

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

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THE AUDITOR-GENERAL

ON

**LAPSSET CORRIDOR
DEVELOPMENT AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE, 2019**

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30634 - 00100, NAIROBI
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LAPSSET CORRIDOR
DEVELOPMENT AUTHORITY



**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30TH JUNE, 2019**



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

LAPSSET Corridor Development Authority

Quarterly Report and Financial Statements For the period ended 30th June 2019

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I. 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
2018/2019

II. 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 trans boundary transport Project components linking Kenya with the neighbouring States of Federal Democratic Republic of Ethiopia and 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 to 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

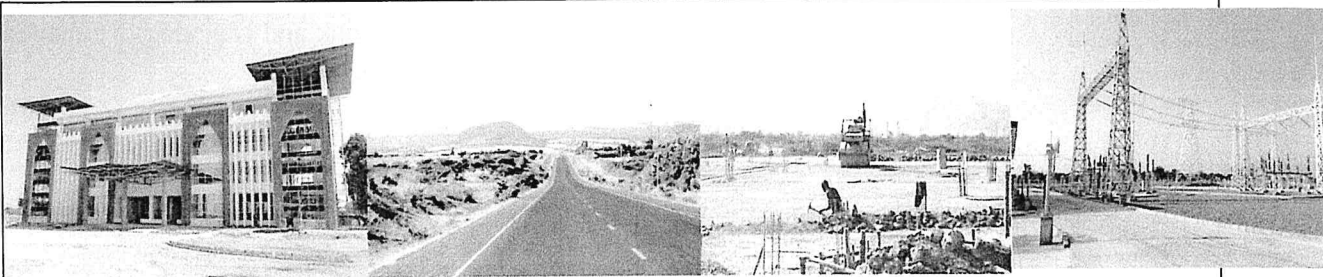
Principal Activities

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, Department and Agencies (MDAs) and LCDA plays a pivotal role in providing effective leadership in their implementation 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 forum for the stakeholders in the LAPSSET Corridor.

Vision, Mission and Core Values

	
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	
To be the 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	We are Committed to promoting transparency, accountability and professionalism in our work. Being Objective, Impartial and Unbiased in our Relations

Sustainability and Public Participation	We ensure socio-economic development is expediently achieved through adequate consultations and putting in place adequate mitigation measures.
Equity and Equality	We undertake our operations in an inclusive manner across all spheres of life irrespectively.
Commitment and Teamwork	We are dedicated to fully execute our operations while we instil a spirit of togetherness amongst the Board, staff and stakeholders to ensure Our Mandate is realized Collectively while recognizing individual efforts in complementation.
Innovation	We Respect individual capabilities and creativity demonstrated through skills, knowledge, ideas and initiatives and we mentor and nurture to grow both to the individual and the Authority. Creativity and innovativeness is encouraged in offering cost effective and appropriate interventions that feed into the overall operations.

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 2019 and who had direct fiduciary responsibility were:

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

Fiduciary Oversight Arrangements

The following fiduciary arrangements were in place during the 2018/19 Financial Year.

COMMITTEE	MEMBERSHIP	RESPONSIBILITIES
Finance & Administration Committee	<ul style="list-style-type: none"> Alice Kirenge – Chairperson Mr. Jack Chebett - 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 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 external funded projects; Recruit and develop of staff of LCDA;

COMMITTEE	MEMBERSHIP	RESPONSIBILITIES
		<ul style="list-style-type: none"> 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"> Dr. Julius Muia– Chairperson Mr. James Wachira 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 	<ul style="list-style-type: none"> Monitor the implementation of the risk management policy framework; Monitor and ensure timely implementation of recommendations of various fiduciary oversight responsibilities, including internal and external auditors, Government project monitoring agencies and external funded projects' periodic review and supervision missions; 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 performance of key internal audit staff against approved performance contracts.

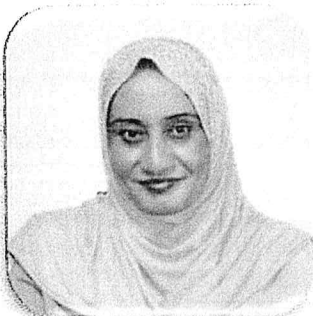
Entity Headquarters		Entity Contacts	
P.O Box 45008-00100 Chester House, 2nd Floor, Koinange Street Nairobi, Kenya		Telephone: (254)-02-20-2219098 E-mail: dg@lapsset.go.ke Website: www.lapsset.go.ke	
Entity Bankers			
1.	Kenya Commercial Bank Moi Avenue Branch P.O. Box 30081-00100 Nairobi	2.	National Industrial Credit (NIC) NIC House, Masaba Road P.O Box 44599-00100 Nairobi
3.	Co-operative Bank of Kenya Parliament Road P.O Box 5772-00200 Nairobi	4.	CFC and Stanbic Bank Lion Place, Waiyaki Way P.O Box 72833-00200 Nairobi
Independent Auditors		Principal Legal Adviser	
Auditor General Office of Auditor General Anniversary Towers, University Way P.O. Box 30084 GOP 00100 Nairobi, Kenya		The Attorney General Office of Attorney General Harambee Avenue P.O. Box 40112 City Square 00200 Nairobi, Kenya	

III. 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 Societv of Kenva (MMSK).



Fauziya Karama, OGW

Board Member & Chairperson Performance Contracting and Stakeholders Engagement. Ms. Karama Joined the Board on 15th February, 2013 and was re - appointed in 2016. She holds BSc - Statistics degree from University of Nairobi and MBA, Major-Strategic Management and Human Resources Management from University of Eastern Africa, Baraton. She is currently pursuing a Doctor of Philosophy degree in Governance and Leadership from Jomo Kenyatta University of Agriculture and Technology. She has vast experience having worked with Telkom Kenya in different leadership positions including Network Planning & Design, Sales & Marketing, Process Management, Quality, Internal Audit and Call Centre Management. She is a registered member (2013) for Customer Operations Performance Center (COPC) on International Standard on Performance Management.



