Bondo Kenyatta University Students • Retail trading in Hardware and Building Materials • Supply and Distribution of Timber and Timber products

NO.	NAME	PARTICULARS
16	 <p>MR. MAINA KIONDO (Alt. Director Min. Of East African Community & Regional Development)</p>	<p>D.O.B: 5th May 1963</p> <p>Qualifications</p> <ul style="list-style-type: none"> • Project Management Professional –PMI- Institute of Applied Project Management • MBA- Project Option- Kenyatta University • Bsc. In Agriculture, University of Nairobi. <p>Work Experience</p> <ul style="list-style-type: none"> • September 2011 to date: Working for the Ministry East African Community and Regional Development Authorities as a Deputy Director in charge of resource mobilization and investment. • 1987 to Sept 2011; worked with various projects including Sigor Wei Wei : Rural dairy development project, National dairy development project, National agricultural and livestock extension programme and the Central Kenya dry land project as a coordinator.
17	 <p>MR. JOHN NYAKWAKA (Alt Director Ministry of Water & Sanitation and Irrigation Water Resources Department)</p>	<p>D.O.B: 2nd August 1961</p> <p>Qualifications</p> <ul style="list-style-type: none"> • Masters of Business Administration (Strategic Management) Maseno University • Diploma in Environmental Management-Galilee College-Israel • Bachelor of Science (Hons) (Geology)-University of Nairobi <p>Work Experience</p> <ul style="list-style-type: none"> • Current deployment Senior Superintending Geologist Ministry of Water & Sanitation and Irrigation Water Resources Department Groundwater Division • November 2003- July 2004 Geologist (Water) Government of Kenya-Kisumu- Kenya • February 1999-November 2003: District Water Officer-Suba District Government of Kenya. Suba –Kenya • July 1997- February 1999 :District Geologist/Deputy District Water Officer Government of Kenya-Homabay-Kenya • December 1986- June 1997: District Geologist/Deputy District Water Officer Government of Kenya-Turkana-Kenya
18		<p>D.O.B: 21st April 1969</p> <p>Qualifications</p> <ul style="list-style-type: none"> • MBA in Strategic Management from Jomo Kenyatta





NO.	NAME	PARTICULARS
	 <p>MR. ABRAHAM KOECH (Alternate Director to the Cabinet Secretary/National Treasury and Planning)</p>	<p>University of Agriculture and Technology</p> <ul style="list-style-type: none"> • BA Hons in Economics from the University of Nairobi <p>Work Experience</p> <ul style="list-style-type: none"> • Has over 22 years of service in Corporate and Public Sector. • Currently, serving as an Alternate Director to the Cabinet Secretary/National Treasury and Planning in the Boards of Lake Basin Development Authority, Mumias Sugar Company Ltd, Kenya Seed Company Ltd, and Kenya Film Classification Board.
19	 <p>MR. JOHN KISEGU (Alt Director to the Inspectorate of State Corporation)</p>	<p>D.O.B: 6th May 1965</p> <p>Qualification</p> <ul style="list-style-type: none"> • Currently undertaking a Doctor of Philosophy (Strategic Management) at Dedan Kimathi University. • Master of Business Administration • Bachelor of Education degrees from Kenyatta University <p>Work Experience</p> <ul style="list-style-type: none"> • Currently, an Assistant Inspector General in the Inspectorate of State Corporations office, under the Cabinet Office, the Presidency since 2017. • From 2012 to 2016 worked as Efficiency Monitoring Officer in the former Efficiency Monitoring Unit. • Chief Youth Officer in the Ministry of Youth Affairs (2007-2012), • An Inspector of Schools in the Ministry of Education for almost nine years. • Teacher Ministry of Education for ten years. • Currently serving as alternate Directors to the Inspector-General (Corporations) in various state corporations which include Kenya Power, KEBS and Moi University among others.

MANAGEMENT TEAM


NO.	NAME	PARTICULARS
1	 <p>DR. RAYMOND OMOLLO, PhD</p>	<p>Managing Director</p> <p><i>Qualifications</i></p> <ul style="list-style-type: none"> • Doctor of Philosophy in Applied Statistics • Masters of Science in Biometry • Bachelor of Science in Statistics <p><i>Experience</i></p> <ul style="list-style-type: none"> • Managing Director and Board Secretary at LBDA (2019-To date) • Head of Data Centre & Statistician, (DNDi Africa) • Research Fellow & Adjunct Lecturer- Strathmore University • External Examiner-University of Witwatersand-Johanesburg • Training on Corporate Governance for Directors
2	 <p>CPA CHRISTINE OTIEMO</p>	<p>Ag. Chief Manager, Finance ICPAK Membership No. 10470</p> <p><i>Qualifications</i></p> <ul style="list-style-type: none"> • MBA-Strategic Management • PG Diploma in Banking • B. Com-Accounting & Auditing • CPA (K) • Member ICPAK
3	 <p>MR. RAYMOND NDOLO</p>	<p>Manager, Procurement</p> <p><i>Qualifications</i></p> <ul style="list-style-type: none"> • Bachelor of Commerce – Marketing Management • Post Graduate Diploma- Logistics Management • Diploma Investment Analysis & Portfolio Management • Member KISM

NO.	NAME	PARTICULARS
4	 MR. MAURICE OBASO	<p>Chief Manager, Planning Research, Bus. Dev. & Inv. Promotion</p> <p><i>Qualifications</i></p> <ul style="list-style-type: none"> • Masters of Business Administration Strategic Management • Bachelor of Arts Marketing
5	 MR. BILDAD ONDITI	<p>Ag. Chief Manager, Technical Services & Operations</p> <p><i>Qualifications</i></p> <ul style="list-style-type: none"> • MSc. Soil & Water Engineering • BSc. Engineering • Diploma in Business Management
6	 MR. PHILIP O. OLOO	<p>Chief Manager, Agriculture & Natural Resources</p> <p><i>Qualifications</i></p> <ul style="list-style-type: none"> • Masters- Project Planning & Management • BSc. Horticulture & Agriculture
7	 CPA GRACE ABUTO	<p>Manager, Internal Audit ICPAK Membership No. 5629</p> <p><i>Qualifications</i></p> <ul style="list-style-type: none"> • Bachelor of Commerce-Finance • CPA(K), CPS Finalist • Member: ICPAK, ISACA

LAKE BASIN DEVELOPMENT AUTHORITY
Annual Reports and Financial Statements for the year ended June 30th 2020

NO.	NAME	PARTICULARS
8	 MR. ANDREW OSORO	Ag. Manager, Corporate Affairs <i>Qualifications</i> <ul style="list-style-type: none"> • Bachelor of Arts Mass Communication • Diploma, Mass Communication
9	 MR. JAMES NYAKWEBA	Manager, Human Resource <i>Qualifications</i> <ul style="list-style-type: none"> • Masters in Human Resource management • Bachelor in Human Resource Management. • Member-IHRM • CPS-Part I
10	 MR. EDWIN OLANG	Manager, Administration Services <i>Qualifications</i> <ul style="list-style-type: none"> • Bachelor of Arts. – Development Studies
11	 MRS. BEATRICE OKOKO	Ag. General Manager, LBDC <i>Qualifications</i> <ul style="list-style-type: none"> • Masters- Project Planning & Management • Bachelor of Business Administration - Finance • Advanced Diploma in Business Administration • Member of PRSK

LAKE BASIN DEVELOPMENT AUTHORITY
Annual Reports and Financial Statements for the year ended June 30th 2020

NO.	NAME	PARTICULARS
12	 MR MICHAEL OKUK	Ag. Manager Legal Services <i>Qualifications</i> <ul style="list-style-type: none">• Diploma in Law• Certificate in Law• KCE DIV III

CHAIRMAN'S STATEMENT



From the time of inception as a State Corporation by an Act of Parliament (Cap 442) of 1979 Lake Basin Development Authority (LBDA) has been consistent in implementing its mandate of coordinating meaningful development in the Kenyan portion of the Lake Victoria Basin. The Authority's performance over the years has been commendable despite a number of challenges which include; overdependence on the Exchequer funds, late disbursement of funds, political uncertainty and recently the worldwide Covid-19 Pandemic.

My Board and Management of the Authority has ensured that we produced best results while meeting the overall objective as spelt out in our Strategic Plan, Medium Term Plan MTP and Vision 2030. To add to these, the President of the Republic of Kenya, His Excellency Uhuru Kenyatta unveiled the Big Four Agenda, focusing on creating 1.3 million manufacturing jobs by 2022, achieving 100 per cent health coverage for every Kenyan, expanding food production and building 500,000 affordable houses. For us to realise the aspirations of the Big Four Agenda, it requires expanding total acreage through irrigation, producing affordable and reliable energy. This presents new opportunities for LBDA to scale up its business and meet requirements to grow the various sectors it touches.

The Authority will continue to monitor and actively participate in shaping the environment in which we operate with a view to creating a conducive environment for LBDA to thrive. To this end LBDA has been actively involved in the development of the Regional Development Authority (RDA Bill), which is currently being discussed in the National Assembly.

LBDA is alive to the fact that we operate in areas surrounded by different communities of different social status, we simultaneously seek to improve the living standards of our host communities. LBDA will continue to focus on its expansion plan by building strategic partnerships that create a win/win situation. We believe such partnerships will enable effective management of mutual concerns. We therefore will continue to establish stakeholder coordination committees, bringing together LBDA, community representatives, elected leaders as well as national and county governments in order to enhance dialogue and promote a collaborative approach to resolving issues.

The Board is strongly committed to practising the highest standards in corporate governance and practising ethical leadership. I believe if we take this approach LBDA will be a model for many corporations in the country.

