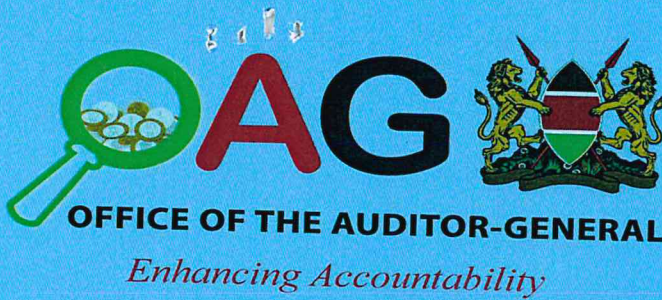


REPUBLIC OF KENYA

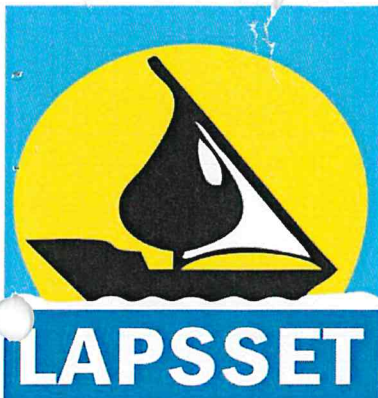


THE AUDITOR-GENERAL

ON

**LAPSSET CORRIDOR DEVELOPMENT
AUTHORITY**

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



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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**Building Transformative and
Game Changer Infrastructure
for a Seamless Connected Africa**

ANNUAL REPORT & FINANCIAL STATEMENTS

2019 - 2020

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

LAPSSET Corridor Development Authority

Annual Report and Financial Statements For the period ended 30th June 2020

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ABBREVIATIONS

AfDB	African Development Bank AfDB
CSI	Corporate Social Investment
DBSA	Development Bank of Southern Africa
DfID	Department for International Development.
EIA	Environment Impact Assessment
ESIA	Environmental and Social Impact Assessment
FEED	Front End Engineering Design
FY	Financial Year
IFRS	International Financial Reporting Standards
IGAD	Intergovernmental Authority on Development
IPSAS	International Public Sector Reporting Standards
JDA	Joint Development Agreement
LAPSSET	Lamu Port South Sudan Ethiopia Transport
LCDA	LAPSSET Corridor Development Authority
LCP	LAPSSET Corridor Program
MDAs	Ministries, Departments and Agencies
MTBS	Maritime Transport Business Solution
NEMA	National Environmental Management Authority
NEPAD	New Partnership for Africa's Development
PFM	Public Finance Management
PIIP	Privately Initiated Investment Proposal
PPMT	Pipeline Project Management Team
PSASB	Public Sector Accounting Standards Board
SEA	Strategic Environmental Assessment
SEZ	Special Economic Zone
SKETS	Support to Kenyan Energy and Transport Sector
TA	Transactional Advisor
TEU	Twenty-Foot Equivalent Unit
UK	United Kingdom
UNECA	United Nations Economic Commission for Africa
WWF	World Wildlife Fund

PART I

ANNUAL REPORT

2019/2020

KEY ENTITY INFORMATION AND MANAGEMENT

Background Information

The LAPSSET Corridor Development Authority (LCDA) is a State Corporation established pursuant to a Presidential Order, LAPSSET Corridor Development Authority Order, 2013 as per the Kenya Gazette Supplement No. 51, Legal Notice No. 58 of March 2013. The Authority is domiciled in the Ministry of Transport, Infrastructure, Housing and Urban Development with Headquarters in Nairobi.

The Authority is mandated with overseeing the implementation of the LAPSSET Corridor Program (LCP) which is a regional multi-modal infrastructure Program encompassing transboundary transport Project components linking Kenya with the neighbouring States of the Federal Democratic Republic of Ethiopia and the Republic of South Sudan. The regional Infrastructure components are:-

- i. Inter-regional Highways from Lamu - Garissa - Isiolo, Isiolo – Lodwar - Nakodok and Juba (South Sudan), Isiolo to Moyale and Addis Ababa (Ethiopia), and Lamu to Garsen;
- ii. Inter-regional Standard Gauge Railway lines from Lamu to Isiolo, Isiolo to Nakodok (Kenya/South Sudan border) and Juba (South Sudan), Isiolo to Moyale (Kenya/Ethiopia border) and Addis Ababa (Ethiopia), and Nairobi to Isiolo;
- iii. Crude Oil Pipeline from Lamu to Isiolo, Isiolo to Nakodok and Nakodok to Juba (South Sudan);
- iv. Product Oil Pipeline from Lamu - Isiolo - Moyale (Kenya) and Moyale to Addis Ababa (Ethiopia);

The other LAPSSET Corridor Program components as defined in the vision 2030, Kenya's long-term Development Plan include: -

- i. Lamu Port at Manda Bay consisting of 32 Deep Sea Berths;
- ii. International Airports at Lamu, Isiolo, and Turkana;
- iii. Resort Cities at Lamu, Isiolo and Turkana;
- iv. Merchant Oil Refinery at Lamu;
- v. High Grand Falls Multipurpose Dam;
- vi. Fiber Optic Cables and Communication Systems

Principal Activities

The Mandate of LCDA is to Plan, Coordinate, and Sequence the implementation of the LAPSSET Corridor Program. These project components are implemented by different government Ministries, Departments, and Agencies (MDAs). LCDA plays a pivotal role in providing effective leadership in their implementation and timely execution. LCDA, therefore, undertakes cross-cutting and overarching roles by bringing together the Implementing Agencies and stakeholders to create synergies and ensure the projects are synchronized.

The Authority further plays a significant role in guiding policy, mobilizing resources as well as Monitoring and Evaluation (M&E) of the program components. Besides the fore stated, the Authority provides operational and technical oversight for the LAPSSET Corridor program to

ensure the different Agencies deliver on their mandate. This mandate is derived from the Authority's functions as stipulated below:-

- i. To Plan, Coordinate, and Sequence the LAPSSET Corridor projects in collaboration with the implementing Ministries and Agencies;
- ii. To Coordinate implementation of LAPSSET Corridor projects across implementing Ministries and Agencies;
- iii. To Provide leadership, direction, and guidance in operations and implementation of the LAPSSET Corridor;
- iv. To ensure timely implementation of the decisions and resolutions of the government;
- v. To Mobilize funds for project components using a variety of resources including budgetary resources from government, donor loans, infrastructure bonds, and private finance;
- vi. In collaboration with the relevant National and County government departments, to build the capacity of LAPSSET Corridor towns to manage the urban growth resulting from LAPSSET Corridor investments;
- vii. To Promote the competitiveness and use of the LAPSSET Corridor for the transport of goods and people; and
- viii. To Provide a forum for the stakeholders in the LAPSSET Corridor.

Who are we

A state corporation established vide the Presidential Order, LAPSSET Corridor Development Authority Order, 2013 contained in the Kenya Gazette Supplement No. 51, Legal Notice No. 58 of March 2013.

Our Vision

A premier institution in delivery of a vibrant LAPSSET Corridor with world class transformative and game changer infrastructure.

Our mission

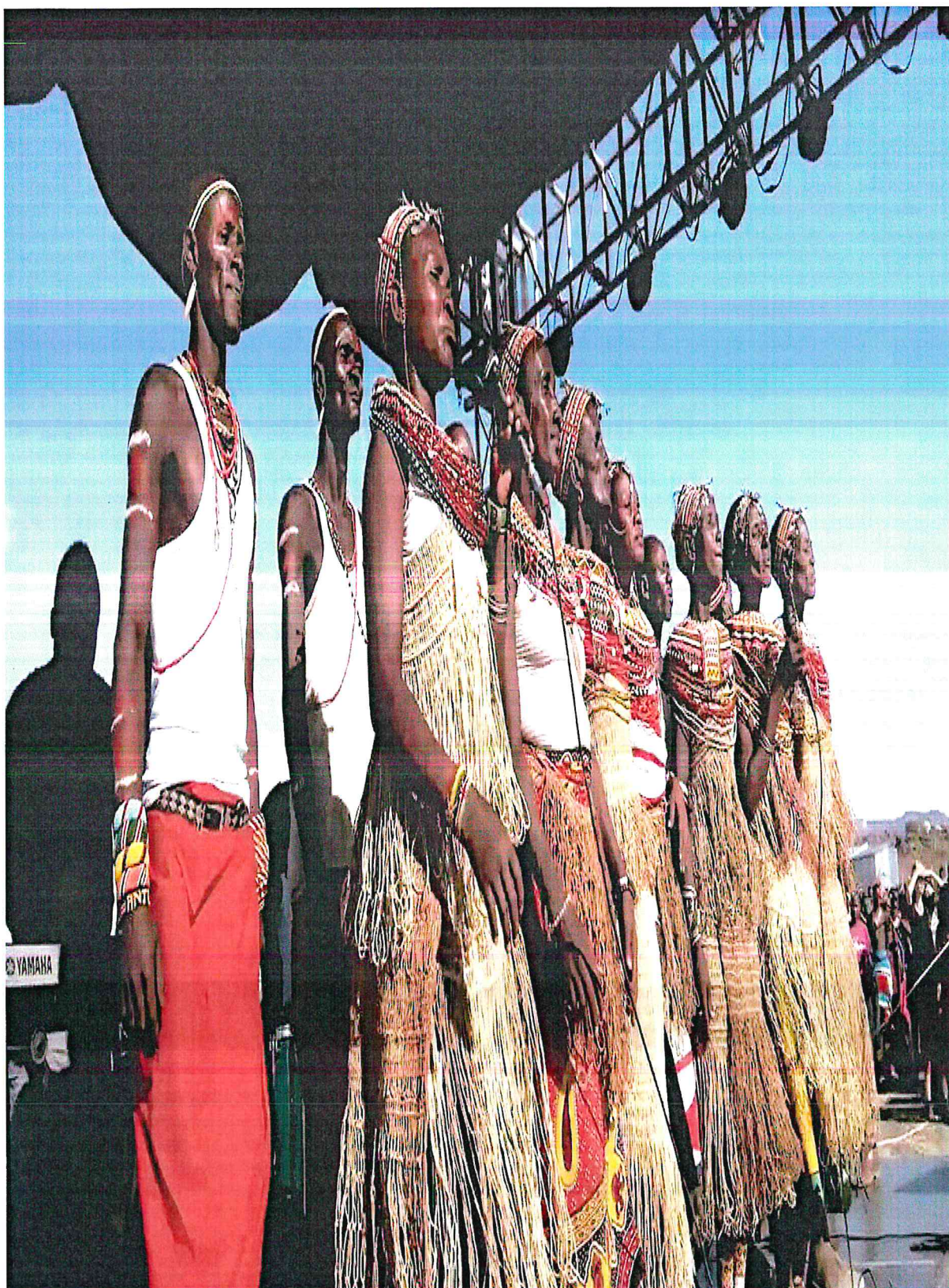
To provide effective and efficient leadership in the delivery of transformative and game changer infrastructure in the LAPSSET Corridor.

Core values

- Integrity
- Sustainability and Public Participation
- Equity and Equality
- Commitment and Teamwork
- Innovation



OUR PEOPLE



Key Management

The LCDA day-to-day management is under the following key organs:

- i. Board of Directors;
- ii. Director-General/CEO;
- iii. Management; and
- iv. Fiduciary Management

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

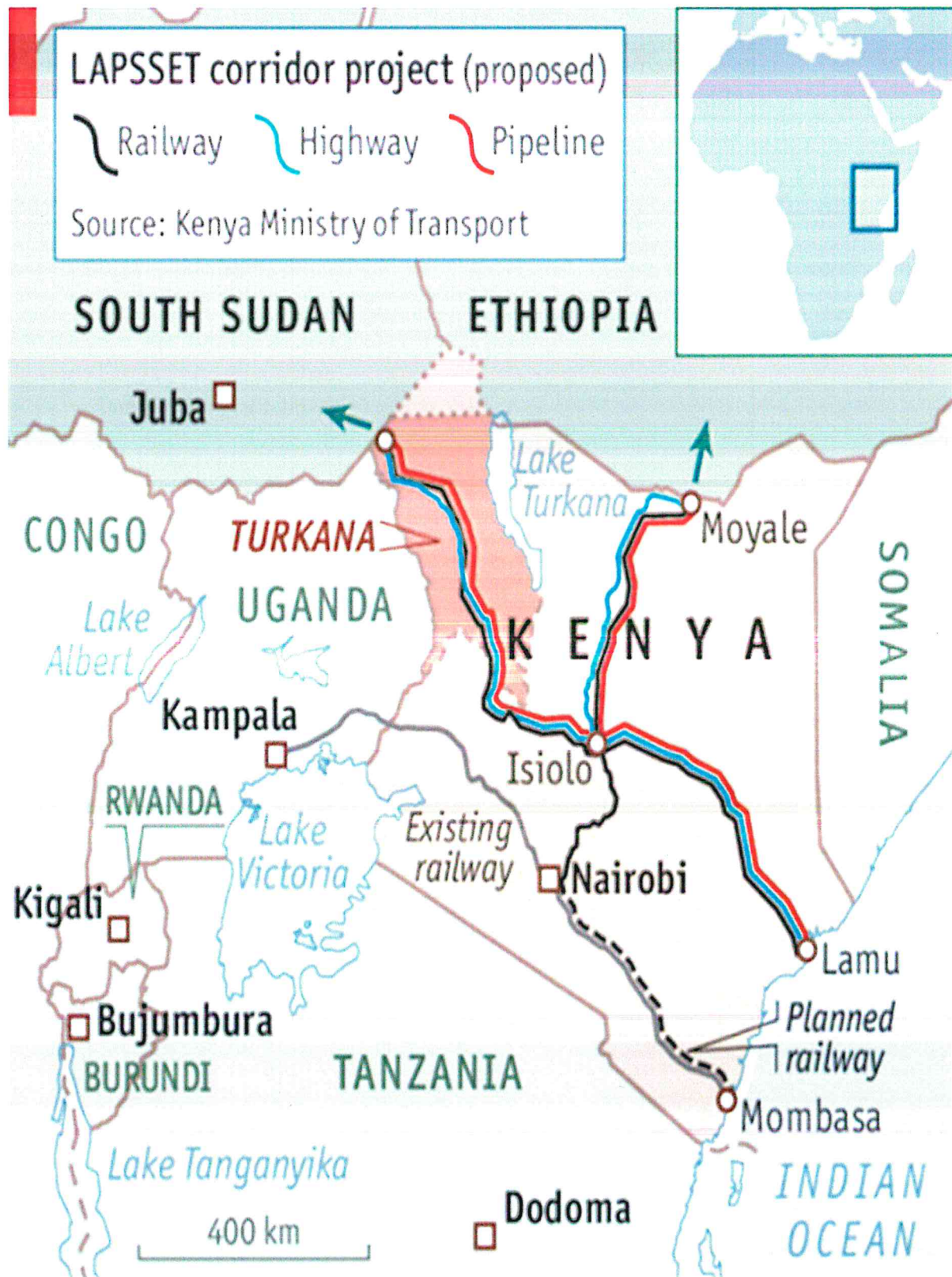
#	Name	Designation
1.	Silvester Kasuku	Director-General/CEO
2.	James Achuka	Ag. Human Resources & Administration Officer
3.	Benard Oluoch	Ag. Finance Manager
4.	Norman Muraya	Ag. Planning
5.	Morris Owili	Ag. Accounts Manager
6.	Benjamin Mutea	Procurement Officer
7.	Benson Thuita	Corporate Affairs Officer
8.	James Muigai	Ag. Chief Internal Auditor

Fiduciary Oversight Arrangements

The following fiduciary arrangements were in place during the 2019/20 Financial Year.