James Wachira, OGW

Board Member & Chairperson Strategy & Development Committee. Mr. Wachira Joined the Board on 15th February, 2013 and was re - appointed in 2016. He holds MBA, Major - Finance, Human Resource Management and Entrepreneurship from Marquette University and Certificate from University of Wisconsin-Madison. Mr. Wachira has over 21 year's local and international consulting experience, having worked in different capacities as a consultant including, team member, leader as well as project director. He has worked in Kenya, South Africa, Rwanda, Ethiopia and the United States of America on medium term and long-term periods. Has also worked for short-term periods in Uganda, the Netherlands, Brussels, Somaliland and Tanzania. Mr. Wachira is a founder director and financial management adviser at PPD Consultants Limited. He is also the former Chairman, Audit & Risk Management Committee, Karatina University College. He is a Certified Public Accountant (CPA) and a member of the Institute of Certified Public Accountants of Kenya ICPA(K).

**Alice Kirenge**

Board Member & Chairperson Finance & Administration Committee. Ms. Kirenge joined the Board on 15th February, 2013 and was re - appointed in 2016. She has several years' experience in senior management roles in the corporate sector with over 29 years in the Insurance/Financial services sector. Formerly she was the Director of Operations and Head of Corporate Communications and PR at CFC Life Insurance Company. She has also worked in Health Care Insurance and Property Development sectors having held the positions of General Manager Nairobi Women's Hospital, General Manager Marketing and Administration at Panda Development Company Limited – the developers of the five stars Aberdare Hills Golf Resort and the General Manager at the Monarch Insurance Company Limited. She is a Founder member of Starehe Girls Centre and currently sits on the board for Women's Enterprises International and KCB Foundation. Alice holds a B-com degree in Management and an MBA in strategic Marketing she is also a Fellow of the Life Management Institute (FLMI), and alumni of Babson Business School.

**Mr. Jack Chebett**

Jack K. Chebett joined the Board in February, 2019. He 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 Supplycor (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).



Dr. Kamau Thugge, CBS

The Principal Secretary at The National Treasury Former head of Fiscal and Monetary Affairs Department, Economic Secretary and as Senior Economic Advisor at the Ministry of Finance He worked with the International Monetary Fund (IMF) as Economist, Senior Economist and Deputy Division Chief prior to joining the Ministry of Finance. He holds a Bachelor of Arts (Economics) degree from Colorado College, USA; Master's degree in Economics and a Doctor of Philosophy (PhD) degree in Economics also from John Hopkins University. USA.



Esther Koimett, CBS

The Principal Secretary State Department for Transport, holds a Bachelor of Commerce Degree and an MBA from the University of Nairobi. Mrs. Koimett has over 35 years' experience in public service in Kenya with over 25 years in investment promotion, banking, privatization and public enterprise reforms She previously served as the Investment Secretary/Director General, Public Investments & Portfolio Management at the National Treasury with overall responsibility for public investments and portfolio management in respect of public enterprise in Kenya. She has also served as the Permanent Secretary in the Ministry of Tourism and Information, as well as the Managing Director/Chief Executive Officer of Kenya Post Office Savings Bank. In addition, she has been a Director/Alternate Director in several companies including the Nairobi Securities Exchange, Kenya Railways Corporation and Kenya Ports Authority. She is currently a director on the Board of Safaricom PLC, Kenya Airways and the Africa Trade Insurance Agency, which is a pan-African institution.



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.



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. 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. 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 trains on Leadership and teaches in Strathmore Business School.



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).



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.



Silvester Kasuku, MBS, CMILT

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 and 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.

IV. MANAGEMENT TEAM



Silvester Kasuku MBS, CMILT.

Director General/CEO

Holds a Masters Arts Degree (MA) Planning

Have Over 13 years in the service.



John Musale

Ag. Finance and Planning Manager

Holds a Masters Arts Degree in Economic Policy Analysis

Have Over 29 years in the service



James Achuka

Ag. Human Resources and Administration Manager

Holds BA (Sociology)

Have Over 13 years in service

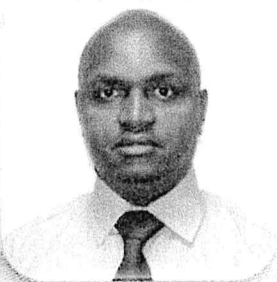


Morris Owili

Ag. Accounts Manager

Holds Masters – Finance & MIS

Have Over 27 Years of service

**Benjamin Mutea**

Ag. Procurement Officer

Holds BA (Economics) and CIPS (UK)

Have Over 15 Years of Experience

**Benson Thuita**

Corporate Affairs Officer

Holds BA (Communications)

Have Over 6 years of Experience

**James Muigai**

Ag. Chief Internal Auditor

Holds MBA- Finance and CPA (K)

Have Over 14 years of experience

V. CHAIRMAN'S STATEMENT



**Titus Ibui, EGH,
Chairman – LCDA Board**

"The LAPSSET Corridor epitomizes Kenya's resolve to contribute to the regional infrastructure development as an instrument of trade and integration with persuasive resolve to the domestic needs in an eloquent and well planned strategy".

INTRODUCTION

It is with enormous honour that I gracefully, present the LAPSSET Corridor Development Authority (LCDA) Annual Report and the Financial Statements for the Year ending 30th June, 2019.

Having joined the Board slightly over a year ago, I convey a deep sense of appreciation for the current development endeavours with LAPSSET taking precedence. Certainly, for the absolute reason and fact that this is a true game changer project for Kenya and the region.

An induction into what the LAPSSET Corridor Program (LCP) portends is a great eye opener for us all. The conceptualization and subsequent effort towards the implementation is a gigantic move towards making the region more integrated and more critically positing Kenya as a regional transport and logistics hub. For this, personally and on behalf of the Board, I want to express our deep conviction of the call for duty which we are alive to and commit to undertake. As a nation, we must also be grateful that the opportunity granted by our geographical location is indeed of great significance and should not be voided to waste.

As an Authority, we appreciate and hold dear the mandate bestowed on us in transforming the nation by steering a second strategic Corridor for Kenya and the region. We reiterate our deep conviction that LCP will position Kenya in an economic flight path and salvage generations from deprivation especially so by exploiting opportunities arising from the attracted and retained economic investments. This is an opportunity that is ripe for embracement and enhancement.