A handwritten signature in black ink, appearing to read 'Cavince Odoyo Owidi'. The signature is written in a cursive style and is positioned above a horizontal line that serves as a separator between the signature and the printed name below.

Mr. Cavince Odoyo Owidi
Chairman, LBDA

REPORT OF THE CHIEF EXECUTIVE OFFICER



Board.

I am pleased to present the Lake Basin Development Authority's Annual Report and Financial Statements for the financial year ended 30th June 2020. LBDA has shown tremendous improvement in delivering its mandate of accelerating development in the Lake Basin region through a multi sectoral approach. This report therefore, highlights the remarkable performance that has been driven by our dedication to sound financial management, our resilient work force and governance structures put in place by the LBDA

During the 2019/20 Financial year the Authority continued with the implementation of the Lichota, Muhoroni and Alupe Solar irrigation Project which involves tapping Solar Energy to power submersible pumps for irrigation. This project will go a long way in fulfilling the Big Four Agenda of increasing food production. This year the National Treasury disbursed Kshs. 358,928,000 for its implementation and I am pleased to inform you that the project is almost 90% complete.

The construction of Nyakoe Market was also funded by the National Treasury to a tune of Kshs.95,000,000. This project is being implemented in collaboration with The Kisii County Government and is expected to benefit more than 2,000 small scale traders in the area.

The LBDC Rice Mill remains a key component of LBDA's operations and this year there was approximately 40% increase in revenue earned from sale of Rice. The LBDA Mall has started operating with almost 50% occupancy and the outlook is good despite the negative effects of the ongoing Covid-19 pandemic.

In the financial year under review, recurrent expenditure grew to Kshs.287,300,000 with Exchequer contributing Kshs. 215,300,000 and LBDA contributed Kshs. 72,000,000 from its operations through Appropriations In Aid (AIA). In the same year, the Authority attained the 9001:2015 ISO certification which was as a result of our commitment to service delivery by the over 250 strong dedicated workforce. We also delivered the Strategic plan (2018-2023) which is geared to achieve the Vision 2030 through the Medium Term Plans (MTPs) and the Government's Big Four Agenda.

LBDA will strive to achieve its goals in the region despite the uncertainty especially caused by the ongoing Pandemic in a manner that promotes a balanced development in the region.

A handwritten signature in black ink, appearing to read 'Raymond Omollo'.

Dr. Raymond Omollo, PhD
Managing Director, LBDA

CORPORATE GOVERNANCE STATEMENT

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

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

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

Role of the Chairman

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

Role of the Board

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

In this regard, the responsibilities of the Board include:

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

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

The Board's key achievements during the 2019/ 20 FY were: -

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

- Oversaw the Authority's management of enterprise risk and approved all significant corporate actions, among others.

Board Remuneration

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

Internal Audit and Assurance

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

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

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

Corruption Prevention Strategies

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

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

Whistle Blowing Policy

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

Conflict of Interest

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

Code of Conduct

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

Risk Management

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

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

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

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

Committees of the Board

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

Human Resource Committee

- Mr. Fred G. Mwangi - Chairperson
- Dr. Raymond Omollo, PhD - MD, Secretary
- Mr. Geoffrey P. Kituyi - Member, Alt. Director - Min, Of Agric & Livestock
- Hon. Catherine Nyamato - Member
- Mr. Ambrose Weda - Member
- Mr. Frankline R. Mutai - Member
- Ms. Emily P Okoth - Member
- Ms. Bhoke C. Nchama - Member
- Hon. Mary S. Otara - Member

Finance & Budget Committee

- Ms Beatrice A. Obingo - Chairperson
- Dr. Raymond Omollo, PhD - MD, Secretary
- Mr. Abraham Koech - Member, Alt. Director – Treasury.
- Hon. Catherine Nyamato - Member
- Mr. Ambrose Weda - Member
- Ms. Bhoke C. Nchama - Member.
- Hon Elisha Busienei - Member.

Planning, Strategy & Development Committee

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

Audit Committee

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

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Authority planned to implement 2 projects namely: Lichota, Muhoroni and Alupe Solar Irrigation Project in Migori, Busia and Kisumu County as well as Construction of Nyakoe Market in Kisii County.

PROJECTS IMPLEMENTED IN THE FY 2019/20

S/N	PROJECT NAME	FY 2019/20			
		PROJECT COST	ESTIMATES (KSH. MILLIONS)		PLANNED OUTPUTS
			PRINTED	REVISED	
1.	Lichota, Muhoroni and Alupe Solar Irrigation Project	731	358.9	358.9	<ul style="list-style-type: none"> • 6 drilling boreholes. • 6 installed solar array units for submersible borehole pump. • 6 built elevated steel tanks with pipe layouts. • 3 farm houses • Irrigation units installed for irrigating 200 ha of land.
2.	Construction of Nyakoe Market in Kisii County	108	95	95	<ul style="list-style-type: none"> • Nyakoe Market constructed. • Kiogo River wetland protected.
Total		839	453.9	453.9	

IMPLEMENTATION STATUS OF THE PROJECTS

1. Lichota, Muhoroni and Alupe Solar Irrigation Project

This project involves the harnessing of ground water sources to irrigate 200 ha of land in Lichota, Muhoroni and Alupe farms. The Authority had planned to drill 6 boreholes; install 6 solar array units for submersible borehole pumps, construct 6 elevated steel tanks with pipe layouts and build 3 farm houses in FY 2019/20.




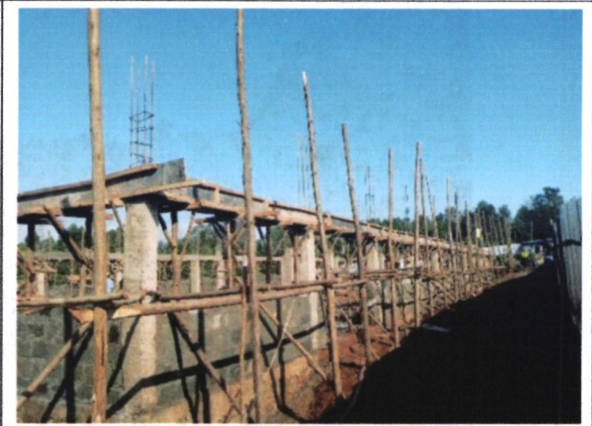
The hydro-geological surveys were done to completion in collaboration with the State Department of Public Works. Tendering relating to the project was done and completed. Currently, contractors have been awarded contracts and are on the ground working. The first phase of the project is nearing completion at 85%.



2. Construction of Nyakoe Market

This project entails the establishment of an ultra-modern market at Nyakoe in Kisii County so as to support the trade centre to realize socio-economic benefits to the communities around the market.

In the FY 2019/20, the Authority’s aim was to complete the preliminaries of the project and start construction of the modern market. The target was to develop the market to 50% completion status. The project has already taken off and is currently at 63% completion status.

	
<p>Laying the foundation of the Nyakoe Market Stalls</p>	<p>Ongoing equipping of borehole with solar pump at Nyakoe Market</p>
	
<p>Completion of the casting of the external ring beam at market shed 1</p>	<p>Ongoing civil works at Nyakoe Market shed 2</p>



CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

ORGANIZATION SUSTAINABILITY

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

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

(1) People and Community

The Authority as an employer

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

In order to achieve this, the Authority commits to:

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

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

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



(2) Finance and Economic activity

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

(3) Environmental Sustainability

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



The Corporate Affairs Department was allocated 1,100,000.00 for Corporate Social Responsibility (CSR) activities for the Financial Year 2019/20 from a requisition of 5,000,000.00 with a bias to work on activities surrounding the Presidential directive on tree planting and environment conservation.

This financial year, the Authority planned a major drive in tree planting events by formulating tree planting days in areas along the Basin as a way of fighting deforestation, cleaning of the rivers and lakes. This is in line with our mandate of promoting management and conservation of Natural Resources and which by extension also falls under the Presidential Directive on tree planting.

However, due to Covid-19 pandemic and 2 major flooding within our area of jurisdiction (One in October 2019 and another in in April/May 2020) there was need to change priorities though food and personal protective equipments (PPEs) donations to cushion the communities affected to enhance Community relationship, collaborations and community empowerment.

National Holiday

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

Output

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



DISTRIBUTING FOOD TO VICTIMS AFFECTED BY FLOODS AT KANO



LBDA DONATING FOOD TO THE OLD AND VULNERABLE AT RACHUONYO SOUTH

SUMMARY OF EVENTS

No	Date	Organization/Activity	Donated Items	Amount
1.	06/11/2019	Distribution of relief Food to flood victims in Nyando	2,500 Kg. Rice	212,500.00
2.	28/04/2020 3/04/2020	Distribution of relief Food to flood victims in Nduru, Odega, Mahu, Arombo, Korwana, Nyangande, Reru, Ogenya	2,940 Kg. Rice	250,000.00
3.	08/04/2020 10/06/2020	Distribution of relief food & PPEs to the vulnerable (Vihiga, Uasin Gishu, Kisumu, Nandi, Homa Bay, Migori, Trans Nzoia, Siaya counties)	16,550kg Rice PPEs 3,000@ 100,000	1,400,000 300,000
4.	28/04/2020 - 3/04/2020	Movement of people and goods to safer grounds	LBDA Vehicles(fuel)	73,000.00
5.	28/04/2020 - 3/04/2020	Logistics (Transport to well-wishers to transport relief packages to Homa Bay County)	LBDA Vehicles(fuel)	43,000.00
TOTAL Donation amount FY 2019/20				2,278,500.00



REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Lake Basin Development Authority's affairs.

Principal activities

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

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

Interventions of strategic national government interest

Results

The results of the Lake Basin Development Authority for the year ended June 30, 2020 are set out on page one.

Directors

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

Dividends/Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Lake Basin Development Authority did not make any surplus during the year (FY 2019-2020) and hence no remittance to the Consolidated Fund.