COMMITTEE	MEMBERSHIP	RESPONSIBILITIES
Finance & Administration Committee	<ul style="list-style-type: none"> • Mr. Jack Chebett – Chairperson • Martha Wariitthi- Member • Hon David Ngugi- Member • Principal Administrative Secretary/ Alternate – Cabinet Affairs Office in the Presidency • Principal Secretary / Alternate – The National Treasury • Principal Secretary / Alternate – State Department of Transport • Principal Secretary / Alternate – State Department of Tourism; • Principal Secretary / Alternate – State Department of Water; • DG Vision 2030 • Silvester Kasuku – Secretary 	<ul style="list-style-type: none"> • Oversee the preparation of the LCDAs budget. • Review the LCDA’s annual budget before submission and after approval by the National Treasury; • Review quarterly Financial Monitoring Reports (FMR); • Review periodic operational budgets and financial statements; • Monitor the continuing efficacy of accounting and internal control; • Comply with the Government financial management regulations; • Monitor the performance of key finance and accounts staff against approved performance contracts; • Oversee the annual procurement plans including the externally funded projects; • Recruit and develop of staff of LCDA; • Monitor and appraise the performance of senior management, review human resource policies, determining the remuneration of senior management, and other staff.
Audit Committee	<ul style="list-style-type: none"> • Eng. Karanja Mburu– Chairperson • Hon Abdalla Ngozi- Member 	<ul style="list-style-type: none"> • Monitor the implementation of the risk management policy framework; • Monitor and ensure timely implementation of

COMMITTEE	MEMBERSHIP	RESPONSIBILITIES
	<ul style="list-style-type: none"> • Principal Secretary / Alternate – Ministry of Tourism; • Principal Secretary / Alternate – The National Treasury • Principal Secretary / Alternate – Ministry of Energy & Petroleum • Mr. James Muigai Ag. Chief Internal Auditor – Secretary 	<p>recommendations of various fiduciary oversight responsibilities, including internal and external auditors, Government project monitoring agencies, and externally funded projects' periodic review and supervision missions;</p> <ul style="list-style-type: none"> • Oversee continuing efficacy of accounting and internal control standards, policies, and practices; • Ensure compliance with legal covenants of Development Partners funding agreement on projects by them; and • Monitor the performance of key internal audit staff against approved performance contracts.



Headquarters

**P.O Box 45008-00100
Chester House, 2nd Floor,
Koinange Street
Nairobi, Kenya**

Contacts

**Telephone: (254)-02-20-2219098
E-mail: dg@lapsset.go.ke
Website: www.lapsset.go.ke**

Bankers

**Kenya Commercial Bank
Moi Avenue Branch
P.O. Box 30081-00100
Nairobi**

**Co-operative Bank of Kenya
Parliament Road
P.O Box 5772-00200
Nairobi**

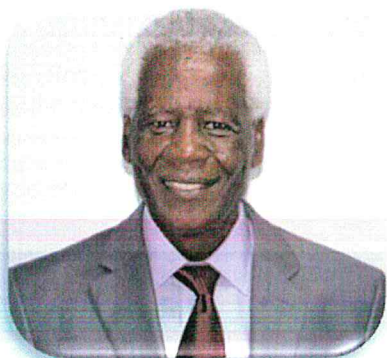
**National Industrial Credit (NIC)
NIC House, Masaba Road
P.O Box 44599-00100
Nairobi**

**CFC and Stanbic Bank
Lion Place, Waiyaki Way
P.O Box 72833-00200
Nairobi**

**Independent Auditors
Auditor General
Office of Auditor General
Anniversary Towers University way
P. O. Box 30084
GPO 00100
Nairobi Kenya**

**Principal Legal Adviser
The Attorney General
Office of Attorney General
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya**

THE BOARD OF DIRECTORS



Titus Ibui, EGH

Mr. Titus Ibui is the Chairman, Board of Directors of LCDA. He is also the Executive Director of Bell Industries, Council Member of China Africa Friendship Association Kenya Chapter, Director of Blue Waters Resort- Diani-Board, a Real Estate Development Company. He is also former Chairman of Kenya Leather Development Council Board and Vipigo Investments - Real Estate Development. Mr Ibui has also served as a Member of the Management Board of the Methodist Guest House Ltd and former Chairman of Finance and Personnel Sub Committee of Methodist Guest House as well as member of Board of Trustee of Kenya Methodist University. Further he served in the position of the Chairman of resource mobilization sub-committee of the trustee, Council and the Senate of the University. Currently, Mr. Ibui serves in the Board of Directors of Kingsway Institute and GCA. Mr. Ibui has worked as technical and Marketing Manager for Shell International Chemical Group. He is a member of British Institute of Management (MBIM), Member of Kenya Institute of Management (MKIM), a Member of Marketing Society of Kenya (MMSK).



Mr. Jack Chebett

Jack K. Chebett joined the Board in February, 2019. He is the Chairman of Finance and Administration Committee. Mr. Chebett is an astute Business Executive with invaluable Sector experience in Petroleum, Transport & Logistics, Agribusiness, Cement Manufacturing and Telecommunications. Currently Chebett is the Chairman of Oil Marketers Association of Kenya (OMAK), Director Petroleum Institute of East Africa (PIEA), Vice Chairman East Africa Petroleum Transporters Association (EAPTA) and Board Member of Supply cor (K) Ltd. He is the founder and Chairman of Stabex International since 2009. In the past, he has served as a Director and Chairman of public institutions in seed production and marketing; Kenya Seed Company Ltd and Kibo Seed Co. Ltd-Tanzania. Chebett has diverse business interests in the Agribusiness, Oil & Gas and Logistics Sectors. He has more than 20 years of commercial, business and leadership experience. His professionalism, competencies and integrity have seen him appointed to executive positions in various organizations within East Africa. Chebett holds an MBA in International Business Management from the University of Nairobi and a Bachelor of Commerce degree in Marketing from Catholic University of Eastern Africa.

**Martha Wariithi**

Martha Wariithi joined the Board in February, 2019. She is an Economist by profession with extensive Strategy and Insights experience from working in Africa, Europe and Asia for over 20 years conducting market and social research for major Blue Chip companies among them; Diageo, Unilever, MTN, Barclays Bank and Major NGOs like Red Cross, United Nations, DFID, among others. In recent years she has worked for The Coca-Cola Company where she rose to the level of Strategy and Insights Director for the region in-charge of 84 countries based in the India sub-continent and more recently Turkey as the Director for EurAsia Africa Group. With a sincere interest in areas of community development on issues impacting women and children in emerging markets and developing sustainable solutions, Martha currently also serves on various boards including The Flying Doctors Society of Africa, The Beth Mugo Cancer Foundation. She previously served as Director, The Bomas of Kenya. She holds a BA Economics & Sociology from University of Nairobi (Kenya) and a Masters in Local Economic Development from Middlesex University (UK).

**Hon. Abdallah Jumaa Ngozi**

Abdallah Jumaa Ngozi joined the LAPSSET Board in June 2019.

He has extensive training in port manager; he undertook his trainings in Kenya, France and the Netherlands. He gained over 28 years of experience in port management at the Kenya Ports Authority where he had risen to the position of an Operations Manager. In 2002 he was elected to the Kenya National Assembly to represent Msambweni Constituency in until 2007. In parliament he was an active member of the Foreign Relations, Security and Health Departmental Committees. After parliament Ngozi established a successful Hotel and Petroleum business in Kwale at the coast where he is the Executive Director up to date.



Hon David Ngugi HSC, MBA, ACII (UK), AII (K)

Has over 30 years' experience in leadership and management (both private & public sector). Is a career insurance professional having held various leadership roles from GM, MD, Executive Director & Chairman in several companies: Corporate Insurance Co, Association of Kenya Insurers (AKI), Phoenix Assurance, UAP Provincial now Old Mutual etc. Has consulted & trained for State University of New York, Canadian Aid & Development Agency, Westminster Foundation for Democracy & approximately half of the counties on leadership, management, governance & devolution. Served as the MP Kinangop Constituency 2008-2012 & member (Chair) Local Government Authorities, Public Accounts, & Constitutional Implementation Oversight committees & various government's taskforces. Directorships & memberships have included Chairman of AKI, Insurance Institute of Kenya (IIK), College of Insurance, KEPSA, FKE, NHIF, NEMA, etc. Has delivered management & professional papers to institutions & professional societies like: LSK, IIK, Institute of Arbitrators, & University of Nairobi. Currently, he is the Managing director & CEO of Directline Assurance, the number one PSV insurer. He is an avid golfer & former Chairman Muthaiga Golf Club & Kenya Golf Union



Eng. Karanja Mburu Wamatangi

He joined the LAPSSET Corridor Development Board of directors in June 2019, serving as Chair of the Audit and Risk Management Committee. He holds a Masters in Engineering Project Management, Bachelors of Science in Organizational Leadership Management, and Associate's in Business Administration. He has served as Executive Director of Can-Do Kids International in Kenya since 2011 and is the founder of Can Do Kids Kenya. He serves as a Can-Do Kids resource mobilizer and a bridge to link resources in western countries and Kenya with the extreme needs of children and youth in rural Central Kenya. He worked in management for Seneca Foods, one of the world's leading food processors, for more than 17 years. He served on the board of Kenya Community Abroad in the US and Murang'a School of Hearing Impaired. He is an honorary member of the Murang'a Rotary Club.



Silvester Kasuku, MBS, CMILT MKIP, MTCPAK, MAAK-TP

DIRECTOR GENERAL/CEO

He is the Director General/CEO & Secretary to the Board of Directors. Mr. Kasuku is a former Lecturer at the University of Nairobi, School of the Built Environment. An expert in infrastructure and services management policy, he was a Consultant/ Technical Advisor on the Kenya Roads Sector Institutional and Legal Reform of Government of Kenya between 2002 to 2008. Awarded the Moran of the Burning Spear (MBS) by H.E President Mwai Kibaki for the distinguished service he has rendered to the Kenyan nation. Mr. Kasuku is a member of various Professional Societies. He is a Chartered Member of the Institute of Logistics and Transport (CMILT), He is a Corporate Member of the Architectural Association of Kenya – Town Planners Chapter (MAAK-TP) and also a member of the Institute of Environmental Assessment, Kenya and a Member of the Kenya Institute of Planners.



Dr. Eng. Joseph Njoroge, CBS

The Principal Secretary, the State Department of Energy, Ministry of Energy & Petroleum. He holds an MBA with a major in strategic management and a First Class Honours Degree in Electrical Engineering. He is a Registered Consulting Engineer, a Chartered Engineer, a Member of the Institution of Engineering & Technology (UK), a Fellow of the Institution Engineers of Kenya, a member of the Institute of Directors of Kenya and a trainer in Corporate Governance. He is the former Managing Director of Kenya Power & Lighting Company Limited, the country's transmitter, distributor and retailer of electricity, a position he held for six years.



Mr. Solomon Kitungu

The Principal Secretary for the State Department for Transport in the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works.

As the Principal Secretary in charge of Transport, he is responsible for the Transport Policy Management, Rail Transport & Infrastructure Management, Fast Tracking Identified Northern Corridor Integration Projects, Oversight and Co-ordination of Lamu South Sudan Ethiopia Transit Corridor (LAPSSET) Programme Implementation, Civil Aviation Management and Training, Maritime Transport Management and Development and Maintenance of Air Strips among other port related fields. Mr. Kitungu hold, a Bachelor of Arts degree in Economics (1981) from the University of Nairobi and has a Master of Arts degree in Economics (1990) from the University of Manchester, United Kingdom. Mr. Kitungu has attended the Advanced Management Programme at Strathmore Business School and University of Navara Barcelona, Spain and many other trainings in public sector management, investments reforms, privatizations, infrastructure and Public Private Partnerships.

He joins the State Department for Transport from the National Treasury and Planning ministry where he was an Investment Director from 2003 – 2009 and October to January 2020. Prior to this, he served as the Executive Director of the Privatization Commission from 2009 – 2017 and in other positions from January 1988. In this capacity Mr. Kitungu also served as an alternate director for the National Treasury in many boards of State Corporations.