At global and regional level, the LCP has become a famed investment program. Indeed, the potential for the LCP has gained recognition with development partners committing numerous resources to support the Program. We are very grateful to these many partners who have considered this transformative program worth partnering in and devoted their resources to its realization.

Fundamentally, we applaud the recognition of the LCP as a Presidential Infrastructure Champion Initiative (PICI), a fete that has been accorded to only 9 other projects in the entire continent. This strongly affirms that our contribution must be construed in a broader perspective and this has been boosted significantly by the selection of the LCP as a model Program for the 5% financing Agenda by both the African Union and the NEPAD.

The LAPSSET Corridor epitomizes Kenya's resolve to contribute to the regional infrastructure development as an instrument of trade and integration with persuasive resolve to the domestic needs in an eloquent and well planned strategy. There is therefore need to ensure that we continue to uphold this Program with dedication and commitment. Since the initial fruits are already there for all to appreciate, there is need for more financial and political commitment. The LCP therefore remains a key enabler for the realization of Vision 2030 and the Big Four Agenda which are key government commitments for service delivery to the people of Kenya. We therefore appreciate the critical role that we are playing in facilitating this transformative program.

LAPSSET CORRIDOR PROGRAM PROGRESS

During the Financial Year under review and pursuant to the mandate and functions of the Authority, the Authority achieved the following milestones in the implementation of the LAPSSET Corridor Project Components.

Lamu Port Development

Lamu Port is the anchor project for the LAPSSET Corridor Program and the construction progressed from 50% in the last financial year and is currently at 67.5% for the 1st three berths and over 90% for first berth. The Authority engaged Kenya Ports Authority as the implementing agency and other stakeholders among them the Ministry of Transport, Infrastructure, Housing, Urban Development & Public Works, the National Treasury and the National Assembly to allocate funds to the project. This mobilisation led to allocation of funds which resulted to mobilization of the dredger and resumption of construction works. The 1st berth is expected to be commissioned in October, 2019 and the other two by December, 2020.

Upon commissioning in October, the 1st berth is expected to play a pivotal role in actualizing the composite developments in Lamu, promoting the Crude Oil Pipeline delivery and fast tracking the LAPSSET Highways. Indeed, this is a super charge for the entire LCP and for reviving the regional support of the Partner States.

Fishermen Compensation

As part of the delivery of the Lamu Port, the Authority coordinated the fishermen compensation taskforce activities following a High Court Ruling in Petition No.2 of 2012. The Authority engaged various Government Agencies and the Lamu County Government in undertaking fishermen compensation through extensive public consultations which culminated to a report on how the fishermen will be compensated through a participatory process and with their invaluable input on which mode of compensation to be adopted.

It is affirmed that fishermen compensation with greater emphasis on sustainable livelihoods and better capacity for access to deep sea fishing is a vital tool for fighting poverty. Indeed, this is important to promote the blue economy and promote socio-economic progression of the Lamu People.

LAPSSET Highways

The entire LAPSSET Corridor brings new road network of over 1,700 Kilometres. It also defines the competitiveness of the LPC especially by providing an efficient off-take for the Lamu Port. The missing link between Lamu – Garissa – Isiolo is very important and must be prioritized in the matrix of the road network. The Lamu – Garsen road section was progressed in

the year under review and the Authority took deliberate steps in articulating the need for construction works to be progressed through a better coordinated security response to the security challenges that were prevailing.

During the FY under review, the ongoing road construction works progressed well. The section between Lokichar – Lodwar – Nakodok roads has accomplished major milestone with four running contracts currently ongoing. Similarly, the Mokowe – Witu – Garsen Road achieved noticeable construction progress after the contractor resumed works on a more stable basis after the security challenges were adequately addressed through a joint security operation. For road section between Isiolo and Lokichar, the Feasibility and Detailed Designs study was also commenced and this will pave way for investment decision to be arrived at for the commencement of the works.

The Authority has consistently and will always engage with the KeNHA in fast tracking the ongoing road construction works and the 10 kilometres port link road which was awarded is testimonial to this noble endeavour. The joint Boards visit in Lamu to assess and monitor the construction progress as well as lay strategies for the delivery of the rest of the road network is a welcome output of this cordial partnership.

Crude Oil Pipeline

The Crude Oil Pipeline is an important project component and is expected to be part of the signature clients for the Lamu Port, utilizing extensively the Lamu Port during the construction phase and export of the crude oil upon completion. During the year under review, the Front End Engineering Design (FEED), Route Selection and the Environmental and Social Impact Assessment (ESIA) studies were progressed substantially. It is significant to note that the Strategic Environmental Assessment (SEA) formed critical bedrock for the ESIA and FEED Studies and hence helped reduce the time and save on cost for these studies. It is delighting to note that these efforts are critical in reaching The Final Investment Decision and Financial Closure for this project component .

Land Acquisition

The surveying of the entire corridor from Lamu – Garissa – Isiolo – Moyale and Isiolo – Lokichar – Nakodok was undertaken in the FY 2016/17. Sections of Corridor re-alignment between Isiolo and Lokichar were surveyed in 2017/18.

During the year under review, the Authority commenced public consultations to progress the Land Acquisition in earnest in realization of the tight timelines for the delivery of the Crude Oil pipeline.

The concept of an Integrated and Smart Corridor also gained currency among the stakeholders and therefore the 500 meters Infrastructure (Inner) Corridor will be acquired as gazetted. Though the land acquisition process is lengthy with strict statutory process and timelines, we gladly note that it has made significant progress with visible milestones achieved.

Projects Studies

During the year under review, the Transport Infrastructure Master Plan for Lamu Industrial City under the sponsorship of European Union was completed. This will ensure an integrated and forethought approach for linking various components in Lamu. The Lamu Industrial City is expected to link with Manda Airport via a bridge, while the road and railway will evacuate goods from the port.

Further, the Authority procured the service of a Transactional Advisor for the Lamu Port and the Special Economic Zone (SEZ) through a grant of Kshs 200 Million advanced by African Development Bank (AfDB) through a grant from the NEPAD-IPPF kitty. This is intended to package Lamu Port and SEZ to bankable status and undertake market sounding as well as engaging investors up to financial closure. The grant given by AfDB affirms the strong link between the LCP and the Continental commitments for spurring regional integration. The grant was given from the NEPAD-IPPF component.