Auditors

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

By Order of the Board

Mr. Cavince Odoyo Owidi

CHAIRMAN

Date:.....

25/9/20

Dr. Raymond Omollo, PhD

MANAGING DIRECTOR

Date:

25/9/20

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Lake Basin Development Authority's financial statements, which give a true and fair view of the state of affairs of the Lake Basin Development Authority for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Lake Basin Development Authority; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Lake Basin Development Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

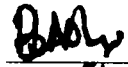
The Directors accept responsibility for the Lake Basin Development Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act) – entities should quote applicable legislation as indicated under) . The Directors are of the opinion that the Lake Basin Development Authority's financial statements give a true and fair view of the state of Lake Basin Development Authority's transactions during the financial year ended June 30, 2020, and of the Lake Basin Development Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Lake Basin Development Authority, which have been relied upon in the preparation of the Lake Basin Development Authority's financial statements as well as the adequacy of the systems of internal financial control.

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

LAKE BASIN DEVELOPMENT AUTHORITY
Annual Reports and Financial Statements for the year ended June 30th 2020

Approval of the financial statements

The Lake Basin Development Authority's financial statements were approved by the Board on
25/9 2020 and signed on its behalf by:



Director



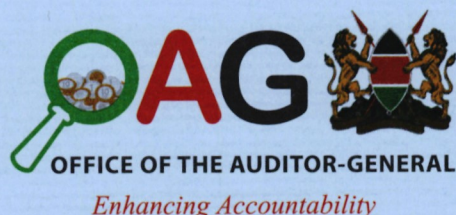
Director



Director

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON LAKE BASIN DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Lake Basin Development Authority set out on pages 1 to 47, which comprise the statement of financial position as at 30 June, 2020, 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 the Lake Basin Development Authority as at 30 June, 2020, 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 with the Public Finance Management Act, 2012 and the Lake Basin Development Authority Act, (Revised 2012).

Basis for Qualified Opinion

1.0 Property, Plant and Equipment

Included in the statement of financial position as at 30 June, 2020 is property, plant and equipment balance of Kshs.4,959,700,261. However, the following inconsistencies were noted:

- i. The fixed assets register reflects the acreage of Yala Swamp Complex as 2300 hectares. However, the title document provided for audit review shows the area as 15.12 hectares. In addition, the cost of the Yala parcel of land was not included in the fixed assets register as well as in the financial statements.
- ii. The following parcels of land are included in the fixed assets register but their cost of acquisition was not provided:

Asset	Location	Size	Cost (Kshs.)
Yala Swamp Complex	Siaya	2300 HA	Nil
Borabu Fish Farm	Kisii	1 HA	Nil
Sangalo LMC	Bungoma	140 HA	Nil
Ndiwa Honey Refinery	Ndhiwa	0.6 HA	Nil
Bondo Honey Refinery	Bondo	7 HA	Nil
Rongo Fish Farm	Migori		Nil
Kwanza Integrated	Kitale	2.347 HA	Nil

- iii. Note 23 to the financial statements reflects a net book value for land of Kshs.62,674,333 which includes Kokwanyo Livestock Multiplication Center with a net book value of Kshs.686,000. The Livestock Centre had an expired lease and the entity no longer holds any ownership rights to the land. As a result, the net book value of land amounting to Kshs.62,674,333 is overstated by Kshs.686,000.
- iv. Land ownership documents for Koderia Brick Plant with net book value of Kshs.850,000, Migosi Poultry with net book value of Kshs.5,805,333 and KSM Block 12/40 with a net book value of Kshs.1,545,000 all amounting to Kshs.8,200,333 were not provided for audit review.
- v. Borabu Fish Farm and Kapsabet Brick Plant with a net book value of Kshs.985,000 are on riparian land. Authorization to use riparian land from National Environment Management Authority (NEMA) was not provided. In addition, it was not possible to ascertain how the cost of Kshs.985,000 for Borabu Fish Farm and Kapsabet Brick Plant was determined.
- vi. The original title for Lower Kanyakwar Residential is not in the custody of the Authority since it is being held as collateral for a loan of Kshs.2,500,000,000 advanced to an entity by Co-operative Bank of Kenya for construction of LBDA Mall. However, the Authority has not started repaying the loan and the matter is in Court over the legality of the Authority's title being used as collateral for a loan advanced to a third party.
- vii. The Authority last valued part of its assets except land and buildings in the financial year 2017/2018. However, the parcels of land were valued to establish their carrying values contrary to the requirement of International Accounting Standard No.16 (31) which states revaluation of property plant and equipment 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 balance sheet date.

Consequently, the accuracy and completeness of the property, plant, and equipment balance of Kshs.4,959,700,261 as at 30 June, 2020 could not be ascertained.

2.0 Receivables from Exchange Transactions

Included under Note 21 to the financial statements is net receivables from exchange transactions of Kshs.69,280,837. However, the following issues were noted:

- i. The total amount of debt from ex-board and ex-staff debtors amounting to Kshs.11,549,558. However, some of these debts have been outstanding for over twenty (20) years, therefore, their recoverability is doubtful.
- ii. The rate for provision for bad and doubtful debts was not disclosed in the notes to the financial statements and the debtors aging analysis was not provided.
- iii. The provision for bad debts amount remained constant at Kshs.147,824,390 over the last two years despite changes in the debtors amount from Kshs.212,200,893 in the previous year to Kshs.217,105,227 in the current year.

Consequently, the accuracy and completeness of the receivables balance of Kshs.69,280,837 as at 30 June, 2020 could not be ascertained.

3.0 Long Outstanding Payables

The Note 26(a) to the financial statements reflects current trade and other payables of Kshs.448,348,015. However, the following issues were noted:

- (i) Tax arrears (inter-ministerial dues) of Kshs.28,176,641 includes VAT arrears of Kshs.21,684,885 which have accrued for over 11 years.
- (ii) Unremitted payroll deductions amounting to Kshs.499,130 have remained outstanding since the year 2000.
- (iii) Staff claims in respect to workmen compensations of Kshs.151,605 have been outstanding since the year 2000.
- (iv) Trade suppliers balance of Kshs.306,489,711 include payables of Kshs.62,186,283 that have been outstanding for between ten (10) to Thirty (30) years and it is not clear how the Management intends to settle the debts.

Consequently, the accuracy and completeness of payables of Kshs.448,348,015 as at 30 June, 2020 could not be ascertained.

4.0 Unsupported Advertising Expenditure

Note 16 to the financial statements reflects general expenses balance of Kshs.329,064,941 which includes printing and advertising of Kshs.10,766,418 which further includes Kshs.1,508,000 being reimbursement to a Company (property manager) for sponsorship of a promotional show at the Mall. However, it was not clear how the payment to the Company was determined since the promotional show was done by a different entity.

Consequently, the validity and value for money for the expenditure of Kshs.1,508,000 on advertisement for the year ended 30 June, 2020 could not be confirmed.

5.0 Unsupported Payment

Note 16 to the financial statements reflects general expenses of Kshs.329,064,941 which includes Kshs.12,397,590 for official entertainment out of which Kshs.1,000,000 was paid to a Foundation for a sponsorship deal during the clean water conference. However, an

undated memorandum of understanding provided did not indicate the consideration of the partnership.

Consequently, the validity of the expenditure of Kshs.1,000,000 could not be confirmed.

6.0 Unsupported Drilling and Equipping of Boreholes

Note 15 to the financial statements reflects Kshs.126,201,859 in respect to contracted services which includes rehabilitation of boreholes cost of Kshs.51,710,241.

However, some items in the Bill of Quantities totalling to Kshs.1,599,999 had not been accounted for as analyzed below;

Project	Item as per the BQ	Description	Amount (Kshs.)	Remarks
Oriwo SDA Church Borehole		NEMA Licenses	80,000	NEMA License still not provided for audit verification.
Wikoteng Primary School Borehole		NEMA Licenses	80,000	NEMA License not provided.
	Item No.9.3	Purchase of printer	300,000	Evidence of purchase not provided.
Boronyi and Sererut Boreholes		Acquisition Licenses from NEMA.	50,000	NEMA License still not provided.
	Item No.9.3	Purchase of 2 laptops	200,000	Evidence of stores as S11 and S13 not availed.
		To be used at the discretion of the engineer	699,999	Site instructions issued not quantified.
Brigita School Borehole	Item No. 1.1	Acquisition of permits for drilling and licenses from Water Resources Authority (WRA) and NEMA.	70,000	-No NEMA license. -No WRA license.
Crowley Lukesi Borehole	Item 1.1	Acquisition of permits for drilling and licenses from Water Resources Authority (WRA) and NEMA.	70,000	NEMA license not provided.
	Item 9.3	Purchase of a total station as Topcon, Leica or equal approved	50,000	Purchase not supported.
Total			1,599,999	

Consequently, the validity and value for money of the expenditure of Kshs.1,599,999 on rehabilitation of boreholes could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report on in the year under review.

Other Matter

1. Budgetary Control and Performance

During the year under review, the Authority had budgeted to collect Kshs.741,232,000 in revenues. However, the actual revenue realized was Kshs.782,653,816 resulting in over collection of Kshs.41,421,816.

Similarly, the Authority had budgeted to spend Kshs.364,608,000, but attained an actual expenditure of Kshs.871,093,257, resulting in over expenditure of Kshs.506,485,257.

The Management overspent a total of Kshs.506,485,257 without authority contrary to Regulation 43(b) of the Public Finance Management (National Government) Regulations, 2015 which states that accounting officer shall ensure that public funds entrusted to their care are properly safeguarded and are applied for purposes for only which the funds were appropriated by the National Assembly.