Dr. Julius Muia, EBS

The Principal Secretary, State Department of Planning in The National Treasury & Planning, Co-opted Member and is the former Director General, Vision 2030 Secretariat. Dr. Muia worked as an assistant Audit Manager, Price Waterhouse from 1986-1989 in Manchester, United Kingdom. Later worked at Lonrho Hotels as a group Financial Controller from 1990-1992; Finance director at the Safari Park Holdings Ltd from 1992-1995, Group Finance director at Unga Group Ltd from 1995-2001, Finance Director and chief Operating officer at Housing Finance Company of Kenya from 2001-2008. Since April 2008 Julius served as the Secretary and CEO of the National Economic and Social Council, Office of the President. He also a train on Leadership and teaches in Strathmore Business School.



Mr. Joe Okudo, CBS,

The Principal Secretary, State Department for Tourism, Ministry of Tourism and Wildlife. He has previously served as the PS for Sports and Culture. Mr. Okudo also worked with the Danish Embassy in Kenya (Danida) from 2002 – 2014 where he held several senior positions which included; Business to Business Programme Officer between 2002 – 2010 as well as Business Sector Programme Support Manager, Team Leader of the Private Sector Development Support Programme and Global Green Growth Forum (3GF) Coordinator between 2012 – 2015 where he was responsible in management and coordination of the Danida Business Advocacy Fund and the Climate Innovation Centre. He also served as the Team Leader of the Business Sector Support Programme as well as the Co-Chair of the Private Sector Donor Coordinating Group in Kenya. He also served as a member of the Programme Investment Committee of Trade Mark East Africa Group. Mr. Okudo holds a Bachelor of Arts Degree from the University of Nairobi and a Masters Degree in Business Administration (MBA) from Copenhagen Business School/Innoro University.



Dr. Nicholas Muraguri

The Principal Secretary, Ministry of Lands and Physical Planning, Co-opted Board Member. Dr. Muraguri a doctor by profession. He Holds a bachelor's degree in Surgery and Medicine and a Masters in Public Health. He also holds a Master's degree in Business Administration. Dr. Muraguri also holds postgraduate certificates in Health Communication from John Hopkins' Bloomberg School of Public Health, and Applied Epidemiology from Nairobi University.



Joseph W. Irungu CBS

The Principal Secretary, Ministry of Water and Sanitation, Co-opted Board Member. Mr. Irungu is an Administrative Officer by profession and has served in different administrative capacity in the Government of Kenya. He brings in a wealth of experience in administration having served in various positions in the Ministry of Interior & Coordination of National Government as follows; Principal Administrative Secretary, Secretary of Administration/Internal Security, Director of Administration, Senior Deputy Provincial Commissioner, District Commissioner (Bungoma District), District Officer in Nyanza, Coast and Central Provinces and as an Assistant Secretary, Ministry of Local Government. Mr. Irungu holds a Bachelors of Arts Degree from University of Nairobi and an MBA from JKUAT. He is a member of Kenya Institute Management (KIM) and Kenya Association of Public Administration and Management (KAPAM).



Kennedy Kihara, CBS

The Principal Administrative Secretary in the Executive Office of the President. Mr. Kihara is also the Assistant Secretary to the Cabinet. In this capacity he sits in the National Security Council and the National Security Advisory Committee and acts as the link between the Office of the President with National Security Organs. He is also in-charge of Parliamentary affairs in the Office of the President and therefore the link between Parliament and the Executive. Being in charge of Commissions in the Executive Office of the President he presides over the appointment of Chairpersons and members of Constitutional Commission as well as the recruitment of Heads of Independent Offices and State Officers. He was the pioneer Chief Executive Officer of the Interim Independent Electoral Commission (IIEC where he was instrumental in setting up the structures for the electoral Body. he has also served as the secretary to several for several Commissions of Enquiry as well as head of policy writers' team. Mr Kihara holds a Masters of Business Administration degree from Maastricht School of Business and a Bachelor of Arts degree in Political Science from the University of Nairobi and has undertaken specialist training in Israel, Austria, India and the United Kingdom.

MANAGEMENT TEAM



**Silvester Kasuku, MBS, CMILT MKIP, MTCPAK, MAAK-TP
DIRECTOR GENERAL/CEO**

Holds a Masters Arts Degree (MA) Planning

Has Over 13 years in the service.



Norman N. Muraya

Ag. Planning Manager

Holds a Masters Arts Degree in Economics

Has Over 15 years in the service



Morris Owili

Ag. Accounts Manager

Holds Masters – Finance & MIS

Has Over 27 Years of service



James E. Achuka

Ag. Human Resources and Administration Officer

Holds BA (Sociology)

Has Over 13 years in service

**Benjamin Mutea**

Procurement Officer

Holds BA (Economics) and CIPS (UK)

Has Over 15 Years of Experience

**Benard Oluoch**

Ag Finance Manager

Holds MSC Finance and Investments and CPA K

Has Over years of Experience

**James Muigai**

Ag. Chief Internal Auditor

Holds MBA- Finance and CPA (K)

Has Over 14 years of experience

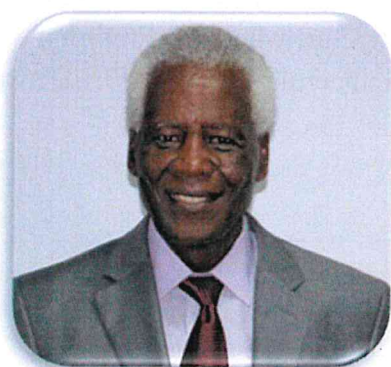
**Benson Thuita**

Corporate Affairs Officer

Holds BA (Communications)

Has Over 6 years of Experience

CHAIRMAN'S STATEMENT



Titus Ibui, EGH,
Chairman – LCDA Board

“It has been a pleasure to once again chair the LAPSSET Corridor Development Authority Board and I am delighted to present the Annual Report and Financial Statements for the year ended 30 June 2020”.

INTRODUCTION

On behalf of the Board of Directors of LAPSSET Corridor Development Authority (LCDA), I am delighted to share the Annual Report and the Financial Statements for the Year ending 30th June, 2020.

LCDA is championing the development of a second Strategic Corridor in Kenya to effectively serve our neighbouring countries. This investment is well grounded in positioning Kenya as a transport and logistics hub while more significantly contributing to enhanced regional trade and integration.

Revenue

The Government of Kenya and Development partners have continued to support LCDA as we continuously strive to contribute to the realization of the national development blue print, the Vision 2030. In the financial year 2019/20, LCDA received Kshs 330 Million from the Exchequer while at the same time extensive support was given by Development Partners towards undertaking the Transactional Advisory Consultancy, completion of the Integrated Transport Master Plan for Lamu and the Outer Corridor Master Plan.

Strategy

The period under review presented a unique opportunity for stock taking on the achievement of the Authority since inception. The Authority undertook a comprehensive Corporate Strategic Plan review purposely to align with Medium Term Plan III (MTP III). Other key considerations that informed the extension of the Strategic Plan were the Big Four (4) Agenda, the Sustainable Development Goals (SDGs) and emerging issues that are central to delivery of our mandate.

Key Achievements

The LAPSSET Corridor Program is founded on strong principle of inclusive, participatory and consultative stakeholders process. We do acknowledge that working with these stakeholders is

a great privilege and has been very fruitful. As part of your strategy to deliver the LCP, we continue to partner with the implementing agencies, government institutions and county governments. This has resulted to key achievements, among them the completion of the 1st berth of Lamu Port, progress in the highways construction with three key trunk roads underway and key milestones achieved in the delivery of the Crude Oil Pipeline where the Environmental and Social impact Assessment (ESIA) and the front-End Engineering Designs (FEED) were completed.



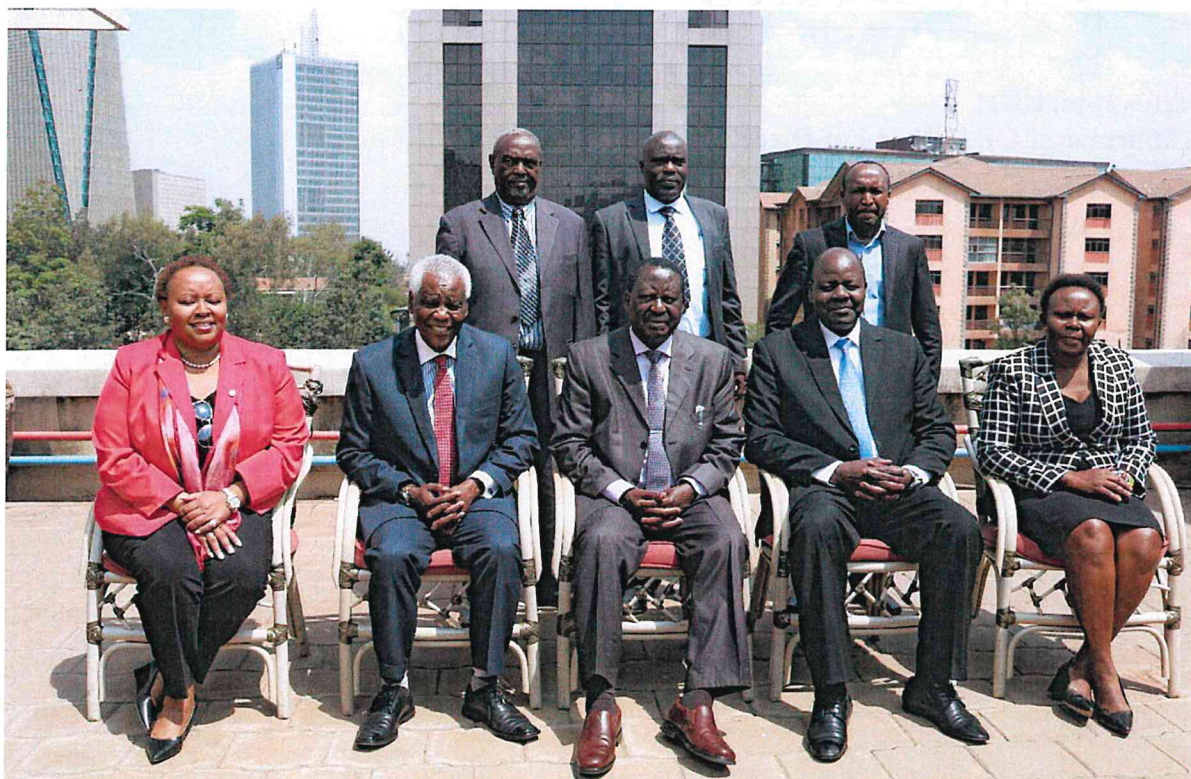
An aerial view of the planned first three berths (left) and already completed first berth (right) of the Lamu Port.

Corporate Social Investment

In the period under review, the Authority invested in harnessing the capacities within the Corridor and in particular continued to support the Lamu Youths Presidential Scholarship Program. This has been a fundamental reflection of the overall aspirations of the LCP in creating a productive and responsive labour force that will cease the emerging opportunities and have direct link and impacts in the counties. As we gear towards completion of the 1st three berths, projects, is evident that local opportunities are becoming more accessible and our participation in making this a reality is a rallying principle that we will continue to observe.

Changes to the Board

During the year under review, Hon David Ngugi was appointed as an independent Director of Board. We highly appreciate this appointment and are glad of the wealth of experience that Hon. Ngugi has infused in the Board.



A section of LCDA Board members when they paid a courtesy call to AU High Representative for Infrastructure Rt. Hon. Raila Odinga.

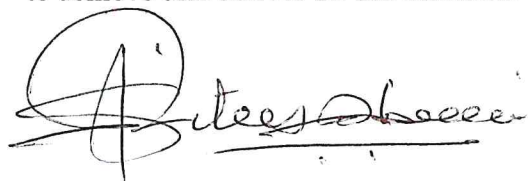
Future Outlook

The development of the second transport corridor in Kenya is becoming a reality following the completion of the 1st three berths of Lamu Port. The highways are also at advanced stages of construction. Given this, Kenya's position as a regional transport and logistics hub is evident. We therefore will continue to support realization of this Agenda to ensure that timelines and overall objective is met. We are aware of the prevailing global challenges occasioned by COVID -19, this however presents us with a great opportunity to champion integrated and seamless infrastructure development that will promote intra-trade in the African Continent and spur manufacturing sector in line with the Big Four Agenda. As an Authority, we have already instituted internal capacity enhancement that is essential for facilitating this process.

Thank you

On behalf of the Board, I express our sincere gratitude to the Management and Staff Members of LCDA for their express commitment and dedication that enabled the Authority deliver on

its mandate Financial Year 2019/2020. I equally extend my appreciation and thanks to the Directors of the Board for their unwavering support, candid contribution and strategic guidance to Management. Finally, I wish to thank the Government, through the State Department for Transport, stakeholders and our Development Partners for the support they have accorded us to achieve and deliver on our mandate.

A handwritten signature in black ink, appearing to read 'Titus Ibui', with a stylized circular flourish at the beginning.