The Authority is also working closely with World Wildlife Fund (WWF) to undertake a Master Plan for entire LAPSSET Corridor to ensure the fragile ecosystem is protected and sustainably accommodated in the intended developments.

Investment Conference

The Authority successfully held the LAPSSET Side Event during the Sustainable Blue Economy Conference (SBEC) which took place in September, 2018. The SBEC showcased the investment opportunities in the three LAPSSET Partner states spanning the various sectors from infrastructure, agriculture, tourism, mining the blue economy. The Authority also participated in the AfDB Investment Forum in South Africa in which the LAPSSET Corridor Projects were showcased.

Awards and Recognitions

The LCP was selected by NEPAD and African Union as the model project for the 5% financing Agenda. Three projects, namely, the Lamu Port, the Crude Oil Pipeline and the Road from Lamu to Isiolo were identified. Already the Project Information Memoranda (PIM) for the Lamu Port has been prepared for the Lamu Port for berths 1-10 and this was presented during the 5th PIDA week which took place in Victoria Falls, Zimbabwe.

Again, LCP was identified as a significant project championed by H.E the President and he was awarded the 'Babacar Ndiaye Grand Trophy' by the 'Africa Road Builders' during the 53rd Board of Governors Annual General Meeting of the African Development Bank (AfDB) and the 44th Annual Meeting of the African Development Bank which took place from 21st to 25th May, 2018 at Busan, Republic of South Korea.

PRIORITY ACTIVITIES

Building on the progress realized so far, we have prioritized several activities in the Financial Year 2019/20.

The Acquisition of Land for the entire corridor which the Authority will be progressed further with aim of completing Public Consultations, undertaking beaconing, and identifying the Project Affected persons (PAPs) with aim of undertaking the resettlement. As part of this process, we will intensify consultations with the County Leadership and the stakeholders to ensure the process is fast and smooth.

The delivery of the 1st berth, coupled with ongoing TA study is also a priority undertaking. Commissioning of the 1st berth, ensuring the completion of berths 2 & 3 as well as bringing in operations is an important facet of the Port success. We will therefore continue to work with all the relevant agencies to ensure this entire exercise meets and exceeds the desired outcome.

PUBLIC PARTICIPATION

In the year under review, the LCDA Board engaged various stakeholders to address the projects delivery bottlenecks. The Board had consultations with the Governors of Isiolo and emphasized the need for County Governments buy in with a more long-term view of how the counties will benefit. The Board also held candid discussion with H.E the Deputy President, the National Treasury and the Ministry of Transport on road map for the delivery of the LCP.

We underscore that the delivery of the LCP is and must be done within an elaborate stakeholder's engagement. The wider discussion of the buy-in must convert the interest of the stakeholders to be those of shareholders. We therefore look forward to deeper interactions with shareholders and stakeholders to ensure that the LCP is realized faster.

CORPORATE SOCIAL INVESTMENT

The delivery of the LCP is strongly anchored on promoting holistic growth and improving livelihoods. In Lamu, this is reflected in the Presidential Youth Scholarship Programme which so far has supported 376 students to undertake different courses on full scholarship. The Authority is set to undertake Phase III to recruit another 200 students and ultimately will support 1000 youths. The Authority is also engaging with TVET to have technical institutions in all the LAPSSET Corridor Counties as part of enhancing skills and capacity of youth in emerging sectors associated with the LAPSSET Corridor projects.

We continue to pursue this programme with deep conviction that the boundless opportunities for the youths in Lamu and along the corridor have to be consolidated. The emerging challenges as previously observed need to be faced with greater resolve and as a Board we are determined to undertake this progressively. In deed the overall success and sustainability of the scholarship programme still resides in creating and fomenting networks and making endeavour more inclusive.

CHANGES TO THE BOARD

During the year under review, the following Board changes took place. The Chairman, Amb. Dr. Francis Muthaura was replaced by Mr. Titus Ibui, EGH. The term of Dr. Francis Sang expired October and Mr. Jack Chebett and Ms. Martha Wariithi were appointed to serve as Board members in February. Further, three other independent Board Members, namely, Mr. James Wachira, Ms. Fauziya Karama and Ms. Alice Kirenge had their term expire in June and Mr. Abdalla Gonzi and Eng. Karanja Mburu were also appointed. There still exist a vacancy arising from the resignation of an Independent Board Member and the need to fill this position remains profound given that the Independent Board Members are important in observing and supporting governance framework for the Authority.

APPRECIATION

The Board of Directors sincerely recognizes the role and place of the stakeholders in ensuring that the program is implemented within the tenets of the constitution by practically bring stakeholders on board. This remains a noble and vital process whose overall outcome is program acceptance and sustainability. We therefore unreservedly, extend our thanks to the very many stakeholders who have been true partners in the implementation of the LCP.

As a Board, we appreciate and cherish the role that the management plays in the implementation of the LCP and especially so with uttermost dedication and commitment. Despite the prevailing

situation, the call for duty has been a strong driving force and has more often outpoured other considerations. As highlighted, through the management effort, the Authority has made significant inroads in land acquisition, planning of the New Lamu Industrial City (NLIC) and engaging at higher levels to ensure that the program implementation is much more consistent and fast tracked.

The implementing agencies have also been cordial and supportive in the entire process within the year. Indeed, there are studies undertaken and the land acquisition process have been very consultative and key players have supported these exercises enthusiastically and are part and parcel of the achievements. We therefore deeply acknowledge their invaluable input and do commit going forward, to foster and strengthen this partnership.

The outgoing Board Members, under the Chairmanship of Amb, Dr. Francis Muthaura, EGH have truly given their time and effort in spearheading this program. This is an achievement that should go into the annals of history as being selfless service to the people of Kenya.

To my fellow Board Members, I must admit that I have gotten much inspiration from your support and leadership. Taking this role has been a great eye opener, we are called to be part of a gigantic development initiative and our collective and individual contribution cannot be over emphasized.

On behalf of the LCDA Board of Directors, it is my uttermost pleasure and privilege to present the Annual Report for the Financial Year 2018/19.

God bless you all.