2. Material Uncertainty Related to Going Concern

The Authority reported a deficit of Kshs.180,266,224 (2018/2019 – Kshs.9,190,458) for the year ended 30 June, 2020, The accumulated losses for the same time increased from Kshs.131,306,479 to Kshs.311,572,703. In addition, the current liabilities of Kshs.448,348,015 exceeds current assets of Kshs.366,497,350 by Kshs.81,850,665 as at 30 June, 2020. This situation is an indication that the Authority is facing financial challenges. Therefore, the financial statements have been prepared on a going concern basis on the assumption that the Authority will continue to receive financial support from the Government and creditors.

3. Obsolete Stores

Note 22 to financial statement reflect inventories amounting to Kshs.22,322,302 which includes Kshs.774,841 in respect of automotive spares, which further includes automotive spares at the Rice Mill valued at Kshs.670,278 which have not been in use for the last four (4) years and thus considered as obsolete. The Management has not fast-tracked the disposal of the stores.

Consequently, accuracy and completeness of the inventory of Kshs.774,841 for the year ended 30 June, 2020 could not be ascertained.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effective Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Payment of Acting Allowances Beyond Six Months

Note 11 to the financial statements reflects employees cost of Kshs.379,012,710 which includes Kshs.221,294,223 paid as salaries and allowances. Out of which allowances totaling Kshs.200,088 were paid to an officer by virtue of acting for the higher position. However, the officer has been in acting position for close to three years contrary to Section C14(1) of the Public Service Commission Human Resource Policies, 2016 which states that acting allowance will not be payable to an officer for more than six (6) months.

Consequently, the Management was in breach of the law.

2.0 Failure to Establish a Sinking Fund

The Authority has not established a sinking Fund to help in the replacement of its assets as required by Section 16(1) of the State Corporations Act, (Revised 2012) which requires that every state corporation shall make provision for the renewal of depreciating assets by the establishment of sinking Funds and for contributions to such reserve and stabilization Funds as may be required.

Consequently, the Management was in breach of the law.

3.0 Irregular Payment for Survey Services

Note 16 to the financial statements reflects Kshs.329,064,941 in respect to general expenses which includes rent and rates expenditure of Kshs.18,422,925, which further includes Kshs.1,656,054 being payment to a land survey company to facilitate the survey of Sang'alo parcel of land and processing of a lease title. However, the Management used request for quotations method in selecting the service provider contrary to Section 105(a) of the Public Procurement and Asset Disposal Act, 2015 which requires that an entity can only use quotations if the estimated value of goods, works and non-consultancy services is less than or equal to the prescribed maximum value for use of quotations as prescribed in regulations. The contract sum of the project was Kshs.3,590,698 and therefore, exceeded the maximum expenditure of Kshs.2,000,000 for quotations.

Consequently, the Management was in breach of the law.

4.0 Lake Basin Development Company Limited

Review of the Authority's revenue and expenditure records revealed that transactions relating to Lake Basin Development Company Limited incorporated on 13 October, 1989 as a limited liability company and operating under the Lake Basin Development Authority (LBDA) were included in Authority's financial statements. However, the Company which runs the rice mill did not file annual returns to the registrar of companies. Further, the Company did not prepare and submit for audit separate financial statements to the Auditor-General.

Consequently, the Management is in breach of the law.

5.0 Provision of Financial Expert and Advisory Services

Note 15 to the financial statements reflects contracted services balance of Kshs.126,201,859 which includes consulting fees of Kshs.6,934,003 which further includes Kshs.4,639,858 paid to a supplier for provision of financial expertise and advisory services for LBDA Mall.

The Management sent out ten proposals to suppliers as required by Section 115 of the Public Procurement and Asset Disposal Act, 2015 and subsequently awarded the contract to the only bidder at a contract sum of Kshs.5,263,800. However, the Management contravened Section 121(3) of the Act which states that subject to total proposals received, a minimum of six proposals shall be shortlisted, but where less than six proposals have been received, a minimum of three proposals shall be shortlisted. The evaluation committee report was not provided for review, and the consultant's report which has not been approved by the Board also revealed several inconsistencies after its appraisal by the internal audit department.

In view of the foregoing, the Authority was in breach of the law and value for money in the expenditure of Kshs.4,639,858 could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Lack of Segregation of Duties in Examination of Cash Books

Examination of the Authority's cash books and bank reconciliation statements prepared during the year revealed that documents were not checked by an authorized person independent of the cashier. Lack of segregation of duties in cash books preparation may result to manipulation of data and records of the Authority.

Consequently, errors and fraud may pass undetected.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 the Board of Directors

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

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

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

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

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

Further, in planning and performing the audit of the financial statements and audit 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 policies and procedures may deteriorate.

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the

financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 February, 2022

LAKE BASIN DEVELOPMENT AUTHORITY

Annual Reports and Financial Statements for the year ended June 30th 2020

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2019-2020	2018-2019
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments – gifts and services-in-	6	677,410,253	551,341,717
		677,410,253	551,341,717
Revenue from exchange transactions			
Sale of Agricultural Produce	7	49,401,664	25,662,795
Rental revenue from facilities and equipment	8	35,466,035	19,996,612
Finance income - external investments	9	18,934,852	2,114,446
Other income	10	1,441,012	1,223,194
		105,243,563	48,997,047
Total revenue		782,653,816	600,338,764
Expenses			
Employee costs	11	379,012,710	204,992,190
Remuneration of directors	12	12,506,007	26,984,741
Depreciation and amortization expense	13	121,119,242	110,011,361
Repairs and maintenance	14	22,959,939	19,629,409
Contracted services	15	126,201,859	16,037,246
General expenses	16	329,064,941	233,362,737
Finance costs	17	1,347,801	932,362
Total expenses		992,212,500	611,950,046
Other gains/(losses)			
Gain on sale of assets	18	(247,619)	234,505
Gain/ loss on biological Assets	19	1,006,861	2,186,319
Penalty Waiver		28,533,218	
Surplus before tax		(180,266,224)	(9,190,458)
Taxation		-	-
Net Surplus for the year		(180,266,224)	(9,190,458)

* During the year under review, the Authority received a penalty waiver of Ksh 28,533,218 from Kisumu County Government which is included in the Statement of Performance above.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Notes	2019-2020	2018-2019
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	20	274,894,211	344,282,192
Receivables from exchange transactions	21	69,280,837	64,376,523
Inventories	22	22,322,302	22,975,393
		366,497,350	431,634,108
Non-current assets			
Property, plant and equipment	23	4,959,700,261	4,999,605,842
Biological Assets	24	14,720,271	13,713,410
Intangible assets	25	9,371,265	1,297,843
		4,983,791,798	5,014,617,095
Total assets		5,350,289,147	5,446,251,203
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	26a	448,348,015	334,980,240
		448,348,015	334,980,240
Non-current liabilities			
Borrowings from Government		2,000,000,000	2,000,000,000
Trade and other payables from exchange transactions	26b	2,500,000,000	2,500,000,000
		4,500,000,000	4,500,000,000
Total liabilities		4,948,348,015	4,834,980,240
Net assets		401,941,132	611,270,963
Reserves		401,948,509	396,256,771
Accumulated surplus/Deficit		(583,948,146)	(368,926,577)
Capital Fund		583,940,769	583,940,769
Total net assets and liabilities		5,350,289,148	5,446,251,203



Managing Director
Dr. Raymond Omollo, PhD

Date: 16/4/21



Head of Finance
CPA Christine Otieno
ICPAK Member Number: 10470

Date: 16/4/21



Chairman of the Board
Cavince O. Owidi

Date: 16/4/21

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Capital/ Development Grants/Fund	Total
At July 1, 2018	396,256,771	-237,593,151	-122,116,021	583,940,769	620,488,368
Revaluation gain	0	0	0	0	0
Fair value adjustment	0	-26,947	0	0	-26,947
Total comprehensive income	0	0	-9,190,458	0	-9,190,458
At June 30, 2019	396,256,771	-237,620,098	-131,306,479	583,940,769	611,270,963
At July 1, 2019	396,256,771	-237,620,098	-131,306,479	583,940,769	611,270,963
Total comprehensive income	5,691,738	0	-180,266,224	0	-174,574,486
Prior year Adjustment		-34,755,345			-34,755,345
At June 30, 2020	401,948,509	-272,375,443	-311,572,703	583,940,769	401,941,132

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

		2019-2020	2018-2019
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Government grants and subsidies		677,410,253	551,341,717
Sale of Agricultural Products		49,401,664	25,662,795
Finance income		18,934,852	2,114,446
Other income.		1,441,012	1,223,194
Rental income		35,466,035	19,996,612
Total Receipts		782,653,816	600,338,764
Payments			
Employee costs		379,012,710	204,992,190
Remuneration of directors		12,506,007	26,984,741
Repairs and maintenance		22,959,939	19,629,409
Contracted services		126,201,859	16,037,246
General expenses		329,064,941	233,362,737
Finance Cost		1,347,801	932,362
Total Payments		871,093,258	501,938,685
Net cash flows from operating activities		(88,439,442)	98,400,079
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible		(112,268,179)	(3,790,537)
Proceeds from sale of property, plant and Equipment			633,001
Decrease/Increase in Inventory		653,091	(17,623,241)
Decrease, Increase in non-current receivables		(4,904,314)	8,389,576
Decrease/Increase in Payables		113,367,775	74,633,062
Net cash flows used in investing activities		(3,151,626)	62,241,861
Cash flows from financing activities			
Proceeds from borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(91,591,068)	160,641,940
Cash and cash equivalents at 1 JULY	20	344,282,192	183,640,253
Cash and cash equivalents at 30 June	20	274,894,211	344,282,192