Titus Ibui, EGH

Chairman, LCDA Board of Directors

REPORT OF THE CHIEF EXECUTIVE OFFICER

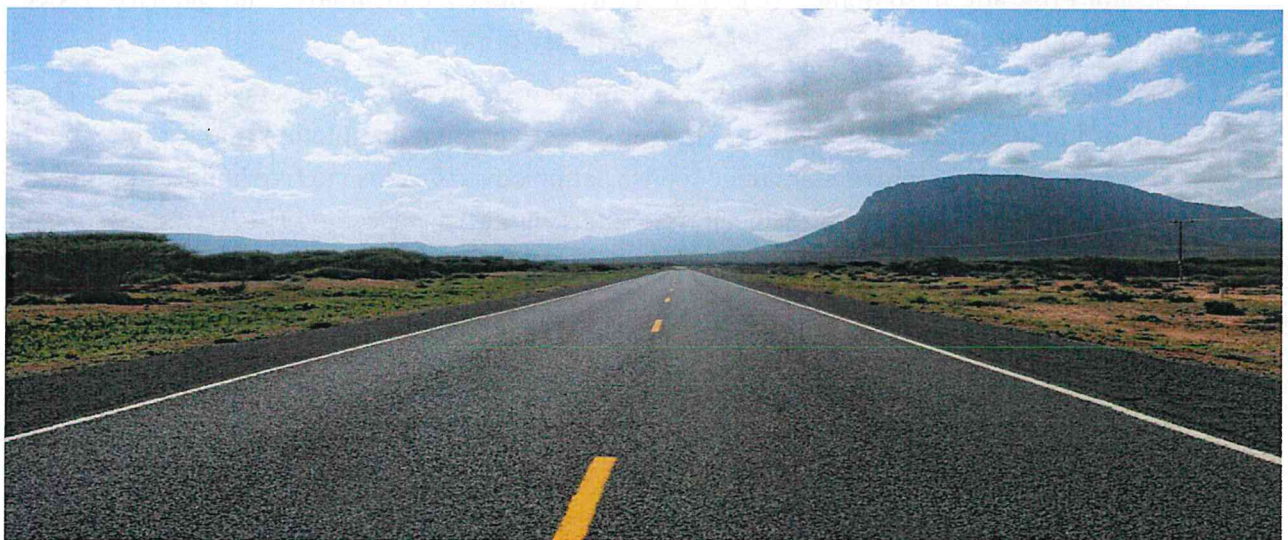


"It is with great pleasure that I present Annual Report and Financial Statement for the year ended 30th June, 2020. This marks our seventh year since the LAPSSET Corridor Development Authority was established".

Mr. Silvester Kasuku,
MBS, CMILT MKIP, MTCPAK, MAAK-TP
DIRECTOR GENERAL/CEO

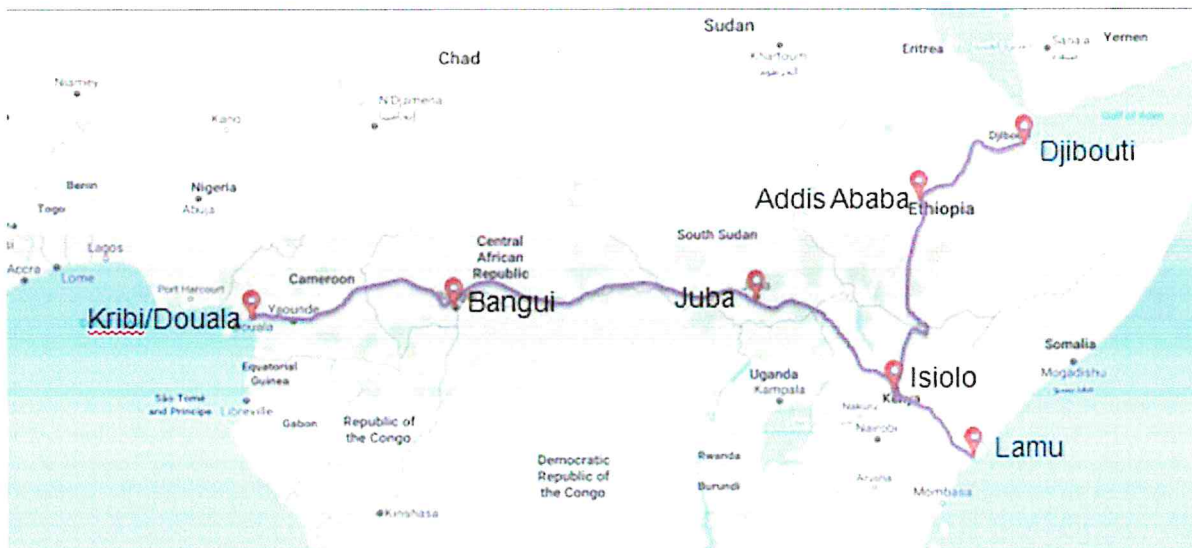
INTRODUCTION

Kenya's development roadmap is shaped by various plans and policies. As part of the long-term planning, the Lamu Port South- Sudan, Ethiopia Transport (LAPSSET) Corridor Program was identified as flagship Vision 2030 project. This is a regional multi-modal trans-boundary infrastructure program comprising of highways, railway and pipelines components in Kenya, South Sudan and Ethiopia.



The scope of this transformative program also includes a port in Lamu, resort cities and international airports in Lamu, Isiolo and Turkana and a High Grand Falls multi-purpose dam. These projects cumulatively are intended to create an economic corridor that will open over seventy percent of the country and change our development paradigm.

The LAPSSET Corridor Program inspires development of the second strategic transport corridor in Kenya that will harness our development potential and thereby positioning Kenya as a transport and logistics hub in the region. It also links with the Big Four Agenda, Sustainable Development Goals and Agenda 2063 and underscores the important role that regional infrastructure projects play in accelerating Africa's economic transformation.



A section of the vast LAPSSET Corridor root connecting port to port through the Equatorial Land Bridge

PROGRESS

Our mandate is to Coordinate, Plan and Sequence the implementation of the LAPSSET Corridor Program. In so doing, we endeavour to facilitate a consultative and inclusive process that will enhance the acceptability and sustainability of projects.

In this year we have witnessed progressive achievements in all the project components. The 1st berth of Lamu Port was completed with over seventy percent completion rate for the 3 berths. Two sections of the highways are under construction covering close to five hundred kilometres. In respect to the crude oil pipeline, Front End Engineering Designs (FEED) study and the Environmental and Social Impact Assessment (ESIA) have been completed.



The LAPSSET's Lamu Port, first berth. The Lamu Port is the anchor project of the LAPSSET Corridor Program. Further, the Preliminary Planning and Investment Framework for Lamu Port City and the Integrated Transport Master Plan for Lamu has been approved and awaiting gazettment. The delivery of the infrastructure projects has also benefited from a very comprehensive process that has advanced the land acquisition and securitization.



An artist impression of the planned Lamu port city under the LAPSSET Corridor Program

Equally, the LAPSSET Corridor Master Plan with the assistance of the WWF for the fifty kilometres on either side of the transport corridor and the Transaction Advisory (TA) consultancy for the Lamu Port and the Special Economic Zone with the support of the AfDB were advanced.

We are most grateful to the implementing agencies, our partners, stakeholders and the communities for the observed milestones in the implementation of these projects.

STRATEGIC PLAN

The maiden Corporate Strategic Plan for the Authority was coming to an end in the Financial Year 2019/2020. To ensure that the Strategic Plan is aligned to the Medium-Term Plan, a review and extension process was undertaken for the plan to run up to Financial Year 2022/2023. This was insightful and our operations will highly benefit and be informed by the revised Strategic Plan.



REGIONAL OFFICES

During the year under review, the Authority managed to establish regional offices in Turkana, Isiolo and Garissa. These offices are crucial in devolving services, creating strong linkages with the community and facilitating the projects delivery. Through these offices, the stakeholder's engagement become more engaging and closer interactions ensured public participation processes were adequately supported

RISK MANAGEMENT

Risk management is central in sustaining successful business operations. As part this process, the Authority has undertaken capacity building of the Audit and Risk Management Committee and the management. Further, we have undertaken extensive process review and incorporate technology in enhancing the quality of systems and mitigate possible risks occurrence.

FINANCIAL PERFORMANCE

During the year under review, the Authority was allocated Kshs 330 Million by The National Treasury for the operations. The funds supported the Scholarship programme, the TA consultancy for the Lamu Port and SEZ and the land acquisition process and coordination of the plans for commissioning of the 1st berth of Lamu Port. The Authority also benefitted from support of the partners including WWF for the Master Plan and NEPAD-IPPF for the Transaction Advisory consultancy.

INSTITUTIONAL OPERATIONAL CHALLENGES

During the year under review, there were several challenges that impeded the delivery of the planned activities. The COVID-19 pandemic outbreak caused major disruption activities that were ongoing including the land acquisition and crude oil pipeline process. The commissioning of the Lamu Port was also interrupted and the pace of road construction also slowed down.

The budgetary allocation for the Authority was also low compared to the planned annual activities. There are therefore several cross-cutting activities whose implementation pace was adversely affected including the institutional establishment, capacity and trainings, investors priming and planned Board activities among them stakeholder's engagement.

Another aspect that was adversely affected is the Presidential Scholarship Programme with 376 out of planned 1000 youths supported. Currently, over 300 students have graduated and resource mobilization is essential in undertaking the third intake phase. The scholarship programme is a critical Corporate Social Investment that needs to be replicated across all the LAPSSET Counties.

APPRECIATION

In conclusion, the delivery of the LAPSSET Corridor is a significant undertaking pursuit for the country. I therefore extend sincere thanks to our clients, Board of Directors and our dedicated and talented staff for their support and their effort in achieving the goals and objectives of the Authority. I also appreciate the implementing agencies, national and county Governments, the service providers and our distinguished stakeholders for their respective contributions during the year. I look forward to continued support as we strive to create the second strategic corridor in Kenya and the region to spur inclusive development.



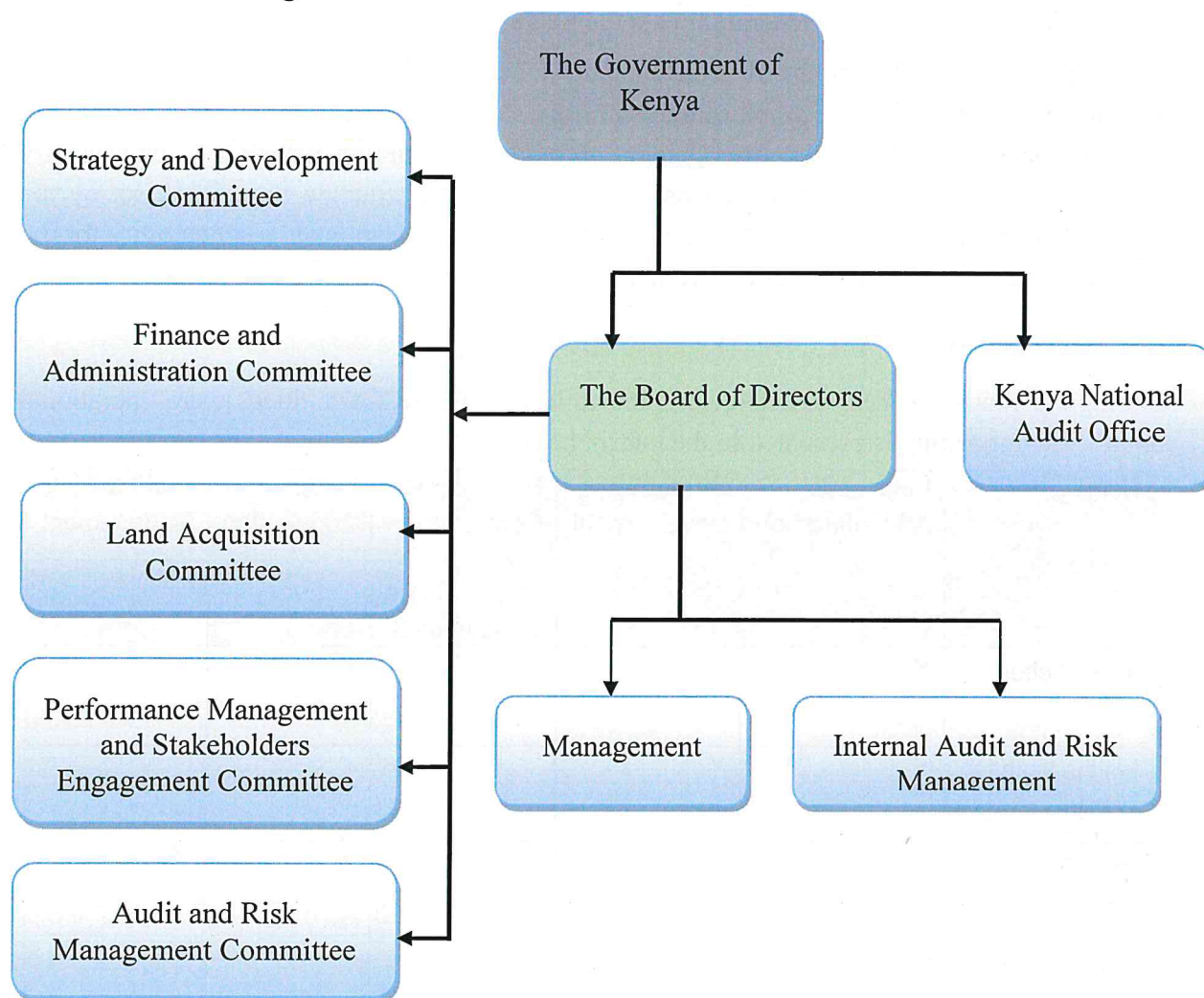
Silvester Kasuku, MBS, CMILT MKIP, MTCPAK, MAAK-TP
DIRECTOR GENERAL/CEO

PICTORIAL: THE YEAR IN ROUND-UP



CORPORATE GOVERNANCE STATEMENT

The Board is committed to ensuring that the Authority is professional, transparent, and accountable and further upholds high levels of integrity. The principles and standards adhered to by the Board conform to guidelines and code of governance issued by the State Corporations Advisory Committee and other governance institutions. The LCDA governance structure is summarized in the figure below.



THE BOARD AND MEMBERS PERFORMANCE

The Board consists of twelve directors including the Chairman and the Secretary out of whom five are independent (non-executive). The Board also co-opted five members from implementing Ministries including Interior, Lands, Water, presidential Delivery Unit and Vision 2030 Secretariat. The composition brings together representatives of the implementing agencies and Independent Directors with a good mix of skills, experience and proficiencies in various fields. The Director General/CEO is the Secretary to the Board.