Titus Ibui, EGH
Chairman, LCDA Board of Directors

VI. REPORT OF THE CHIEF EXECUTIVE OFFICER



Mr. Silvester Kasuku, MBS, CMILT
Director General/CEO

“Our centrepiece is shaped by the socio-economic transformation nurtured by the emerging opportunities that we continue to witness, forming the bedrock for our dedication and resolve”.

INTRODUCTION

The Lamu Port South- Sudan, Ethiopia Transport (LAPSSET) Corridor Program is a regional multi-modal infrastructure program comprising of highways, railway and pipelines components in Kenya, South Sudan and Ethiopia. The program is the single largest project of its nature in Eastern Africa and is intended to provide seamless connectivity, enhance trade and logistics within the region by providing an alternative and strategic corridor to serve region and this feeds in the continental aspirations as envisaged in the Agenda 2063 which underscores the critical role of the regional infrastructure projects in accelerating Africa’s economic development.

The LAPSSET Corridor creates new regional growth frontiers intended to spur inter-regional trade and further strengthen regional integration. The LAPSSET Corridor is therefore primarily intended to serve non-traditional market by positioning Kenya as a transport and logistics hub. The target market of Southern Ethiopia and South Sudan are well positioned and can be primed to utilize the Lamu Port.

In Kenya, the LCP is one of the flagship Vision 2030 projects, our development Blue Print which espouses one of the major development paradigm shift initiatives. It incorporates Lamu Port, Airports, Resort Cities, Special Economic Zones (SEZ), Industrial Parks, and mineral exploration to generate and harness the economic and business activities along the corridor to bolster the viability and sustainability of the investments. These investments align to development strategies that have become globally acceptable leading to smart infrastructure corridors that are strong enablers to socio-economic transformation.

The scope of the LCP is as follows:-

- i. Lamu Port comprising of a 32 Berth port facility;
- ii. Interregional Standard Gauge Railway lines from Lamu – Isiolo - Nakodok and Juba (South Sudan), Isiolo - Moyale and to Addis Ababa (Ethiopia), and Nairobi to Isiolo;
- iii. Interregional Highways from Lamu – Isiolo – Lokichar - Nakodok and Juba (South Sudan), Isiolo to Moyale and to Addis Ababa (Ethiopia);
- iv. Crude Oil Pipeline from Juba (South Sudan) - Nakodok – Lokichar - Isiolo – Lamu;
- v. Product Oil Pipeline from Lamu – Isiolo - Moyale (Kenya) and Moyale - Addis

Ababa (Ethiopia);

- vi. International Airports at Lamu, Isiolo, and Turkana;
- vii. Resort Cities at Lamu, Isiolo and Turkana; and
- viii. High Grand Falls Multipurpose Dam;

The desired outcome of these projects is to create an active economic corridor that harness the massive economic potential that abound in the larger hinterland of Northern and North Eastern and North Western parts of Kenya. The program is intended to provide the country with a second strategic corridor to unlock development in the 70% land mass and recognizes the significant role that infrastructure plays in spurring development and economic freedom.

Apart from harnessing the latent economic potential by introducing new sectors such as blue economy, mining and mineral exploration, animal husbandry and irrigation, service and industrial revolution in the country, the LCP also responds to equitable development by making services more accessible to the people. Towards this, there is faster access to services and goods such as health and education, security response time has significantly increased and access market for produce has been positively influenced.

As the Authority tasked with Planning, Coordinating and Sequencing the implementation of the entire LCP, we continue to embrace innovative and consultative delivery mechanism for this gigantic program. Our centrepiece is shaped by the socio-economic transformation nurtured by the emerging opportunities that we continue to witness, forming the bedrock for our dedication and resolve. We recognize that the many milestones achieved so far have been informed by close working partnership with sister agencies and development partners, we commit to sustain and strengthen our partnership to fast track the execution and implementation of the many composite components.

LAPSSSET CORRIDOR PROGRAM MILESTONES

The realization the LCP continues to take shape on several fronts. The construction works for the port, the highways and airports have progressed well. Planning and other preliminary studies were also carried out during the year under review.

More importantly, we continue to attract development support and investors' confidence from across the globe. On this front, there has been demonstration interest by investors to undertake key components among them the remaining highways sections from Lamu – Garissa – Isiolo and Isiolo – Lokichar, the operations of the 1st 3 berths, the construction of the Crude Oil pipeline as well as the Railway from Lamu to Moyale and onward to Ethiopia.

Further, we delightedly note that the Partner States continue to deliver on their side especially on the road infrastructure and the supporting economic activities hosted within the corridor which significantly guarantees the success and sustainability of the corridor.

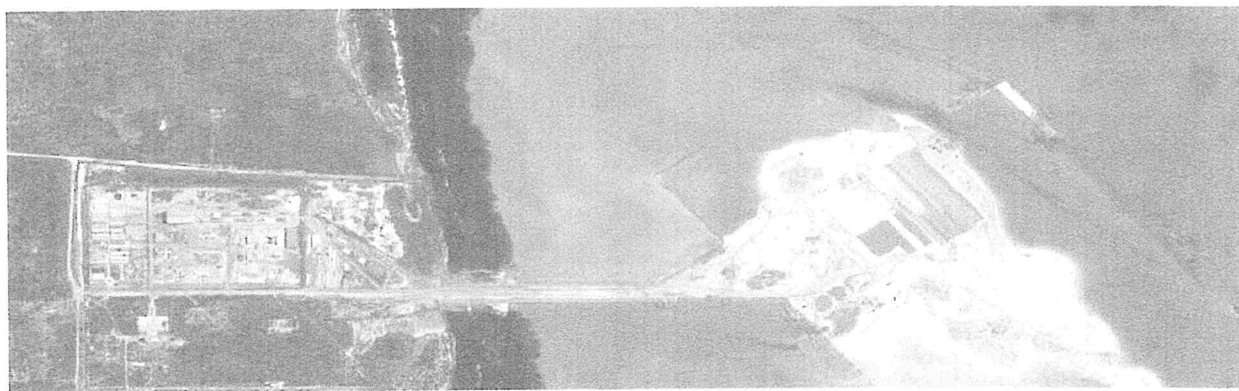
In the year under review, much progress was made, though we emphasize that the pace remains slow compared to anticipate delivery timelines as well as the sequential delivery matrix which would fast track the investors entry. In particular, the following components registered progress as follows:-