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

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

	Budget		Adjustments		Final Budget		Actual		Performance	
	2019/2020	Kshs	2019/2020	Kshs	2019/2020	Kshs	2019/2020	Kshs	Difference	Kshs
Revenue										
Government grants and subsidies		669,231,000				669,231,000		677,410,253		(8,179,253)
Sale of Agricultural Products		41,384,662				41,384,662		49,401,664		(8,017,002)
Rental Income		17,211,016				17,211,016		35,466,035		(18,255,019)
Finance Income		11,731,369				11,731,369		18,934,852		(7,203,483)
Other Income		1,673,953				1,673,953		1,441,012		232,941
Total income		741,232,000		-		741,232,000		782,653,816		(41,421,816)
Expenses										
Employee costs		257,303,000				257,303,000		379,012,710		(121,709,710)
Remuneration of directors		12,180,000				12,180,000		12,506,007		(326,007)
Repairs and maintenance		22,876,000				22,876,000		22,959,939		(83,939)
Contracted services		32,354,000				32,354,000		126,201,859		(93,847,859)
Capital Expenditure										
General expenses		39,342,000				39,342,000		329,064,941		(289,722,941)
Finance Cost		553,000				553,000		1,347,801		(794,801)
Total expenditure		364,608,000		-		364,608,000		871,093,258		(506,485,258)
Surplus for the period		376,624,000		-		376,624,000		(88,439,442)		465,063,441

Budget notes

Explanation of Variance between the Budget and the Actual Expenses

- a) **Transfer from GOK** - The budgeted grants disbursed from Exchequer increased by Ksh. 8,179,253 i.e. from Ksh. 669,231,000 to Ksh. 677,410,253 is due to a Partnership and Collaborative agreement with Kenya Breweries Limited (KBL) and NEMA which was towards drought mitigation projects and school greening programmes transfers to LBDA during the financial year 2019/2020.
- b) **Sale of Agriculture products**
The actual revenue arising from the sale of agriculture products increased to Ksh. 49,401,664 from the budgeted figure of Ksh. 41,384,662 due to an enhanced market distribution of LBDA milled rice. This arose after a Presidential directive in March 2020, that culminated in the distribution and mopping up of rice nationwide, by Kenya National Trading Company (KNTC) in a bid to open markets for rice farmers.
- c) **Rental Income**
The increase of Rental Income by Ksh 9,196,694 is due to tenancy uptake in the LBDA Mall with regard to government parastatals eg. Kenya Revenue Authority (KRA), Energy Regulatory Authority (ERA) and Communication Authority of Kenya (CAK).
- d) **Finance Income**
The increase in Finance income is as a result of enhanced cash transfers from GOK grants and other development partners.
- e) **Employee Costs**
The increase from the budgeted figure of Kshs 257,303,000 to Kshs 379,012,710 is mainly attributable to the crystallization of retrenchees' court awards in the financial year treated as terminal dues totaling to Kshs 111,608, 226; the confirmation and substantive appointment of senior and middle level management as well as the office of the Managing Director.
- f) **General Expenses**
The expenditure increased from budgeted figure of Ksh. 39,342,000 to Ksh. 329,077,876 mainly due to commencement of earmarked projects.
- f) **Remuneration of Directors**
The expenditure increased from the budgeted amount of Kshs. 12,180,000 to Kshs. 12,506,007 due to transfer of Chairman's honoraria previously classified as salaries.
- g) **Repairs and maintenance**
The expenditure decreased from budgeted amount mainly due slowed activities after the pandemic which resulted in postponement of slated repairs and maintenance and reduction of movements.

NOTES TO THE FINANCIAL STATEMENTS**1. GENERAL INFORMATION**

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS**1. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020**

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

ADOPTION OF NEW AND REVISED STANDARDS (Continued)**2. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020**

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p data-bbox="576 483 938 517">Applicable: 1st January 2022:</p> <p data-bbox="576 539 1481 719">The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of Lake Basin Development Authority's future cash flows.</p> <p data-bbox="576 748 1481 815">IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li data-bbox="587 846 1481 949">• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; <li data-bbox="587 981 1481 1048">• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and <li data-bbox="587 1079 1481 1249">▪ • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between Lake Basin Development Authority's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	<p data-bbox="576 1276 938 1310">Applicable: 1st January 2022</p> <p data-bbox="576 1332 1481 1512">The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Lake Basin Development Authority provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p data-bbox="576 1541 1481 1608">(a) The nature of such social benefits provided by the Lake Basin Development Authority;</p> <p data-bbox="576 1637 1481 1671">(b) The key features of the operation of those social benefit schemes; and</p> <p data-bbox="576 1700 1481 1803">(c) The impact of such social benefits provided on the Lake Basin Development Authority's financial performance, financial position and cash flows.</p>

3. Early adoption of standards

The Lake Basin Development Authority did not early – adopt any new or amended standards in year 2020.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

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

Sale of goods

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

Interest income

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

Rental income

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

b) Budget information

The original budget for FY 2019-2020 was approved by the National Assembly on June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Lake Basin Development Authority upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Lake Basin Development Authority did not record additional appropriations on the 2019-2020 budget following the governing body's approval.

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

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

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

c) Taxes

Current income tax

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

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

c) Taxes (Continued)

Deferred tax

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

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

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

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

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

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

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

c) Taxes (Continued)

Sales tax

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

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

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

d) Investment property

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

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

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

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

e) Property, plant and equipment

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

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

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

f) Leases

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

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

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

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

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

g) Intangible assets

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

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

h) Research and development costs

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

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

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

i) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities***Initial recognition and measurement***

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

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

Loans and borrowing

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

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

j) Inventories

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

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

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

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

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

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

k) Provisions

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

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

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

Contingent liabilities

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

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

Contingent assets

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

l) Nature and purpose of reserves

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

m) Changes in accounting policies and estimates

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

n) Employee benefits

Retirement benefit plans

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

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

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

o) Foreign currency transactions

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

p) Borrowing costs

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

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

q) Related parties

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

r) Service concession arrangements

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

s) Cash and cash equivalents

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

t) Comparative figures

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

u) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

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

6. TRANSFERS FROM OTHER GOVERNMENTS

Description	2019-2020	2018-2019
	KShs	KShs
Unconditional grants		
Recurrent grant	215,303,375	206,841,717
Development grants	453,928,000	344,500,000
Special projects	8,178,878	
Total government grants	677,410,253	551,341,717

a) Transfers from Ministries, Departments and Agencies

Name of the entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount recognized in capital fund.	Total grant income during the year	2019-2020
	KShs	KShs	KShs	KShs
State Department for Regional and Northern Corridor Development	669,231,375	0	669,231,375	669,231,375
Other Entities (KRCS, NEMA)	8,178,878		8,178,878	8,178,878
Total	677,410,253	0	677,410,253	677,410,253

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

7. SALE OF AGRICULTURAL PRODUCTS

Description	2019-2020	2018-2019
	KShs	KShs
Sale of rice	36,336,513	16,652,754
Sale of Sugar cane	-	-
Sale of Bricks	778,100	751,300
Sale of Milk	6,336,201	5,089,507
Sale of animals and Steers	348,400	346,000
Sale of Seedlings	471,871	269,755
Sales of Vegetables and fruits	40,060	52,370
Sale of Honey	1,240,207	636,640
Sale of Fingerlings and table size fish	2,039,162	1,515,175
Sale of Fish/Chicken feeds	986,670	165,900
Sale of bran meal, colored rice	820,480	183,395
Dipping & Bulls Services	4,000	-
Total revenue from the sale of goods	49,401,664	25,662,796

8. RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

Description	2019-2020	2018-2019
	KShs	KShs
Economic Rent	2,700,100	-
Service Charge	3,137,314	-
Commercial Rent (LBDA MALL)	18,775,602	19,478,382
Lease rentals (LBDC)	10,853,019	516,930
Hire of Tractors & Excavator		1,300
Total rentals	35,466,035	19,996,612

9. FINANCE INCOME - EXTERNAL INVESTMENTS

Description	2019-2020	2018-2019
	KShs	KShs
Cash investments and fixed deposits	18,934,852	2,114,446
Total finance income – external investments	18,934,852	2,114,446

10. OTHER INCOME

Description	2019-2020	2018-2019
	KShs	KShs
Boarded Stores	10,750	68,494
Hire of Grounds	569,965	397,275
Milling/Airing Charges	561,927	139,270
Surcharge Service	265,870	230,585
Tour Fees	32,500	387,570
Total other income	1,441,012	1,223,194

11. EMPLOYEE COSTS

	2019-2020	2018-2019
	KShs	KShs
Casual Wages	-	6,878,250
Ex-Gratia Payments	562,523	613,565
Staff Medical Insurance	20,350,872	15,357,846
Contribution to Pension Scheme	25,597,081	15,615,898
Service Gratuity	-	1,107,059
Salaries and Allowances	221,294,223	165,053,994
Terminal Dues	111,208,011	365,578
Staff Leave days provision	-	-
Employee costs	379,012,710	204,992,190

12. BOARD EXPENSES

Description	2019-2020	2018-2019
	KShs	KShs
Sitting Allowances & Accommodation	7,094,030	21,626,463
Travelling (Air tickets)	3,834,557	3,649,728
Entertainment	411,330	1,683,450
Others	122,090	25,100
Chairman,s Honoraria	1,044,000	
Total Board Expenses	12,506,007	26,984,741

13. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2019-2020	2018-2019
	KShs	KShs
Property, plant and equipment	118,776,426	109,686,900
Intangible assets	2,342,816	324,461
Total depreciation and amortization	121,119,242	110,011,361

14. REPAIRS AND MAINTENANCE

Description	2019-2020	2018-2019
	KShs	KShs
Building Repair for Non- Residential	178,087	115,310
Building Repair for Residential	6,431,077	3,379,511
Plant and machinery Repairs	3,205,980	4,393,106
Repair of Office equipment	361,103	555,356
Repair of office furniture	61,580	272,170
Motor Vehicle Running	12,722,112	10,913,956
Total repairs and maintenance	22,959,939	19,629,409