The Directors are independent of Management and their role is to provide leadership and stewardship for effective execution of the Authority's objectives and strategies. The Directors oversee the operations of the management through constructive advice and consistently engaging the management on agreed parameters within the strategic framework set by the Board. The Director General/CEO is responsible to the Board and takes responsibility for the effective and efficient running of the Authority's on day-to-day basis.

MEMBERSHIP OF THE BOARD COMMITTEE

During the Financial Year under review, the following Board Committees were operational and their compositing is presented in the matrix below: -

Name	Finance & Administration	Strategy and Development	Performance Contracting and Stakeholders Engagement	Land Acquisition	Audit & Risk Management
Jack Chebett	✓			✓	
Martha Muthoni Wariithi	✓	✓			
Hon. David Ngugi.	✓	✓		✓	✓
Eng. Karanja Mburu		✓			✓
Eng. John M. Muiruri.					
David Kanyangi				✓	
Hon, Abdallah Ngozi				✓	✓
PS the National Treasury		✓			✓
PS State Department of Transport	✓	✓			

PS State Department of Energy				✓	✓
PS State Department of Tourism	✓			✓	
Principal Administrative Secretary Office of the Presidency		✓			✓
PS State Department of Lands				✓	✓
PS State Department of Water	✓			✓	
DG Vision 2030	✓	✓			

The Director General/CEO is the Secretary to the Board Committees except in case the Audit and Risk Management where the Chief Internal Auditor is the Secretary.

BOARD MEETINGS

The Board and Committees meet regularly in accordance with business requirements. All the Directors participate in discussing matters tabled before the Board and Committees on Strategy, Operations, and Financial position, Risk Management, Performance and Policies. Committee's deliberations are presented to the Board for review and adoption. During the Financial Year, the following matrix presents the Board meetings that took place and the attendance.

NO.	NAME	DATE			
		19 TH SEPT 2019	20 TH DEC 2019	28 TH APRIL 2020	9 TH JUN 2020
1.	Titus Ibui	✓	✓	✓	✓
2.	Silvester Kasuku	✓	✓	✓	✓
3.	Jack Chebett	✓	✓	✓	✓
4.	Martha Muthoni Wariithi	✓	✓	✓	✓
5.	Hon. David Ngugi.		✓	✓	✓
6.	Eng. John M. Muiruri.				✓
7.	David Kanyangi			✓	✓
8.	Hon, Abdallah Ngozi	✓	✓	✓	✓
9.	Karanja Mburu	✓		✓	✓
10.	Lawrence Okudo	✓	✓	✓	✓
11.	PS the National Treasury		✓	✓	
12.	PS State Department of Transport			✓	✓

13.	PS State Department of Energy		✓	✓	✓
14.	PS State Department of Tourism	✓			
15.	Principal Administrative Secretary Office of the Presidency				
16.	PS State Department of Lands	✓		✓	✓
17.	PS State Department of Water	✓		✓	
18.	DG Vision 2030	✓	✓	✓	✓

ROLES AND FUNCTIONS OF THE BOARD

The Board's principal duty is to provide leadership in the delivery of the LAPSSET Corridor Program. Specific functions of the Board are as spelt out in the Establishing Legal Notice Section 9 (a-g). The Terms of Reference for the Board committees are developed and reviewed over time.

ROLE AND FUNCTIONS OF BOARD COMMITTEE

The Board Committees undertakes functions and roles emanating from donated responsibilities and broadly aimed at enhancing the functions and roles of the Board. Specifically, the functions and roles are stipulated and elaborated in Terms of Reference (ToRs) for each Board Committee are as follows: -

#	COMMITTEE	ROLES AND FUNCTIONS
1.	Strategy and Development Committee	<ul style="list-style-type: none"> • Provide Direction and Guidance in the implementation of the LAPSSET Corridor Program; • Provide Direction and Guidance in the development and implementation of the Strategic Plan of the Authority; • Provide Direction and Guidance in the development and implementation Board Charter; • Review of technical and policy documents including cabinet papers, board papers, Authority manuals, Memorandums of Understanding (MoUs) addressing issues of technical nature; • To review and recommend for Board Approval the LCDA's Annual Work Plan to ensure that it is in line with the Strategic Plan and the Performance Contract; • Reviewing and approve the LCDA's Resource Mobilization Strategy; • Review the Quarterly Reports on the Implementation of Strategic Plan activities be submitted to the Cabinet Secretary, Ministry of Transport, Infrastructure, Housing and Urban Development; • Review collaboration activities and partnerships with other agents; • Undertake annual progress review of the Strategic Plan;

#	COMMITTEE	ROLES AND FUNCTIONS
2.	Finance and Administration Committee	<ul style="list-style-type: none"> • Oversee the preparation of LCDAs budget. • Review the LCDA's annual budget before submission and after approval by the Treasury; • Review quarterly Financial Monitoring Reports (FMR); • Review periodic operational budgets and financial statements; • Monitor the continuing efficacy of accounting and internal control; • Comply with the Government financial management regulations; • Monitor the performance of key finance and accounts staff against approved performance contracts; • Oversee the annual procurement plans including the external funded projects; • Recruit and develop of staff of LCDA; • Monitor and appraise the performance of senior management, review human resource policies, determining the remuneration of senior management, and other staff.
3.	Performance Contracting & Stakeholders Engagement Committee	<ul style="list-style-type: none"> • Oversee the preparation of LCDAs Performance Contract. • Identify for inclusion in the Performance Contract targets for the financial year. • Participate in the vetting of the Performance Contract. • Review quarterly and annual reports of the Performance Contract before submission to the Performance Contracting Division of the Ministry of Devolution and Planning. • Participate in the evaluation of the Performance Contract.
4.	Land Acquisition Committee	<ul style="list-style-type: none"> • Oversee the survey and mapping process for all the land falling within the LAPSSET Corridor • Oversee the Strategic Environmental Assessment process for the Corridor • Review and guide measures put in place to sensitize the public on Land Acquisition for the Corridor and the compensation process. • Develop a policy framework for compulsory land acquisition by engaging counties and other stakeholders. • Ensure that any land disputes arising from the acquisition of land along the Corridor are effectively addressed. • Guide the process of allocating land to the Authority • Oversee the allocation of land to various users and/or investing firms ensuring that leases are issued to legitimate beneficiaries, and that they are only issued for the required time frame. • Review the Administration of ground rent and demand notices

MANAGEMENT DISCUSSION AND ANALYSIS

The Authority's operational and financial performance

SECTION A

The Authority coordinated the process of acquiring land for the inner corridor of 500 Meters from Lamu – Isiolo – Moyale; and Isiolo – Nakodok for developing the infrastructure components. This process culminated to gazetting of the corridor in readiness for acquisition amounting to over 500,000 acres. We reiterate that this is a necessary and important endeavour if future development has to be safe-guarded, coordinated and devoid of cost overruns.

The Authority also undertook a Lamu Transport Master Plan for Lamu Country and procured the Transactional Advisory Services for Lamu Port.

Monitoring Implementation of Project Components of the ongoing projects was undertaken in the year under review and this guided policy decisions on the projects implementation as well as the lobbying of more funds for the LCP.

PRESIDENTIAL YOUTH SCHOLARSHIPS PROGRAM

A critical component of the Corporate Social Investment of LCP is the provision of scholarships to needy and deserving students which was initiated through a presidential directive. The project to date has supported over 376 students to undertake technical skills and professional courses out of which 283 have since completed. The programme experienced financial distress and there was no intake during the period under review.

SECTION B

Authority's compliance with statutory requirements

Authority embraces good governance and had structured its operations guided by Public Procurement and Disposals Act, Public Finance Management Act and circulars. Based on that, the Authority does not envisage encountering contingent liability

SECTION C

KEY PROJECTS AND INVESTMENT DECISIONS IMPLEMENTED OR ONGOING

The Authority in the year under review undertook three key projects:

- i. Transaction Advisory (TA) for the Lamu Port and Special Economic Zone which is ongoing;
- ii. Master Planning of the LAPSSET Corridor
- iii. Land Acquisition for the Project Components

Some of the key projects LCDA is planning to progress are follows: -

- i. Complete the TA for Port and SEZ;

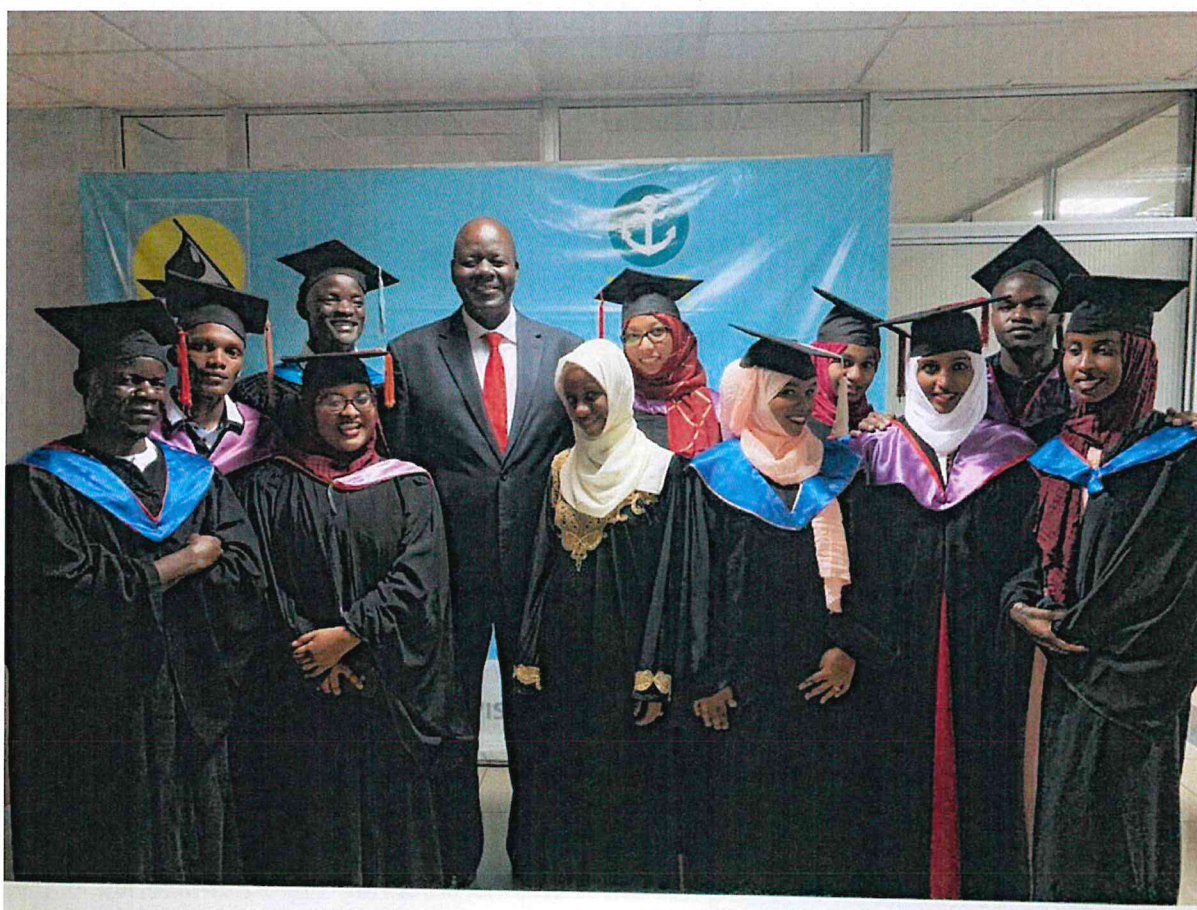
- ii. Undertake the LLAPSSET Corridor Master Plan with WWF;
- iii. Progress the land acquisition;

SECTION D

Major Risks Facing the Authority

Financial Risks

The Authority's activities exposed to variety of financial risks such as credit and liquidity risks. The Authority regularly reviews its management policies and systems to reflect changes in markets and emerging best practices. Risk management is carried out by the management under the direct supervision of the board of the directors. The board provides policies for overall risk management as well as policies covering specific areas such as credit risk and liquidity risk.



Credit Risks

Credit risk refers to the risk that counterparty will default on its contractual obligation resulting in financial loss to the Authority. Credit risk arises from bank balances, receivables and amount due from related parties.

Liquidity Risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations when they fall due. The Authority's approach to managing liquidity is to ensure, as far as

possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or at the risk of damaging the Authority reputation. The Authority ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. The Authority reinforce this practice by adhering to approved budget and committing/ reserving funds raising purchase/ service orders.

The Authority is banking with reputable financial institutions with sound financial base that will always effect payments from Authority's balances on authorised instructions.

All liquidity policies and procedures are subject to review and approval by the board.

SECTION E

Material arrears in statutory /financial obligations

Authority limits its procurement of goods and services in accordance with its approved budget; hence it has no obligations in terms of pending bills. Authority did procure services of a firm to handle staff pension scheme and all staff pension dues had been channelled to the firm and subsequent remittances are being made in time.

SECTION F

The Authority's financial probity and serious governance issues

So far the Authority has not encountered a situation which may give way to financial improbity or interfere with good governance.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT REPORT

The LCP is being implemented in areas hitherto have experienced under development of both physical infrastructure and human capacity. There is need therefore to create affirmative structure that responds to the current need of boosting access to services such as water, health, education and housing.

Currently, LCDA is championing the Presidential Youth Scholarship Programme in the context of Corporate Social Investments (CSI) which the government initiated for retooling the Lamu youths and instilling critical skills in readiness for the emerging opportunities that will be availed by Lamu Port and industrial establishment earmarked for Lamu County.