Lamu Port

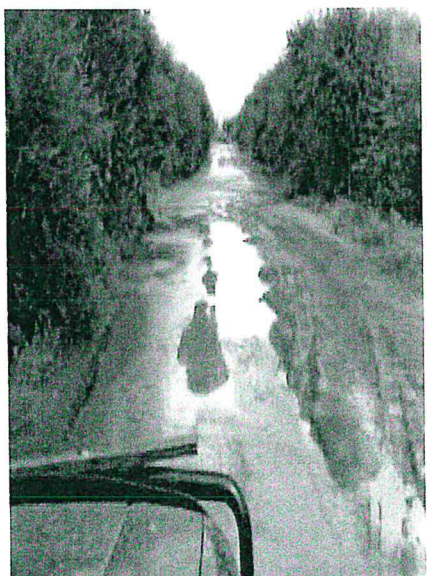


- Lamu Port is the anchor project for the entire LCP. The construction of the 1st three berths progressed to 67.5% from 50% in the last financial year.
- 1st berth is at 95% and will be commissioned in October, 2019 and the other two in December, 2020.
- The Port Management Houses were completed in the year under review;
- Further within the year under review, the Privately Initiated Investment Proposal (PIIP) was processed by the PPP Unit and a negotiation committees formed at both Agency and Ministerial level progressed with the Lamu Port Consortium;
- The Transactional Advisory consultant for Lamu Port and SEZ was procured and has already submitted the Inception Report, Environmental Scoping Report, Feasibility Study Report, Risk Matrix, Project Information Memorandum for Market Sounding;
- Reclamation of the Port Yard of 1,150,000 Square Meters has progressed substantively.

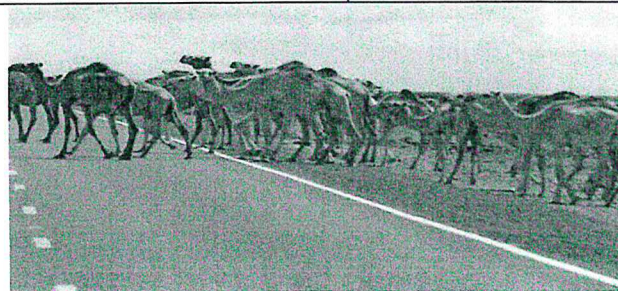
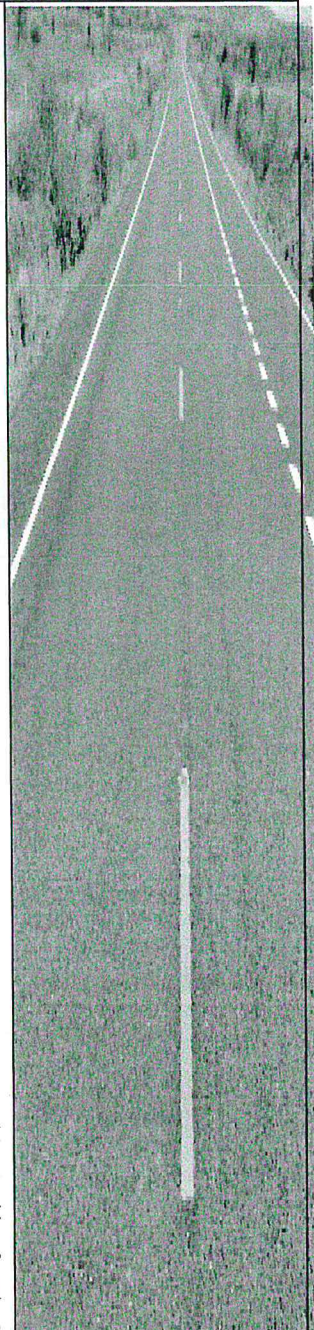
SATELLITE IMAGE OF LAMU PORT CONSTRUCTION WORKS



Highways



- The LAPSSET Highways is an essential project component intended to open the vast region that the entire corridor traverses;
- Currently, the construction of the 338 Kms Lokichar – Lodwar – Nakodok and the 131Kms Lamu – Witu – Garsen road section are ongoing;
- The Feasibility and Detailed Designs Study for the section between Isiolo – Lokichar has also been completed and will be progressed to Financial stage. The 530 Kms Lamu – Garissa - Isiolo road is still at Financial negotiations;
- The road network is critical for the Port success since a road network connecting to the hinterland is essential for creating a viable economic corridor;
- The total added tarmac road network improved is over 1800Kms on completion of the entire LAPSSET highways;
- There are advantage witnessed from the completed sections including enhanced security, access to services such as health and other government services. Further, market access especially for goods produced within the traversed region has greatly improved to improved livelihoods.



Pipeline

18"