15. CONTRACTED SERVICES

Description	2019-2020	2018-2019
	KShs	KShs
Audit Fees	1,237,840	850,000
Cleaning Services	6,950,097	2,477,200
Construction of Market	31,592,250	-
Consulting Fee	6,934,003	1,320,600
Farm Maintenance & Milling Expenses	11,527,834	-
Rehabilitation of Bore Holes	51,710,241	3,027,675
Security Expenses	16,249,594	8,361,771
Total contracted services	126,201,859	16,037,246

16. GENERAL EXPENSES

Description	2019-2020	2018-2019
	KShs	KShs
Animal Feeds	1,197,297	1,911,764
ASK Show	5,344,487	3,442,114
Communication cost	1,642,824	3,081,975
Computer supplies and accessories	3,074,600	447,094
Compound Maintenance	6,871,963	3,275,446
Daily subsistence allowance	27,040,959	23,088,944
Dairy Expenses	-	38,404
Donation	2,221,312	265,400
Drugs and Chemicals	2,281,217	1,298,247
Electricity	11,168,820	5,331,880
General Hardware	3,978,247	2,817,713
General Office supplies	4,338,937	3,146,964
Hire of plant and Machinery	211,550	231,600
Hire of Transport	718,192	882,130
Horticulture	-	272,880
Fuel and oil	152,080	342,000
Insurance of Assets	25,835,021	9,737,207
Legal Charges	29,398,852	21,679,182
Local Travel (Air Ticket)	4,457,563	2,653,529
Loss on Downgrading of Paddy	656,285	-
Purchase of Newspapers, Magazines and Periodicals	225,340	234,010
Maintain. Water & Sewerage & Sanitation	8,018,623	5,298,055
Management Fee	-	620,397
Official Entertainment	12,397,590	10,195,884
Interest	100,000,000	100,000,000
Ploughing	-	739,500
Packaging materials	2,393,036	131,653
Printing and Advertising	10,766,418	8,864,706
Purchase of raw materials	31,457,917	8,078,436
Postage and Stamps	349,091	196,119
Purchase of Animals	190,000	
Purchase of Milled rice	370,000	6,886,000
Purchase of seeds and seedlings	1,018,825	779,042
Rents and rates Non- Residential	18,422,925	1,223,722
Sales and Marketing expenses	203,902	32,000
Staff welfare	1,252,200	515,220
Training	3,831,044	3,352,256
Subscription to professional bodies	947,890	1,199,210
Tax Penalty/WHT	6,109,839	-
Uniform and Clothing	456,830	952,639
Veterinary expenses	63,265	119,415
Total general expenses	329,064,941	233,362,737

17. FINANCE COSTS

Description	2019-2020	2018-2019
	KShs	KShs
Bank Charges (Commission and Ledger fee)	1,347,801	932,362
Total finance costs	1,347,801	932,362

18. GAIN ON SALE OF ASSETS

Description	2019-2020	2018-2019
	KShs	KShs
Revaluation/cost	2,210,960	701,269
Less: Accumulated Depreciation	1,963,341	(302,773)
Net Book Value	247,619	398,496
Cash Proceeds	-	633,001
Total gain on sale of assets	(247,619)	234,505

19. GAIN/ LOSS ON BIOLOGICAL ASSETS

Description	2019-2020	2018-2019	Gain/Loss 2019/2020	Gain/Loss 2018/2019
	KShs	KShs	Kshs	Kshs
Bulls	100,500	232,500	(132,000)	364,500
Lactating/Dry Cows	4,124,250	3,858,750	265,500	3,593,250
Heifers	1,257,000	1,777,125	(520,125)	2,297,250
Local Breeds	22,500	135,000	(112,500)	247,500
Pigs		-	-	-
Fish/ Poultry	1,179,849	1,195,020	(15,171)	1,210,191
Crops WIP	8,036,172	6,515,015	1,521,157	4,993,858
Total gain/Loss	14,720,271	13,713,410	1,006,861	12,706,549

20. CASH AND CASH EQUIVALENTS

Description	2019-2020	2018-2019
	KShs	KShs
Cooperative Bank LTD	181,670,807	9,786,410
Development Bank of Kenya		-
Kenya Commercial Bank LTD	5,425,279	4,679,014
National Bank of Kenya LTD	87,356,275	329,736,910
MPESA and Cash	441,850	79,858
Total cash and cash equivalents	274,894,211	344,282,192

Included in cash and cash equivalents above is cash held in fixed deposit accounts as below

Description	2019-2020	2018-2019
	KShs	KShs
Cooperative Bank LTD	150,000,000	
National Bank of Kenya LTD	57,650,000	
Total Fixed Deposit	207,650,000	-

21. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	KShs	KShs
Current receivables		
Ex- board debtors	645,591	616,221
Ex- Staff debtors	10,903,967	10,827,587
Staff Debtors	1,450,607	5,062,239
Trade Debtors	204,105,062	195,694,866
Less: Provision for bad debts	(147,824,390)	(147,824,390)
Total current receivables	69,280,837	64,376,523

22. INVENTORIES

Description	2019-2020	2018-2019
	KShs	KShs
General hardware	491,773	651,387
Automotive spares	774,841	108,084
Drugs and chemicals	161,248	110,411
Animal Feeds	6,350	31,220
Uniform and Clothing	1,000	2,200
Stationaries	1,094,423	897,081
Seeds/Seedlings	4,792,202	3,494,435
Bricks	102,069	-
Raw materials	11,528,736	12,623,375
Packaging Materials	2,528,400	3,393,870
Finished Products	841,260	1,663,330
Total inventories at the lower of cost and net realizable value	22,322,302	22,975,393

23. PROPERTY, PLANT AND EQUIPMENT

Cost	Land		Buildings		Plant & equipment		Work in Progress		Furniture & Fixtu		Computer & Oth		Motor Vehicle		Tractors		Total	
	S	Shs	S	Shs	S	Shs	S	Shs	S	Shs	S	Shs	S	Shs	S	Shs	S	Shs
At 30 June 2018	62,674,333		4,993,766,495		295,906,490		186,700,145		16,074,565		24,777,582		24,766,984		8,024,260		5,612,690,854	
Additions			1,113,014		1,464,872				885,352		327,299						3,790,537	
Disposals											(221,269)		(480,000)				(701,269)	
Transfers/Adjustments																		
Revaluation																		
At 30 June 2019	62,674,333		4,994,879,509		297,371,362		186,700,145		16,959,917		24,883,612		24,286,984		8,024,260		5,615,780,123	
Additions			18,311,111		293,885		52,187,145		665,090		1,835,448		29,516,000		9,440,000		112,248,679	
Disposals			(277,100)												(1,933,860)		(2,210,960)	
Transfer/adjustments							(39,734,795)						(9,523,798)		(3,950,177)		(53,208,770)	
Revaluation													4,129,924		1,008,777		5,138,700	
At 30 th June 2020	62,674,333		5,012,913,520		297,665,247		199,152,495		17,625,007		26,719,060		48,409,110		12,589,000		5,677,747,772	
Depreciation and impairment																		
At 30 th June 2018	-		222,652,791		235,403,693		-		13,043,374		22,660,884		8,406,005		4,596,460		506,763,207	
Depreciation			95,444,534		7,740,528				489,568		726,600		4,000,245		1,285,425		109,686,900	
Disposal											(182,773)		(120,000)				(302,773)	
Transfer/Adjustments					43,445						(16,498)						26,947	
At 30 th June 2019	-		318,097,325		243,187,666		-		13,532,942		23,188,213		12,286,250		5,881,885		616,174,281	
Depreciation			93,896,957		6,809,698				511,508		1,059,254		11,778,134		4,720,875		118,776,426	
Disposals			(31,633)												(1,930,417)		(1,962,050)	
Transfer/adjustment													(10,989,678)		(3,951,468)		(14,941,146)	
At 30 th June 2020	-		411,962,649		249,997,364		-		14,044,450		24,247,467		13,074,707		4,720,875		718,047,511	
Net book values																		
At 30 th June 2020	62,674,333		4,600,950,871		47,667,884		199,152,495		3,580,557		2,471,593		35,334,403		7,868,125		4,959,700,261	
At 30 th June 2019	62,674,333		4,676,782,184		54,183,696		186,700,145		3,426,976		1,695,400		12,000,734		2,142,375		4,999,605,842	

24. BIOLOGICAL ASSETS

Description	2019-2020	2018-2019
	KShs	KShs
Bulls	100,500	232,500
Lactating/Dry cows	4,124,250	3,858,750
Heifers	1,257,000	1,777,125
Local Breed	22,500	135,000
Fish/Poultry	1,179,849	1,195,020
Crops Wip	8,036,172	6,515,015
Total Biological	14,720,271	13,713,410

25. INTANGIBLE ASSETS-SOFTWARE

Description	KShs
Cost	
At 30 th June 2018	4,041,984
Additions	
At 30 th June 2019	4,041,984
Additions-	10,416,238
At 30 th June 2020	14,458,222
Amortization and impairment	
At 30 th June 2018	2,419,680
Amortization	324,461
At 30 th June 2019	2,744,141
Amortization	2,342,816
At 30 th June 2020	5,086,957
NBV	
At 30 th June 2020	9,371,265
At 30 th June 2019	1,297,843

26. PAYABLES FROM EXCHANGE TRANSACTIONS

(a)

Description	2019-2020	2018-2019
	KShs	KShs
Contractors Claims	28,335,768	28,335,767
Gratuity & Terminal Dues	11,642,071	11,642,071
Inter – Ministerial Dues	28,176,641	25,894,491
Legal Claims	71,793,281	3,489,195
Service and utilities	1,259,809	1,627,158
Staff Claims (workmen compensation)	151,605	151,605
Unremitted payroll deductions	499,130	499,130
Trade suppliers	306,489,711	263,340,823
Staff leave days provision		
Total trade and other payables (Current)	448,348,015	334,980,240

(b)

Description	2019-2020	2018-2019
	KShs	KShs
Contractors Claims	2,500,000,000	2,500,000,000
Total trade and other payables (Non-current)	2,500,000,000	2,500,000,000

Included in the trade payables above is Kshs. 2.5 Billion loan owed to Cooperative Bank/Erdemann Ltd for which Authority Land title LR NO. 15239 (IR. NO 1504430) is provided and charged as a collateral

27. PROVISIONS

Provisions are recognized when:

- i. A reliable estimate can be made of the obligation,
- ii. It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- iii. The Authority has a present obligation as a result of a past event.