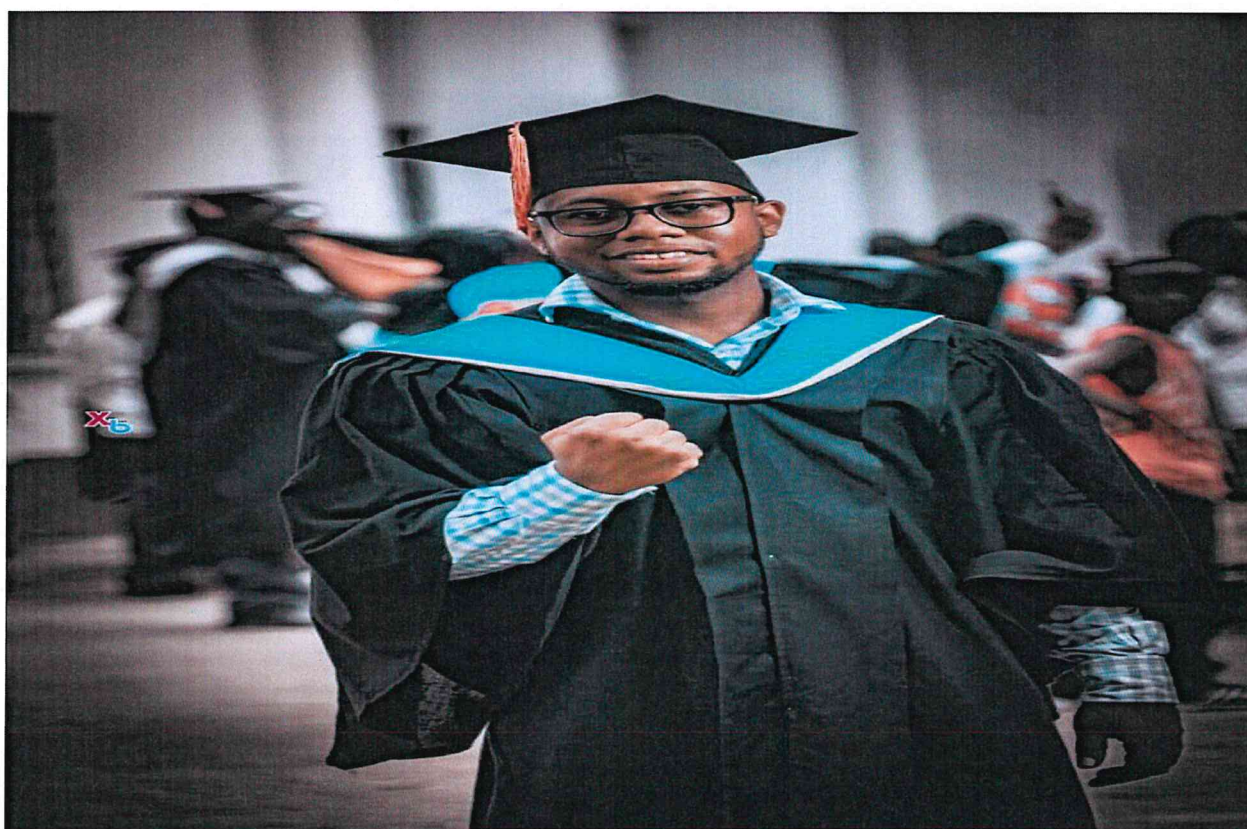
This Scholarship programme was launched in the year 2014 and was initially set for a five year period with yearly intake of 200 students. The programme is a comprehensive initiative for youths to pursue course for degrees, diplomas and certificates with bias in Port related courses to ensure those youths can easily be employed in Lamu Port and other emerging opportunities along the corridor.

The programme has sponsored 376 students so far out of which Seventy Four (74) are pursuing Degrees, Two Hundred and Six (206) Diplomas and Ninety Six (96) are undertaking Certificate courses. Thirty Eight (38) percent of the student so far supported are women and this will ensure

that they are gainfully employed. Two Hundred and Eighty-Three (283) students have successfully completed their courses.

Further, the Authority has supported the students in gaining inter-ship especially in the implementing Agencies and this is important in creating necessary absorption framework and inducting the students into the program from the onset.

The Authority intends to do additional intakes from 2019 who will be enrolled in the Technical and Vocational Education and Training (TIVET) in line with government's effort to strengthen technical skills that are important and required in the work market. This direction will make the scholarship programme manageable since the current annual cost affects the Authority operations and execution of other necessary tasks.



Given the significance of this component in capacity building of the youths along the corridor, it is important to bring on board other players to support it and ensure more youths are supported. This will greatly address the human capacity gap the currently exhibit in the region that LCP passes and defuse the inequality of opportunity for employment.

PART II
FINANCIAL STATEMENTS
2019/2020

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30th, 2020 which show the state of the Authority's affairs as at that date.

Principal Activities

The principal activity of the LCDA is to Plan, Coordinate and Sequence the implementation of the LCP. The project components are the Lamu Port; highways from Lamu to Isiolo to Moyale and Isiolo to Lokichar to Nakodok; Standard Gauge Railway from Lamu to Isiolo to Moyale and Isiolo to Lokichar to Nakodok; International Airports at Lamu, Isiolo and Turkana; crude oil pipeline and refined oil pipeline and oil refinery, Resort Cities in Lamu, Isiolo and Turkana as well as other supporting infrastructure such as power supply, water supply and fiber optic cable along the Corridor.

Results

The results of the Authority for the year ended June 30th, 2020 are set out on page 1-5

Directors

The members of the Board of Directors who served during the year are shown in Part I

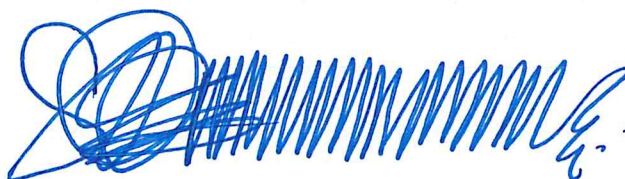
Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with the Section 35 of the Public Audit Act, 2015.

By Order of the Board

Secretary to the Board
Nairobi

Date:



Kasuku, MBS, CMILT MKIP, MTCPAK, MAAK-TP
DIRECTOR GENERAL/CEO

STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 15 of the State Corporations Act, require the Directors to prepare financial statements in respect of that Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year and the operating results of the Authority for that year. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30th, 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 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 Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority'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 and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30th, 2020, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority'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 Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the Financial Statements.

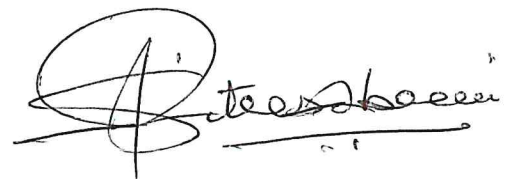
The Authority's financial statements were approved by the Board on _____
2020 and signed on its behalf by:



Director



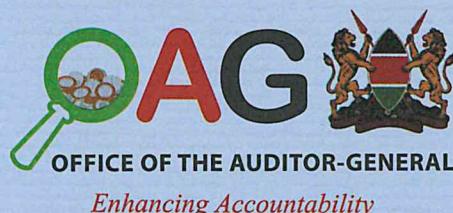
Director



Director

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
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NAIROBI

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of LAPSET Corridor Development Authority set out on page 1 to 27, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, the statement of changes in net assets, the 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 matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of LAPSET Corridor 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 comply with the LAPSET Corridor Development Authority Order, Legal Notice No.58 of March, 2013 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Property, Plant and Equipment

1.1 Non-Valuation of Land

The statement of financial position reflects a balance of Kshs.32,224,448 in respect of property, plant and equipment. However, the balance excludes a parcel of land measuring 28,140 hectares whose value had not been determined. The land was allocated to the Authority on 1 January, 2016 by the Land Registrar for a term of 99 years.

1.2 Land Ownership and Unregistered Leases

Examination of the land documents revealed the following anomalies;

- a) The land title deed for one parcel of land was in the name LAPSET instead of LAPSET Corridor Development Authority (LCDA).

- b) Leases for Regional Offices in Isiolo, Garissa and Lodwar, had not been registered with the Ministry of Lands and Physical Planning within the two months' compulsory period as required by Section 4(vi) of the Registration of Documents Act, 2010.

In view of the foregoing, the accuracy of the carrying value of Kshs.32,224,448 for property, plant and equipment could not be confirmed.

2. Unsupported Board Expenses

The statement of financial performance reflects an expenditure of Kshs.10,001,129 in respect of Board expenses. Examination of records indicated that a Board Member was paid a total of Kshs.520,800 in respect of sitting allowances, and travel and accommodation allowances while attending Board meetings. However, supporting documents including airplane boarding passes and Board Attendance Register in support of the payments were not provided for audit review.

Under the circumstances, the accuracy and propriety of the expenditure of Kshs.520,800 incurred on Board expenses could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the LAPSET Corridor 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 in the year under review.

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final expenditure budget and actual expenditure on comparable basis of Kshs.381,394,653 and Kshs.331,291,416 respectively resulting to an under expenditure of Kshs.50,103,237 or 13%. The under expenditure may have impacted negatively on the achievement of the planned goals and objectives of the Authority.

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 Effectiveness in Use of Public Resources, 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. Board Meetings Held Outside Registered Offices

The statement of financial performance reflects an expenditure of Kshs.10,001,129 in respect of Board expenses. However, the Authority held Board meetings outside the registered offices with some held in Naivasha and Lamu. This is contrary to Section 8(1)(c) of the State Corporations Act which states that no meeting of a Board should be held at any place other than the registered or principal office of the state corporation.

The Management was, therefore, in breach of the law.

2. Irregular Recruitment of Staff

The statement of financial performance reflects an expenditure of Kshs.116,179,330 in respect to employee cost which included an amount of Kshs.3,648,966 paid to thirty-seven (37) newly recruited members of staff. Review of the recruitment process revealed that the vacancies were advertised internally on 2 June, 2020 with a deadline for the application set for 5 June, 2020. Although records indicated that the Authority had issued appointment letters to the new staff by 10 June, 2020, evidence indicating that due recruitment process was followed including needs assessment, interview and scoring criteria were not provided for audit review.

Under the circumstances, the propriety of the expenditure of Kshs.3,648,966 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 as to whether the activities, financial transactions and information reflected in the financial statements comply, 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 matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Unapproved Policy Documents

During the year under review, most of the Authority's policy documents including Internal Controls Manuals, Accounts Manual, ICT Policy and Human Resource Manuals were in draft form. The documents have been in draft form since 2013. The Authority may not, therefore, have maintained an effective system of internal controls as required under Regulation 23(1)(c) of the Public Finance Management (National Government) Regulations, 2015.

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.

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue 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 cease operations.

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

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

The Board of Directors is responsible for overseeing the Authority's financial reporting process, reviewing the effectiveness of how the office 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 review is planned and performed to express a conclusion with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide

a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to 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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

16 November, 2021

STATEMENT OF FINANCIAL PERFORMANCE**For the year ended 30th, June 2020**

	Notes	FY 2019/2020 Kshs	FY 2018/2019 Kshs
Revenue from non-exchange transactions	6		
Transfers from other governments	i	330,600,000	248,310,000
Donor receipts (Direct payments)	ii	50,131,169	23,364,999
Amortized Capital Grant	iii	4,591,065	3,735,182
Other income	iv	300,402	67,560
Total revenue		385,622,636	275,477,741
Expenses			
Employee costs	7	116,179,330	86,087,688
Board expenses	8	10,001,129	18,636,574
Depreciation expenses	9	9,372,135	8,783,872
Grants and subsidies	10	15,006,567	13,008,909
Operating expenses	11	148,312,841	155,568,837
Total expenses		298,872,002	282,085,881
Deficit/ Surplus for the period		86,750,634	(6,608,141)

The notes set out from pages 6 to 27 form an integral part of the Financial Statements

STATEMENT OF FINANCIAL POSITION**As at 30th June 2020**

		FY 2019/2020	FY 2018/2019
	Notes	Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	12	50,103,235	363,082
Receivables from exchange transactions	13	12,606,936	1,197,006
Total current assets		62,710,171	1,560,088
Non-current assets			
Property, plant and equipment	14	32,224,448	13,033,226
Intangible assets	15	3,497,029	0
Total assets		98,431,648	14,593,314
Liabilities			
Current liabilities			
Provisions and payables	16	7,089,446	21,344,329
Employee benefit obligation	17	10,505,931	10,598,138
Total liabilities		17,595,377	31,942,467
Net assets		80,836,271	(17,349,153)
Capital grants		8,432,779	2,523,846
Accumulated surplus		72,403,493	(19,872,997)
Total net assets and liabilities		98,431,649	14,593,316

The Financial Statements set out from pages 1 to 5 were signed on behalf of the Board of Directors by:

Director General/C.E. O

Head of Finance

Chairman of the Board

Date.....

Date 15/03/2021

Date.....

ICPAK No 24301

STATEMENT OF CHANGES IN NET ASSETS**For the year ended 30th June 2019**

	Revenue Reserve 2018/2019	Capital Grants* 2018/2019	Revaluation gain 2018/2019	Total 2018/2019
	Kshs	Kshs	Kshs	Kshs
Reserves as at 1st July 2018	(13,264,857)	6,259,026	0	(7,005,831)
Amortized during the year	-	(3,735,182)	0	(3,735,182)
Deficit for the year	(6,608,141)		0	(6,608,141)
30th June 2019	(19,872,997)	2,523,846	0	(17,349,151)

For the year ended 30th June 2020

	Revenue Reserve 2019/2020	Capital Grants* 2019/2020	Revaluation Reserve 2019/2020	Total 2019/2020
	Kshs	Kshs	Kshs	Kshs
Reserves as at 1st July 2019	(19,872,998)	2,523,844	0	(17,349,154)
Depreciated (capital grants) during the year-		(4,591,065)	0	(4,591,065)
Revaluation gain		10,500,000	5,525,856	16,025,856
Surplus for the year	86,750,634		0	86,750,634
30th June 2020	66,877,636	8,432,779	5,525,856	80,836,271

NOTE: *Capital grants relate to donated assets by Presidency and various Authorities at the time of establishment of the Authority which was amortized during the year under review.