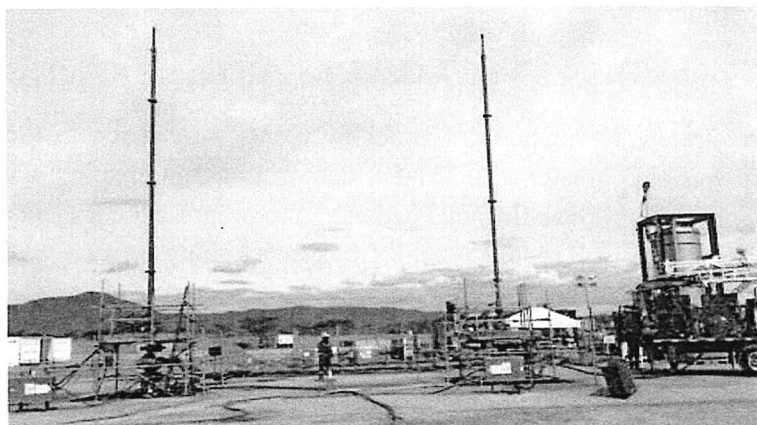
821 Km

70-89K Barrels

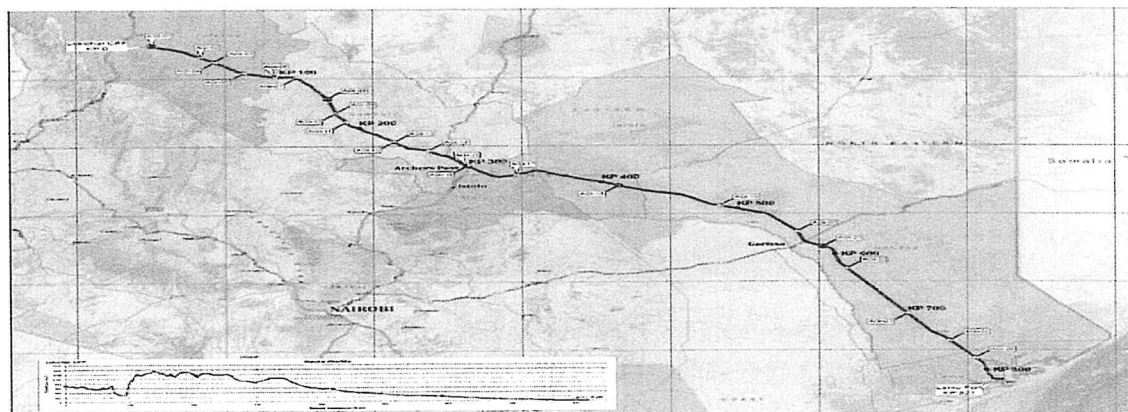
Heated & Insulated

1M Deep

- The LAPSSET Corridor Program has two pipeline components; the Crude Oil from South Sudan – Lokichar – Lamu and the Product Oil Pipeline from Lamu – Isiolo – Ethiopia;
- For the Crude Oil pipeline, a Joint Development Agreement (JDA) between the Government of Kenya and the upstream investors was signed in the preceding year. This unlocked the Front End Engineering Design and the Environmental and Social Impact Assessment studies which were completed in the Financial Year under review;
- A Pipeline Project Management Team (PPMT) was constituted and this has also significantly progressed the execution of the project including the issues of land acquisition and stakeholders mapping and engagements;



- Specifically, the land acquisition process has been embedded on the pipeline project given the tight timeliness for the delivery this project.



Planning of the Corridor

The LCP is fundamentally transforming an ecologically diverse area and changing the nature of economic activities hitherto taking place. It is also an area with less infrastructure network and therefore presents an amiable opportunity for proper planning.

It is also important to ensure that the Corridor Planning is fully integrated with the County Spatial Plans. This strongly informs the technical level contact that was undertaken in the preceding year with County Planners.

In the preceding year, the Authority undertook a Preliminary Planning and Investment Framework with the financial assistance of the United Kingdom and the Lamu Integrated Transport Master Plan with financial support of the European Union.

During the year under review, two critical planning activities were initiated and progressed; The TA consultancy for the Lamu Port and the SEZ with the support of the AfDB and the Master Planning of the entire corridor with the assistance of the WWF.

It remains imperative to accord this activity the precedence to ensure the development of the LCP is sustainable and creates the desired livelihoods improvement in the region and beyond for prosperity.

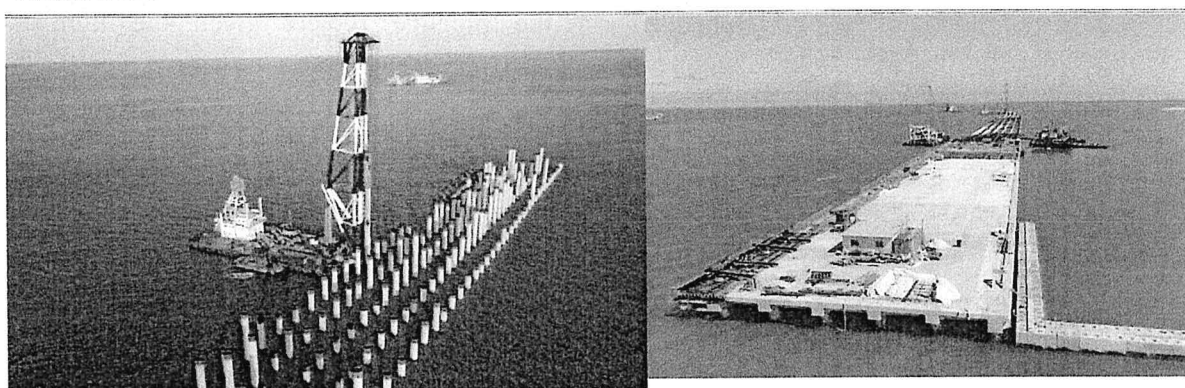
SUMMARY OF THE PROJECTS IMPLEMENTATION STATUS

In the year under review, more achievements were made in the implementation of the LCP. There was also greater commitment demonstrated in creating synergies for the various project components as well as financial dedication to progress the projects.

It remains critical to undertake the key overarching activities which include the land acquisition; fishermen compensation; environmental safeguard studies as well as feasibility studies for the railway and the product oil pipeline.

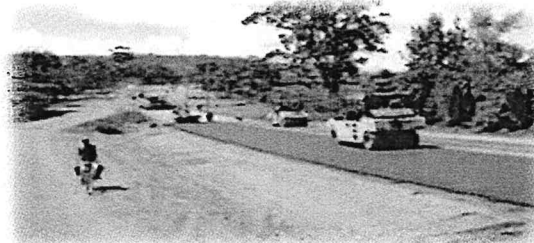
Below is a snapshot of the status of projects for the various components.