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

28. EMPLOYEE BENEFIT OBLIGATIONS

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	2019-2020	2018-2019
	KShs	KShs	KShs	KShs	KShs
Current benefit obligation	25,597,081	0	0	25,597,081	15,694,465
Total employee benefits obligation	25,597,081	0	0	25,597,081	15,694,465

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

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

29. BORROWINGS

Description	2019-2020	2018-2019
	KShs	KShs
Domestic borrowings	2,000,000,000	2,000,000,000
Balance at end of the period	2,000,000,000	2,000,000,000

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

	2019-2020	2018-2019
	KShs	KShs
Domestic Borrowings		
Kenya Shilling loan from The National Treasury	2,000,000,000	2,000,000,000
Total balance at end of the year	2,000,000,000	2,000,000,000

30. CASH GENERATED FROM OPERATIONS

	2019-2020	2018-2019
	KShs	KShs
Surplus for the year before tax	-180,266,224	-9,190,458
Adjusted for:		
Depreciation	121,119,242	110,011,361
Gains and losses on disposal of assets	-759,242	-2,420,824
Adjustment	28,533,218	
Working Capital adjustments		
Decrease/Increase in inventory	653,091	-17,623,241
Decrease/Increase in receivables	-4,904,314	8,389,576
Decrease/Increase in payables	113,367,775	74,633,062
Net cash flow from operating activities	77,743,547	163,799,476

31. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2020				
Receivables from exchange transactions	217,105,227	27,203,054	33,380,000	156,522,173
Bank balances	274,850,811	274,850,811	0	0
Total	491,956,038	302,053,865	33,380,000	156,522,173
At 30 June 2019				
Receivables from exchange transactions	214,776,113	24,873,940	33,380,000	156,522,173
Bank balances	344,277,964	344,277,964	0	0
Total	559,054,077	369,151,904	33,380,000	156,522,173

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

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

(ii) Liquidity risk management

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

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

	Less than 1 Year	Between 1-3 Year	Over 5 Year	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2020				
Trade payables	113,367,774	248,556,742	2,586,423,498	2,948,348,014
Total	113,367,774	248,556,742	2,586,423,498	2,948,348,014
At 30 June 2019				
Trade payables	16,251,257	232,305,485	2,586,423,498	2,834,980,240
Total	16,251,257	232,305,485	2,586,423,498	2,834,980,240

(iii) Market risk

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

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

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

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

32. RELATED PARTY BALANCES**Nature of related party relationships**

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

Government of Kenya

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

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

	2019-2020	2018-2019
	Kshs	Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from National Govt	677,410,253	551,341,717
Government Loan	0	0
Total	677,410,253	551,341,717
b) Key management compensation		
Directors' emoluments	12,506,007	26,619,291
Compensation to the CEO	4,007,458	4,007,458
Total	16,513,465	30,626,749

EVENTS AFTER THE REPORTING PERIOD

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

33. ULTIMATE AND HOLDING LAKE BASIN DEVELOPMENT AUTHORITY

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

34. Currency

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

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:	Timeframe:
1.0	Inaccuracies in the Financial Statements	<ul style="list-style-type: none"> The changes in net assets is as a result of the amended figures in the adjusted financial statements of Kshs 237,593,151.00 from prior year adjustments of Kshs 150,000,000.00 for legal charges for the mall, Kshs 87,562,237.80 feasibility and Kshs 42,000.00 for audit fees. The difference in cash and cash equivalents as at 30th June 2018 is due to reclassification of staff imprests from cash and cash equivalents to Receivables from exchange transactions. Contracted services include audit fees, cleaning services, consulting services and security services as per note 13. General expenses previously included expenditure items such as cleaning, audit fees, security and consulting fees which have now been reclassified under contracted services (Note 13). Training and staff welfare which were previously classified under employee costs have now been reclassified under General Expenses. 	Managing Director	Resolved	
2.0	Property, Plant and Equipment	<ul style="list-style-type: none"> We take due cognizance that some of our assets require valuation hence the lack of inclusion in the fixed asset register in particular the Lichota Dairy Unit and Ndiwa Honey Refinery. The management has already embarked on the procurement process of revaluation of all Authority assets which will then be presented to the board for approval. The Authority had already included 4 trailers and water buzer at Muhoroni farm. As regards the parcels of land, the Authority has title deeds for various plots, whereas due process is in progress to fast track the acquisition of land ownership documents so as to avert any possible encroachment by the 	Managing Director	Not Resolved	Expected to be resolved by 30 th June 2020/2021

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:	Timeframe:
		<p>public. The management has acquired title deeds for Upper Kanyakwar residential, Lower Kanyakwar non-residential and Migosi Poultry all based in Kisumu. The parcels of land which do not have values were handed back to the communities with their respective projects as a Corporate Social Responsibility to enable the community own the Regional mandate. Such plots include:-</p> <ul style="list-style-type: none"> ○ Solongo Brick Plant ○ Lugari (Livestock Multiplication Centre) ○ Bondo Honey Refinery ● Other plots such as Yala Swamp Complex, Borabu Fish Farm, Ndhiwa Honey refinery and Rongo Fish Farm were allotted to the Authority of which we are in the process of obtaining PDPs and allotment letters for several parcels of land and the current status is herein attached (annex iv). <p>●) Unavailability of assets ownership documents</p> <ul style="list-style-type: none"> ● We wish to clarify that the bulldozer and hydraulic excavator were donations from JICA and the registration process stalled due to misplaced import documents though due process was followed through various ministries (annex iii). ● All the Tractor Models, (Case International) and Kubota were sold by way of tender in previous financial years. <p>The management entered into a contractual agreement with M/s Erdemann Property Ltd for the construction of LBDA Mall in 2013. Due to a delay in payment of the full amount of the initial contract deposit sums, and subsequent installments, the contractor invoiced LBDA Kshs 370,656,063.00.</p> <ul style="list-style-type: none"> ● This cost was levied on finance cost, interest and penalties and running costs as of contractual hand over date. The Parent Ministry appointed a finance expert who based the running cost of Kshs 10,215,066.67 on the reviewed 		Resolved	