STATEMENT OF CASH FLOWS**For the year ended 30th, June 2020**

	Note	2019/2020	2018/2019
		Kshs	Kshs
Cash flow from Operating Activities	6		
Receipts			
Transfers from other governments	i	330,600,000	248,310,000
Donor (Direct payments)	ii	50,131,169	23,364,999
Other revenue	iv	300,402	67,560
		381,031,571	271,742,559
Payments			
Employee costs	7	116,094,600	82,429,461
Board expenses	8	10,001,129	18,636,574
Grants and subsidies	10	23,496,991	22,037,520
General expenses/operating	11	165,664,167	157,817,864
		315,256,888	280,921,419
Net Cash flow from Operating Activities	18	65,774,683	(9,178,860)
Purchase of property, equipment and intangible assets	14	(16,034,529)	(1,069,680)
Net cash used in investing activities		(16,034,529)	(1,069,680)
Net decrease in cash and cash equivalents		49,740,154	(10,248,540)
Cash and cash equivalents at the beginning of the year		363,082	10,611,622
Cash and cash equivalents at the end of the Year	12	50,103,236	363,082

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

				Actual on Comparable basis	Performance difference	Perform ance %
ITEMS	Original budget	Adjustments	Final Budget			
Revenue						
Transfers from Ministry	330,600,000		330,600,000	330,600,000		
Transfers from other Government		50,131,169	50,131,169	50,131,169		
Donor Receipts-Direct payments						
Other income:						
-Bank interest		402	402	402		
-Refund		300,000	300,000	300,000		
-Previous year balance	363,082		363,082	363,082		
Total revenue	330,963,082	50,431,571	381,394,653	381,394,653		
Expenses						
Employee costs	122,000,000	-1,653,000	120,347,000	116,094,600	4,252,400	4
Board Expenses	24,000,000	-13,145,000	10,855,000	10,001,129	853,871	8
Grants and subsidies	32,000,000	0	32,000,000	23,496,991	8,503,009	27
Operating expenses	139,538,082	35,745,918	175,284,000	165,664,167	9,013,185	5
Fixed Asset	13,425,000	29,483,653	42,908,653	16,034,529	27,480,772	64
Total expenses	330,963,082	50,431,571	381,394,653	331,291,416	50,103,237	13
Surplus for the period				50,103,237		

NOTE: Under Fixed Asset, the procurement process of some equipment is on-going. Under Grants, Training institutions where Presidential scholarship students were enrolled were closed due to COVID-19

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

LAPSSET Corridor Development Authority was established by Legal Notice No. 58 of March 2013 and it derives its authority and accountability from the above Legal Notice. The Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activity is planning and coordination of activities towards delivery of LAPSSET projects.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Authority's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Authority. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise.

The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. 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. (State the impact of the standard to the entity if relevant)

ii. Early adoption of standards

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

Standard	Effective date and impact:
	<p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity 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> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.

Standard	Effective date and impact:
	Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>

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 Authority and can be measured reliably.

Amortization of Capital Grants

Economic benefits or service derived from Capital Grants/ Donations are measured at fair value and recognized on obtaining control of the asset and on yearly basis the assets are amortized over their useful life.

ii) Revenue from exchange**transactions** *Interest income*

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

b) Budget information

The original budget for the FY 2019/2020 was approved by the board on 19th, September, 2019. Subsequent revision was made and approved. The financial statements are prepared on accrual basis using classification based on the nature of the expenses in the statement of the financial performance, whereas the budget is prepared on a cash basis.

c) Taxes*Current income tax*

The Authority is funded through National Treasury exchequer and it does not generate its own revenue for its operations. Hence the Authority does not pay corporate tax.

d) 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 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.

The assets of LCDA are depreciated annually on a straight-line basis and the depreciable amount charged to income over the assets useful life at the following rates:-

	Asset	Depreciation (%)
i.	Furniture & Fittings:	12.5
ii.	Office partitions and Fixtures:	16.7
iii.	Office Equipment	12.5
iv.	Motor Vehicles	25
v.	Computer Equipment and Accessories:	33.3
vi.	Property, Plant and Equipment's:	10

When an asset is acquired within the year, proportional depreciation is charged in the year of purchase and proportional depreciation charged in the year of disposal.

e) Leases

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Authority. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

f) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are 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 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.

Impairment of financial assets

The Authority assesses at each reporting date whether there is objective evidence that a financial asset or a Authority of financial assets is impaired. A financial asset or a 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 Authority of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a Authority of 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)

g) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The 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.

h) Provisions

Provisions are recognized when the 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 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 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.

Contingent assets

The 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 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.

i) Nature and purpose of reserves

The Authority creates and maintains reserves in terms of specific requirements. Capital grants relate to donated assets.

Capital Grants

Capital grants comprises of the following assets donated by the office of the Deputy President, Lake Basin Development Authority, Coast Dev. Authority and Ewaso Nyiro North Dev. Authority. These assets were initially recognized at fair value when they were donated and subsequently depreciated at the applicable depreciation rates. Income is recognized annually under the amortized capital grant over the useful life of the asset.

TYPE	NO	DONOR	PURPOSE
Motor Vehicles	5	Office of the Deputy President	For use by the Authority
Furniture	Assorted	Lake Basin Dev. Authority, Coast Dev. Authority, Ewaso Nyiro North Dev. Authority	For use by the Authority
Partitions	Assorted	Lake Basin Dev. Authority, Coast Dev. Authority, Ewaso Nyiro North Dev. Authority	For use by the Authority

j) Changes in Accounting Policies and Estimates

The 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.

k) Employee benefits

Retirement benefit plans

The Authority provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an Authority pays fixed contributions into a separate 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.

l) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction/ disbursement.

m) Related parties

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

n) 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 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

p) Comparative figures

Prior period comparative information has been presented in the current financial year where necessary, comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

q) 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 30th, 2020.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the 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.

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 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 Authority. Such changes are reflected in the assumptions when they occur.

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 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

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 15.

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 i. TRANSFERS FROM MINISTRIES, DEPARTMENT AND AGENCIES

	Amount recognized in the comprehensive Income	to of deferred income	Amount deferred under income	Amount recognized in Capital Fund Kshs	Total income during the year Kshs	2019/2020 Kshs	2018/2019
State Department of Transport	330,600,000	Nil	-	-	-	330,600,000	248,310,000
Total							

ii. TRANSFERS FROM OTHER GOVERNMENTS

Description	2019/2020 Kshs	2018/2019 Kshs
Grant-British High Commission	-	-
Grant-African Development Bank	50,131,169	23,364,999

Note: All transfers for the period meant for the Authority were received. Direct payment was made on behalf the Authority by African Development Bank (AfDB) for consultancy services toward procurement of Transactional advisory services

iii. **AMORTIZED CAPITAL GRANT**

	2019/2020	2018/2019
Amortized Capital Grant	4,591,065	3,735,182

iv. **OTHER INCOME**

	2019/2020	2018/2019
Interest Income earned	402	67,560
Refund	300,000	-
Total	300,402	67,560

7. EMPLOYEE COST

	2019/2020 KShs	2018/2019 KShs
Basic Salaries of Permanent Employees	77,694,328	57,019,350
Medical Aids	-	0
Gratuity	3,804,911	5,565,117
Leave allowance	2,182,460	1,389,753
Pension	5,891,849	2,760,000
Sub-Total	89,573,547	66,734,220
PAYE	25,844,283	18,797,568
NHIF	761,500	555,900
Sub – Total	26,605,783	19,353,468
Total	116,179,330	86,087,688

8. BOARD EXPENSES

	2019/2020 Kshs	2018/2019 Kshs
Board cost	9,209,129	17,592,574
Chairman's Honoraria	792,000	1,044,000
Total	10,001,129	18,636,574

9. DEPRECIATION

	2019/2020 Kshs	2018/2019 Kshs
Motor vehicles	5,664,265	4,266,478
Computer and Accessories	841,403	493,067
Furniture and Fittings	342,623	289,145
Partitions	2,523,844	3,735,182
Total	9,372,135	8,783,872

10. GRANTS AND SUBSIDIES

	2019/2020 Kshs	2018/2019 Kshs
Presidential Youth Scholarship programme**	15,006,567	13,008,909

11. OPERATING EXPENSES

	2019/2020	2018/2019
	Kshs	Kshs
Telephone, Postage and Courier	3,920,851	2,826,050
Coordination Activities	13,917,632	12,956,786
Investment and funds Mobilization	10,667,162	12,849,860
Monitoring –Presidential Scholarship programme	-	1,099,762
Project Counties & Stakeholders Engagements	10,243,573	17,989,021
International Project Investor engagement meetings	-	25,362,250
Printing, Advertising and Information Supplies & Services	1,780,693	6,866,625
Rent Expenses	23,449,463	23,932,935
Training Expenses	1,324,298	1,660,970
Project Coordination Assignments	1,429,500	1,826,293
Office and Project Operation stationeries	2,667,205	1,152,671
Project Planning and Preparation Activities	1,762,500	1,681,732
Project Vehicles Operation Cost	5,226,392	5,929,491
Cleaning Services	1,405,669	1,070,725
Insurance	12,857,217	10,788,458
Consultancy	50,131,169	23,364,999
General Expenses	7,362,529	4,114,628
Repair and Maintenance	166,989	95,590
Total	148,312,841	155,568,846

12. DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

For the purposes of cash flow cash and cash equivalents include bank balances, cash in hand, salary advance and staff imprest

Banks/Cash

		2020	2019
		Kshs	Kshs
Financial Institution	Account Number		
Current Accounts			
Kenya Commercial Bank	1142485498	33,818,498	159,628
NIC-Bank	1001309354	13,740	14,547
CFC Stanbic-Bank	0100004036397	16,009,818	50,412
Sub-Total		49,842,056	224,587
b) Others			
Cash In hand		261,179	138,495
Sub-Total		261,179	138,495
Total		50,103,235	363,082

13. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2019/2020	2018/2019
	Kshs	Kshs
Balance at the Beginning of the Year	1,197,006	6,024,289
Rent	5,513,002	-
Post Office	7,875	7,875
Medical Insurance	6,090,969	
Salary Advances	974,664	1,151,601
Motor Vehicle Insurance	20,425	37,530
Total	12,606,936	1,197,006

14. PROPERTY AND EQUIPMENT						
In Kshs						
Cost/Valuation	Motor Vehicles	Furniture & Fittings	Partitions	Computers	Totals	
As at 1 st July 2015	22,310,048	1,068,875	22,366,358	3,074,042	48,819,323	
Additions during the year	-	250,000	-	507,200	757,200	
As at 30 th June 2016	22,310,048	1,318,875	22,366,358	3,581,242	49,576,523	
Additions during the year	13,109,913	758,168.00	-	655,980.00	14,524,061	
As at 30 th June 2017	35,419,961	2,077,043	22,366,358	4,237,222	64,100,584	
Additions during the year	3,956,000	236,120			4,192,120	
As at 30 th June 2018	39,375,961	2,313,163	22,366,358	4,237,222	68,292,704	
Additions during the year				1,069,680	1,069,680	
As at 30 th June 2019	39,375,961	2,313,163	22,366,358	5,306,902	69,362,384	
Additions during the year	798,000	5,541,915		6,194,174	12,534,089	
Revaluation	23,500,000	-	-	-	23,500,000	
Transfers/ Adjustments	(7,474,143)				(7,474,143)	
As at 30 th June 2020	56,199,818	7,855,078	22,366,358	11,501,076	97,922,330	
Depreciation and impairment						
As at 30 th June 2017	(17,187,966)	(470,056)	(12,372,150)	(2,975,306)	(33,005,478)	
Depreciation	(9,672,492)	(269,758)	(3,735,182)	(858,965)	(14,536,397)	
Impairment	-	-	-	-	0	
As at 30 th June 2018	(26,860,458)	(739,814)	(16,107,332)	(3,834,271)	(47,541,875)	
Depreciation	(4,266,478)	(289,146)	(3,735,182)	(493,067)	(8,783,873)	
Impairment	-	-	-	-	-	
As at 30 th June 2019	(31,126,936)	(1,028,960)	(19,842,514)	(4,327,338)	(56,325,748)	
Depreciation	(5,664,265)	(342,623)	(2,523,844)	(841,403)	(9,372,135)	
Impairment					0	
As at 30 th June 2020	(36,791,201)	(1,371,583)	(22,366,358)	(5,168,741)	(65,697,883)	
Net book values					0	
As at 30 th June 2020	19,408,617	6,483,495	0	6,332,335	32,224,447	
As at 30 th June 2019	8,245,616	1,284,204	2,523,844	979,564	13,033,228	

15. INTANGIBLE ASSET - SOFTWARE

Description	2019/2020 Kshs	2018/2019 Kshs
Cost		
At the beginning of the year	0	0
Additions	3,497,029	0
At the end of the year	3,497,029	0
Additions – internal development	0	0
At the end of the year	3,497,029	0
Amortization and impairment		
At the beginning of the year	0	0
Amortization	0	0
At the end of the year	3,497,029	0
Impairment loss	0	0
At the end of the year	3,497,029	0
NBV	3,497,029	0

Note: The ERP was Work In Progress (20% complete)

16. PROVISIONS AND PAYABLES

	2019/2020 Kshs	2018/2019 Kshs
Presidential Youth Scholarship	6,889,446	15,379,870
Printing, Advertising and information supplies	-	3,307,120
Rent	-	1,994,411
Other payable	-	662,928
Provision for Audit fees	200,000	
Total	7,089,446	21,344,329

17. EMPLOYEE BENEFIT OBLIGATION-GRATUITY

	2019/2020	2018/2019
	Kshs	Kshs
Balance at the beginning of the year	10,598,139	7,814,644
Additional provisions raised	3,804,909	5,565,116
Provisions utilized	3,897,117	2,781,621
Closing Balance	10,505,931	10,598,139

Note: Gratuity is payable to qualifying employees at a rate of 31% of the basic salary. This being the gratuity balance due amounting to **Kshs 10, 505,931**. Detail balances are as follows;

SERVICE GRATUITY FOR FY 2019/2020 BALANCES

Officer Name:	Designation	Closing Balance As at 30 th June, 2020
Silvester Kasuku	Director General/CEO	9,288,879
Morris Owili	Ag. Finance and Accounts	1,217,052
Total		10,505,931

18. CASH GENERATED FROM OPERATIONS

	2019/2020	2018/2019
	Kshs	Kshs
Surplus/(Deficit) for the Year	86,750,634	(6,608,141)
Adjusted for:		-
Depreciation	9,372,135	8,783,872
Amortized capital grant	(4,591,065)	(3,735,182)
Working capital changes	-	-
Increase in prepayments	(11,409,929)	4,827,283
Increase in provision	-	-
Increase in grant receivable	-	-
Increase in provisions and payables	(14,254,883)	(15,230,188)
Increase in gratuity	(92,207)	2,783,495
Net cash flow from operating activities	65,774,684	(9,178,860)

19. FINANCIAL RISK MANAGEMENT

The Authority's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Authority's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Authority's financial risk management objectives and policies are detailed below:

(i) Credit risk

The 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.

	Total Amount Kshs	Fully Performing Kshs	Past Due Kshs	Impaired Kshs
At 30th June 2020				
Receivable from exchange transactions	12,606,936	12,606,936	Nil	Nil
Receivable from non- exchange transactions	0	0	N/A	N/A
Bank balances	0	0	N/A	N/A
Total	12,606,936	12,606,936		
At 30 June 2019				
Receivable from exchange transactions	1,197,006	1,197,006	Nil	Nil
Receivable from non- exchange transactions	0	0	N/A	N/A
Bank balances	0	0	N/A	N/A
Total	1,197,006	1,197,006		

(ii) Liquidity risk managements

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

	Less than 1 month	Between 1-3 months	Over 5 months	Totals
At 30th, June, 2020				
Scholarship	0	0	6,889,446	6,889,446
Employee benefit obligation (Gratuity)	0	0	10,505,931	10,505,931
Provision for Audit fee	0	0	200,000	200,000
Total	0	0	17,595,377	17,595,377
At 30th, June, 2019				
Scholarship	0	0	15,379,870	15,379,870
Employee benefit obligation (Gratuity)	1,383,841	398,202	8,816,095	10,598,138
Other accrued expenses	5,964,459	0	0	5,964,459
Total	7,348,300	398,202	24,195,965	31,942,467

(iii) Market risk

The Board has put in place an internal audit function to assist it in assessing the risk faced by the 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 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 optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The 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.

(a) Foreign Currency Risk

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

The Authority has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid within 14 days from the date of the invoice and conversion at the time of payment is done using the exchange rate prevailing at the date of opening of contract.

(b) Interest rate risk

Interest rate risk is the risk that the Authority's financial condition may be adversely affected as a result of changes in interest rate levels. The Authority's interest rate risk arises from bank deposits. This exposes the Authority to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Authority's deposits.

(c) Management of interest rate risk

To manage the interest rate risk, management has endeavored to bank with institutions that offer favorable interest rates.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank and are subject to insignificant risk of changes in value. Bank account balances include amounts held 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

	2019/2020	2018/2019
	Kshs	Kshs
Cash in Hand	261,179	138,495
Cash at Bank	49,842,056	224,587
Salary Advance	974,664	1,151,601
Total	51,077,899	1,514,683

(iv) Operating leases

The Authority is exposed to operating lease risks, where the Authority may enter into lease agreement with another entity and Authority may fail to receive services as it ought to be.

17. EMPLOYEE BENEFIT OBLIGATION-GRATUITY

	2019/2020 Kshs	2018/2019 Kshs
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Increase in provision	-	-
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Receivable from exchange transactions	0	0	Nil	Nil
Receivable from non- exchange transactions	0	0	N/A	N/A
Bank balances	0	0	N/A	N/A
Total	0	0		
At 30 June 2019				
Receivable from exchange transactions	0	0	Nil	Nil
Receivable from non- exchange transactions	0	0	N/A	N/A
Bank balances	0	0	N/A	N/A
Total	0	0		

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Provisions (Scholarship)	0	0	6,889,446	6,889,446
Employee benefit obligation (Gratuity)	0	0	10,505,931	10,505,931

Other accrued expenses	0	0	0	0
Total	0	0	17,395,377	17,395,377
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Total	51,077,899	1,514,683

(iv) Operating leases

The Authority is exposed to operating lease risks, where the Authority may enter into lease agreement with another entity and Authority may fail to receive services as it ought to be.

The Authority is accommodated at Chester House 2nd floor, Koinange Street, Nairobi under Five (5) years and (1) month agreement at a quarterly payment of Kshs.5, 980,622.40

20. RELATED PARTY BALANCES

Entity and other parties relates to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions.

Government of Kenya

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

- i. The National Government
- ii. State Department of Transport
- iii. African Development Bank
- iv. Key Management
- v. Board of Directors

Description	2019/2020 Kshs	2018/2019 Kshs
a) Grant from the Government		
Grant from National Government	330,600,000	248,310,000
Development partner (Grant) - African Development Bank	50,131,169	23,364,999
Total	380,731,169	271,674,999
b) Key management compensation		
Directors' emoluments	6,336,000	6,336,000
Compensation to the CEO	8,800,000	8,800,000
Compensation to key management	21,853,998	21,853,998
Total	36,989,998	36,989,998

21. CONTINGENT LIABILITIES

During the year under review the Authority had no contingent liabilities.

22. CAPITAL COMMITMENTS

	2019/2020	2018/2019
	Kshs	Kshs
Contracted (Balances)	50,131,169	1,071,481.02

Capital commitments are disclosed in respect of contracted amount for which delivery by the contractor is outstanding at the accounting date.

The Authority has contractual obligation with consultants of various contracted services some of the running beyond 30th, June, 2020.

23. EVENTS AFTER THE REPORTING PERIOD

There acquisition of ERP software as at 30th June 2020.

24. ULTIMATE HOLDING ENTITY

The Authority is a state Corporation under the State Department of Transport. Its ultimate parent is the Government of Kenya.

25. CURRENCY

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

26. ASSET-Land

The Authority was allocated 28,139 hectares of land for the Lamu Port and associated investments components.

27. ASSETS DEPRECIATED TO ZERO VALUE

The Authority procured assets and also received donated partitions in the past years. Detailed below is the summary of the assets depreciated to zero: -

Computer, Equipment and Accessories

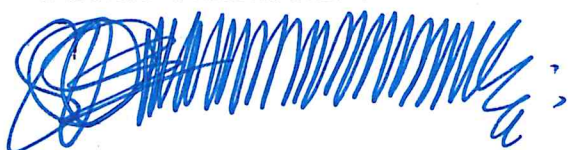
Year of Acquisition	Cost	Dep rate	NBV JUNE 2016	NBV JUNE 2017
2014	1,334,042	33.33%	361,910	0
Year of Acquisition	Cost	Dep rate	NBV JUNE 2017	NBV JUNE 2018
2015	1,740,000	33.33%	471,277.57	0
Year of Aquisition	Cost	Dep rate	NBV JUNE 2018	NBV JUNE 2019
2015/16	507,200	33.33%	101,614	0

APPENDIX I. 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	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Scholarship -10 students not from Lamu county. (June 2016)	Students are from Lamu though identification numbers are from counties of birth.	Mr. Benson Thuita – Corporate Affairs	Resolved	
2.1 & 2.2	Contracted Consultancy Services – no evidence of negotiation. (June 2016)	As per the law in procurement its not mandatory to conduct negotiations if term and scopes of the assignments are agreeable to both parties.	Mr. Benjamin Mutea – A.g Procurement	Resolved	
3	Actual expenditure differences (June 2016)	Actual expenditure reflected in the statements of comparison of Budget were actual amounts spent while the figures in the statement of financial performance were adjusted figures taking care of accruals.	Mr. Morris Owili – Ag. Accounts Manager	Resolved	
4	Maintenance of Manual Accounting Records	The Authority is in the process of automating it systems, where the Procuring and Installing process is ongoing.	Mr. Benjamin Mutea – Ag Procurement Manager	Not Resolved	
5	Segregation of Duties.	The Authority has recruited additional Staff	Mr. James Achuka- HRM Officer	Resolved	

Director General/C.E. O



Date.....

Chairman of the Board



Date.....

APPENDIX II: PROJECTS IMPLEMENTED BY THE AUTHORITY

The principal activity of the LAPSSET Corridor Development Authority is to Plan, Coordinate and Sequence the implementation of the LAPSSET Corridor Program Components.

During the year under review the Authority continued to provide Coordination and planning functions to the various projects implementing agencies. This led to significant milestones achievement culminating to progressing the 1st three berths of Lamu Port to 62% completion rate and commencement of construction of the off-take highways in several sections and progressing the Crude oil Pipeline preliminary studies.

APPENDIX III: INTER-ENTITY TRANSFERS

	ENTITY NAME:	LAPSET CORRIDOR DEVELOPMENT AUTHORITY		
	Break down of Transfers from the State Department of Transport			
	FY 19/20			
a.	Recurrent Grants			
		Bank Statement Date	Amount (KShs)	Year
		8 TH August 2019	62,077,500.00	2019/2020
		31 ST October 2019	103,222,500.00	2019/2020
		3 RD February 2020	82,650,000.00	2019/2020
		21 ST May 2020	82,650,000.00	2019/2020
		Total	330,600,000.00	

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

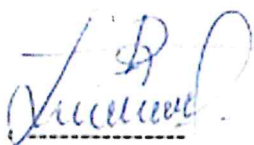
Ag. Finance Manager

LCDA

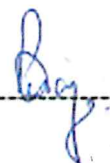
Head of Accounting Unit

State department of Transport

Sign



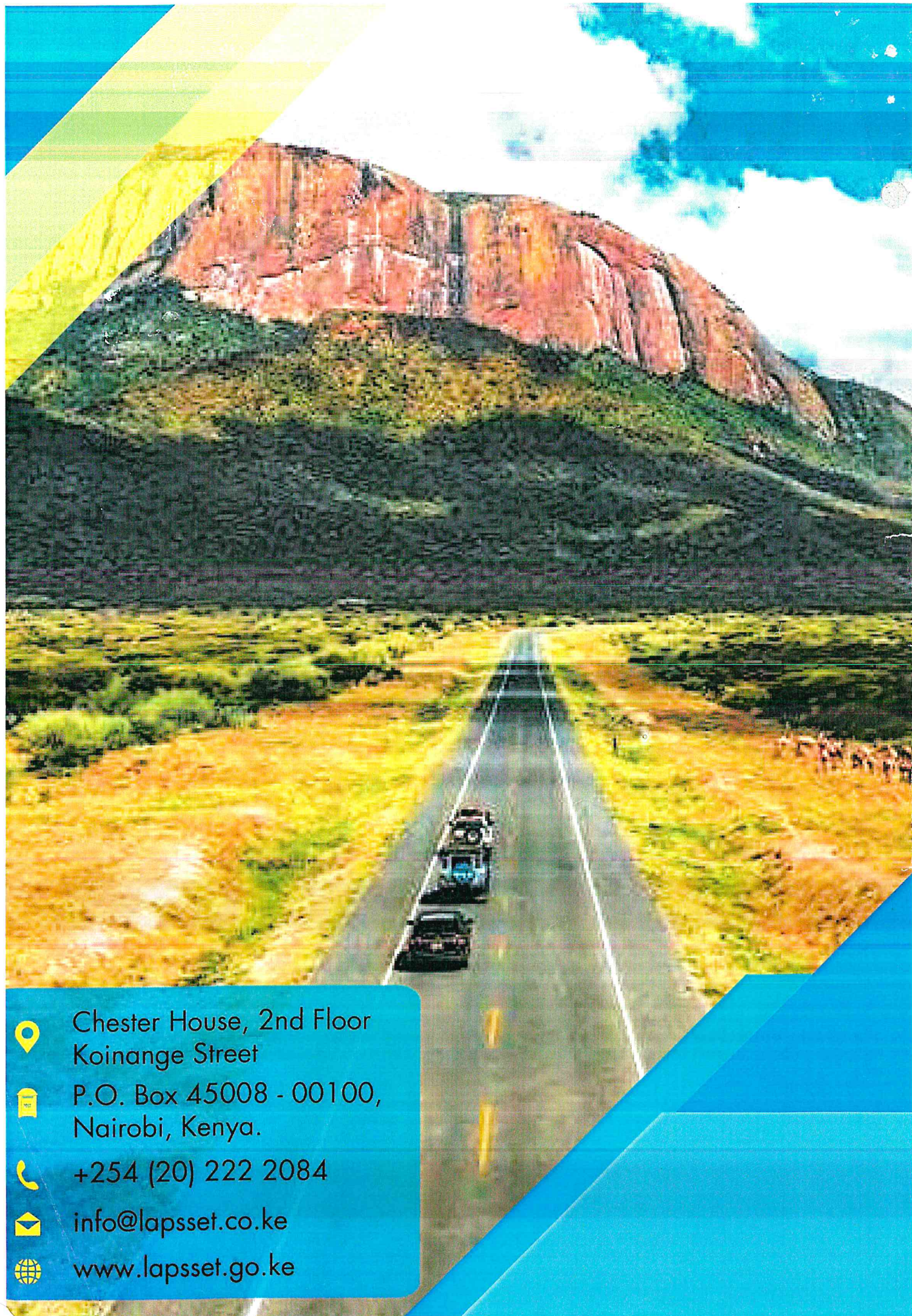
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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent / Development / Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - statement of cash flow	
African Development Bank (AfDB)	Direct payments	Donor Fund	50,131,169	50,131,169	0	0	0	50,131,169	50,131,169
Total			50,131,169	50,131,169	0	0	0	50,131,169	50,131,169





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