LAKE BASIN DEVELOPMENT AUTHORITY

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:	Timeframe:
		<p>documents from both entities and as adopted by the board.</p> <ul style="list-style-type: none"> The payment of interest was approved at a Full board meeting held on 15th December 2017. Interest and penalty which were expensed have now been duly capitalized as per your recommendations. 			
3.0	Receivables from Exchange Transactions	<p>The management has noted your observations and wish to respond as follows:-</p> <p>(i) The amount of Kshs 16,197,753 reflected for ex-board members and ex-staff pertain to historical debts, some of whom are deceased, do not have adequate supporting documents or are untraceable. Most the ex-staff have not been cleared by the Authority hence their dues will not be paid until they do so. The management has initiated due process to have some of the historical debts written off through seeking approvals from the Treasury and the Parent Ministry; as the cost of litigation to recover the debtors which are not supported may prove to be costly.</p> <p>(ii) The main liability held by M/s China Jiangstu Co. Ltd. of Kshs 122,269,659.10 arose as a result of overpayment to the contractor on account of Rice Mill complex. The Authority has engaged an external lawyer, M/s Ngaywa, Ngigi & Kibet Advocates to trace, pursue and recover the previous debt of colossal amount. The external lawyers have been instructed to initiate further litigation charges.</p> <p>(iii) The management has provided a general provision on bad and doubtful debts. Nevertheless, we have noted the concern on the need to put in place a policy for provision for bad debts. A draft policy is in progress and this will be fast tracked and presented to the board for approval in a bid to enhance financial reporting and disclosures.</p> <p>(iv) The figure of Kshs 1,497,906.00 for imprest issued to staff as at the closure of the financial year for official purposes. It is worth noting that in the event that a staff is unable to retire any amounts given to them and it has so</p>	Managing Director	Not Resolved	Expected to be resolved by 30 th June 2020/2021
				Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:	Timeframe:
4.0	Government Loan	<p>exceeded the stipulated time frame, the same is deducted from their individual payroll or terminal dues whichever is applicable. The imprests recovered from the staff dues and payslips are attached as per the copies of deduction payment vouchers. The management regularly issues notices to all staff to retire outstanding imprests held by them as a deterrent measure.</p> <p>i) Loan interest not incorporated in the financial statements. The loan agreement stipulated under Article IV (4.02 & 4.04) that the loan period shall be 20 years with three (3) years grace period all inclusive. Interest accruing over the first year of grace period will be capitalized on the first principal repayment date. The loan interest payable on Kshs 1,500,000,000.00 has now been recognized and capitalized in the amended financial statements.</p> <p>ii.) Use of loan proceeds on activities not related to the Mall debt payment Upon release of Kshs 1,500,000.00 clear instruction was formally given on the utilization of Kshs 79,902,309. This was earmarked for Interim management and logistics of the mall which was approved by the Board. All the payments for operational expenses relating to the mall have been duly supported for your perusal</p> <p>iii) Non-establishment of Joint Oversight Committee A letter was done to the Principle Secretary requesting for members to be appointed in the Joint Oversight Committee as per the loan agreement. However, a reminder is duly attached for your reference. We are awaiting their response.</p>	Managing Director	Resolved	
5.0	Revenue from Exchange Transaction	<p>5.1 Rental Revenue from Facilities and Equipment</p> <p>i) Revenue amounting to Kshs 526,000.00 was received on account of rent paid by M/s Chopard Capital Ltd. The former letting agent has been requested to avail the contract/lease for tenant for your perusal and confirmation.</p>	Managing Director	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:	Timeframe:
		<p>ii) The revenue of Kshs 1,659,775 in relation to service charge from tenants is to cater for operational costs of maintaining the facilities. The process of engaging the Property Manager was still in process and on completion of the same, the expenses will be charged to the respective account. Furthermore the amounts for interim management and logistics is available for mall related expenditures.</p> <p>5.2 Finance Income –External Investment The management has noted your observation and wish to ensure you that the board is usually notified on the action taken by management as a mitigating measure to safeguard the monies for the intended purposes. The management did a board paper for the same which was approved in the 95th Full Board Committee meeting.</p>			
6.0	Materiality uncertainty relating to Going Concern	The negative performance as observed in 2016/2017 and 2017/2018 is majorly due to the pending bill of Kshs 2.5 billion on account of LBDA Mall. This is included in our Accounts payables schedule. The management has received goodwill and support of the Government through a disbursement of Kshs 2 billion as loan top offset the pending bill due to the contractor (M/s Edemarrn Property Ltd). The Authority has requested the Treasury to allow us take over the loan to facilitate the payment to Co-operative bank on amicable terms so as reduce the escalation of the interest. We are positive that the matter will be resolved and that the Mall will be officially opened and fully operational in 2019 financial year to allow inflows as expected.	Managing Director	Not Resolved	Expected to be resolved by 30 th June 2020
7.0	Lake Basin Development Company Limited	Lake Basin Development Authority filled a notice to the Registrar of Companies in 1989 to have the Rice Mill operate as a registered company. To this end, the details of the status are appended for your records and information. The company is wholly owned by LBDA and documents of these	Managing Director	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:	Timeframe:
EMPHASIS OF MATTER					
1.0	Budget Performance	<p>We wish to emphasize that the variance in negative revenue targets was due to lack of development grants for the financial year 2017/2018. The authority submitted their budgetary request to the Treasury as required and was approved but no funds were received which affected our revenue generation. Increase in rental revenue from facilities and equipment relate is actually Kshs 4,580,158.00 which is from rent received from the Mall and LBDC godowns for the year under review as indicated in the financial statements under notes 6 and 34.</p> <p>The variance in expenditures arose from the disbursement of Supplementary budget for payment of staff commuter and house allowance arrears by the Treasury. This was done in line with Salaries and Remuneration Commission (SRC) approvals on the reviewed civil servants allowances from 2012 which the Authority had not implemented. The authority to utilize the Supplementary budget was approved in the Full board meeting.</p> <p>The costs factored under contracted services was as a result of Government disbursement through our Parent Ministry, released development funds to implement drought mitigation strategies through boreholes construction as a National Government initiative along with other RDAs and selected State departments during the course of the year.</p>	Managing Director	Resolved	Expected to be resolved by 30 th June 2020/2021
2.0	Formalization of Takeover of Principle Loan Amount for the Mall	<p>We have noted your observations and wish to respond as follows:-</p> <p>i) M/s Erdemann Property Ltd procured the loan from Co-operative bank as the loanee. LBDA did not sign a loan agreement with the bank hence the management request to Treasury through the Parent Ministry to take over the</p>	Managing Director	Not Resolved	Expected to be resolved by 30 th June 2020/2021

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:	Timeframe:	
3.0	Construction- Amount Due to Kenya Revenue Authority	<p>loan. The Government allocated additional funding in 2017/2018 financial year for the LBDA Mall project under the then Ministry of Devolution and Planning which was approved by the National Assembly for the pending bills (annex xiv).</p> <p>ii)The management has requested for authority to take over the loan which is being awaited and is currently in active conversation involving LBDA management and board, Parent Ministry officials, Treasury officials and representatives of Attorney General office on any issues pertaining to any further claims where admissible (annex xv).</p> <p>iii)As at the end of the year, the developer had not instituted further claims from the Authority.</p> <p>It is true that included in the payables from exchange transactions are Inter-Ministerial dues of Kshs 38,879,042 and Kshs 34,409,533 payable to KRA. The figure for Inter-Ministerial dues relate to outstanding rent and rates for various counties where the Authority has its projects. The management has since submitted a Supplementary budget for 2018/2019 financial year requesting for funding for purposes of offsetting pending bills. The funding disbursement is being followed up with Treasury.</p> <p>The amount owed to KRA for tax arrears was initially Kshs 38,692,731.00 in respect of the principal sum of Kshs 23,049,922.00 and interest of Kshs 15,642,809. So far the principal amount has been fully paid off, the interest and penalties amount of Kshs 15 million has been requested by the management for waiver</p>	Managing Director	Not Resolved	Expected to be resolved by 30 th June 2020	
Report on Compliance, Lawfulness and Effectiveness in use of Public Resources						
1.0	Over Committed of salary	<p>1. Over Commitment of Salary We have noted your observation on the over commitment of salary by various staff members. The management will in future ensure adherence to the</p>				Resolved

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:	Timeframe:
2.0	Contravention of Procurement Law	<p>Employment Act and that staff are advised and guided to live within their abilities.</p> <p>2. Contravention of Procurement Law</p> <p>2.1 Motor Vehicle Running Expense</p> <p>The management wishes to confirm that the availability of procurement documents for services procured for the mentioned suppliers.</p> <p>i) Fuel replenishment of Kshs 723,010 was derived from Total Kenya. The company provides fuel to all the Authority vehicles and this was based on a Government directive in 2013/2014 to all state departments, when fuel cards were then introduced and implemented in a bid to enhance accountability and to ensure procurement of unadulterated fuel from unregistered filling stations.</p> <p>Based on market knowledge and extensive coverage of Total stations within the area of LBDA's mandate, Total Kenya was identified to provide seamless service to the Authority.</p> <p>ii) Repair of Authority vehicle KBL 686G was carried out at Toyota Kenya, a reputable company identified via market surveys to affirm the market knowledge that it is the sole manufacturer and source of genuine Toyota spare parts in the Country.</p> <p>These services were procured in compliance with Section 103 (1) and 103 (2) of the Public Procurement and Assets Disposals Act 2015 which refers to when Direct Procurement can be used by a procuring entity.</p> <p>iii) Motor vehicle spare parts. These were procured from a prequalified supplier who was awarded the tender for the goods supplied.</p> <p>iv) The service for the repair of Bulldozer amounting to Kshs 1,000,000.00 was procured via a duly constituted Tender Committee, operating under the now repealed Public Procurement Disposals Act 2005. The Tender committee minutes for the same are available for further perusal. The works on the Komatsu took longer than</p>	Managing Director	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (<i>Name and designation</i>)	Status:	Timeframe:
		<p>anticipated due to challenges experienced by both parties to the contract.</p> <p>2.2 Legal Services The management engaged the services of the law firm to handle a pending tax penalty case. The services were procured due to the expertise of the firm that lodged our appeal in the tribunal resulting in a reduction of the original figure.</p> <p>2.2 Extension of Contracts for Suppliers The aforementioned services were procured via request for quotation as per provisions of the Public Procurement and Assets Disposals Act (2005 repealed) and 2015 from an existing list of prequalified suppliers. As per Section 7.5 (s) of the General Procurement and Disposal Manual of 2009, for contracts within the Maximum threshold, it states that...‘a written contract may not be necessary and orders may be placed using a local purchase order or a local service order.’ The LSOs (Local Service Order) for the contracted services as indicated for cleaning and security have requests for extensions and approvals from the Accounting Officer are hereby attached for your perusal and confirmation (annex xix). The Public Procurement and Disposals Regulations 2006, in the First Schedule highlights the threshold matrix for procuring entities.</p> <p>For reduction of risks going forward, the Authority is intends to enter into written contracts for the mentioned service providers in addition to LPOs and LSOs. All payments to service providers for contracted services are matched to the respective LPOs and LSOs and there are no variations to the originally awarded amounts on the face of the documents of engagement.</p>			

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


 Chairman of the Board

Managing Director

Date.....

Date.....

APPENDIX II: INTER-LAKE BASIN DEVELOPMENT AUTHORITY TRANSFERS

LAKE BASIN DEVELOPMENT AUTHORITY:			
Break down of Transfers from the State Department			
FY 2019/2020			
a. Recurrent Grants			
	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
	August 2019	33,968,662.80	FY 2019/2020
	September 2019	19,857,180.95	FY 2019/2020
	October 2019	53,825,843.75	FY 2019/2020
	February 2020	53,825,844.00	FY 2019/2020
	May 2020	35,883,896.00	FY 2019/2020
	June 2020	17,941,947.75	FY 2019/2020
	Total	215,303,375.25	
b. Development Grants			
	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
	November 2019	226,964,000	FY 2019/2020
	February 2020	226,964,000	FY 2019/2020
	Total	453,928,000	

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

Finance Manager
Lake Basin Development Authority

Sign  -----

Head of Accounting Unit
Ministry of EAC&RD

Sign-----

LAKE BASIN DEVELOPMENT AUTHORITY

Annual Reports and Financial Statements for the year ended June 30, 2020

APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

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