Lamu Port



- 1st three berths of Lamu Port achieved 67.5% completion rate;
- 1st Berth completion and will be commissioned later in the year;
- 1st Berth achieved 95% completion rate and will be ready in October, 2019 and the other two by December, 2020;
- Transactional Advisory for Lamu Port and SEZ ongoing;
- PIIP negotiations with DBSA Consortium ongoing;

Roads



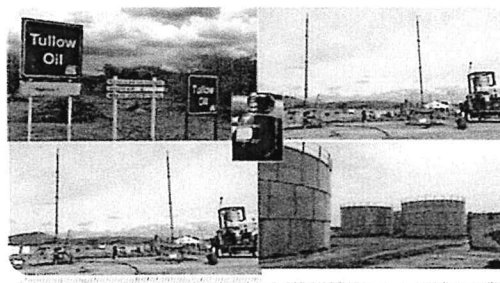
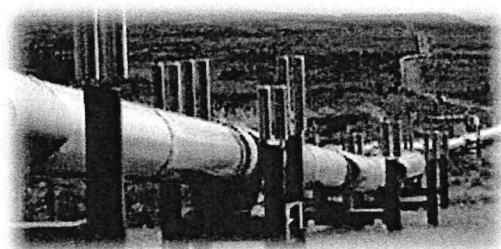
- 505 Kms of Isiolo – Moyale road and OSBP 100% completion rate;
- 338 Kms of Lokichar – Nakodok construction ongoing;
- 530 Kms of Lamu – Isiolo financial negotiations ongoing;
- 350Kms Isiolo – Maralal- Lokichar Feasibility and Detailed designs completed.
- 131 Kms of Lamu – Garsen Road Construction works Commenced

Railway



- Preliminary Design and Feasibility Study completed;
- Process for the Integration of standards and designs between Kenya and Ethiopia started

Crude Oil Pipeline



- JDA signed between the GoK and the upstream investors;
- The FEED and Environmental & Social Impact Assessment studies completed;
- 1st oil flow expected to be in the year 2022; and
- Bilateral technical discussions with Ethiopia for the product Oil Pipeline ongoing.

Airports



- Isiolo Airport Construction completed and commissioned;
- Additional improvement works prioritized include:-
 - Construction of the Cargo Shade;
 - Installation of the navigation equipment;
 - Installation of the lighting on the runway;
- Manda and Lodwar Airport to serve the Corridor with improvements in the mid-term

STAKEHOLDERS CONSULTATIONS

The stakeholder's engagement is a fundamental precept of the Constitution and the Authority continues to undertake this activity given the multiplicity of players involved. Accordingly, the LCDA undertook vigorous and sustained stakeholder's consultation and public participation for the land acquisition process as well as the Transport Master Plan for Lamu and in respect to the overall Corridor Master Planning being supported by WWF.

The Authority facilitates extensive stakeholder consultations for crude oil pipeline delivery including the route identification, the FEED and ESIA studies. There were also consultation touching on the issue of water and other support services for the Lamu Port that were carried out with the government agencies.

The Authority commits to continue engaging the various stakeholders, collate their views and incorporate them in decision making to ensure that the project ownership and sustainability is fundamentally sound.

CAPACITY BUILDING AND SKILLS DEVELOPMENT

Cognizant of the need to boost human capacity and skills along the corridor to benefit from the emerging opportunities, the government initiated the Presidential Youth Scholarship Programme. This was launched in 2004 and to date has benefited 376 students. It is imperative that this programme is rolled over to the other counties since currently only Lamu youths are sponsored.

Further, there is an urgent need to create strong base for the sustainability of this programme to ensure skills transfer and capacity enhancement is commensurate with the needs of market today. To this end, there is need for raising the numbers of beneficiaries as well as creating more scope for exposure.

We remain committed to the success of the human capacity development and imparting skills that will go a long way in alleviating poverty and creating sustainable employment for the youths directly out of this programme.

FINANCIAL PERFORMANCE

During the year under review, the Authority was allocated Kshs 248 Million by The National Treasury for the operations and coordination. The funds also supported the Scholarship programme, the transport Master Plan as well as the counterpart fund for the TA consultancy for the Lamu Port and SEZ.

There are activities that were planned in the year under review whose delivery was greatly hampered by the inadequate budget allocation. The land acquisition process, the stakeholder's engagement as the planning of the entire corridor which is partly supported by the WWF, investment conference and full implementation of the scholarship programme were greatly affected. It remains imperative for the government to support these enabling roles for the corridor to gain momentum and create the necessary environment for the private sector to invest.

The allocation of funds for the Authority remains highly inadequate in light of the huge mandate executed by the Authority. Notably, the allocation was capped at previous year's allocation and the Authority remained highly dependent on the development partners and other government agencies to support its activities. These included the land acquisition as well as the fishermen compensation exercise, the TA and the Transport Master Plan. There is need therefore to increase the allocation of the Authority in order to facilitate the execution of the mandate fully and bolster the program delivery.

INSTITUTIONAL OPERATIONAL CHALLENGES

During the year under review, there were several challenges that impeded the delivery of the Authority. First, the budgetary allocation continues to constrain many planned and key activities including institutional establishment and capacity enhancement.

There are several cross-cutting activities that require an urgent attention. The land acquisition and preservation, Master Planning of the Corridor, Master Planning of the Resort Cities, mapping of the corridor and stakeholder continue to be implemented in small bits. These are critical activities that are essential for creating private sector investors confidence and therefore need to be carried out in earnest if we have to attract the much desired private investments.

Another aspect that was not adequately handled is the Presidential Scholarship Programme with only 376 out of 1000 youths in Lamu supported so far. The programme was launched in the year 2014 and was expected to run for five years, hence has not met the planned timelines. This is a critical aspect of the CSI and needs to be replicated across all the LAPSSET Counties. We observe that this being a presidential directive needs to be given sufficient support.

LAPSSET CORRIDOR PROGRAM INTERNATIONAL SUPPORT

The LCP in the year under review received support from the UNECA and NEPAD in facilitating regional synergies among the three participating counties. There has also been demonstration of support through recognition where H.E the President was awarded the 2018 Babacar Ndiaye Grand Trophy awarded by the Africa Road Builders due to championing of infrastructure projects among them LAPSSET Infrastructure.


APPRECIATION

The LCP has progressed well and is a confirmation that a well thought and executed plan can significantly alter the development path of a country. The Authority therefore continues to appreciate in unbound terms the support and commitment of the many stakeholders.

I therefore on my own behalf and the management extend our most sincere gratitude to the Board of Directors for the unwavering support and to all our clients, service providers, the National and County Governments and the many MDAs involved in the project delivery for their commitment, dedication and resource mobilisation which have greatly aided LCP progression.

The Authority's staffs have continued to demonstrate strong impulsion for personal capacity growth leading to their deployment to non-specialty areas where they have with great dedication delivered beyond expectation. This certainly is a demonstration of commitment at highest level that is strongly noted and appreciated. I therefore take this opportunity to commend and thank all the staff of the Authority and express my deep commitment to working more closely to sustain the team spirit that will bear more outcomes.

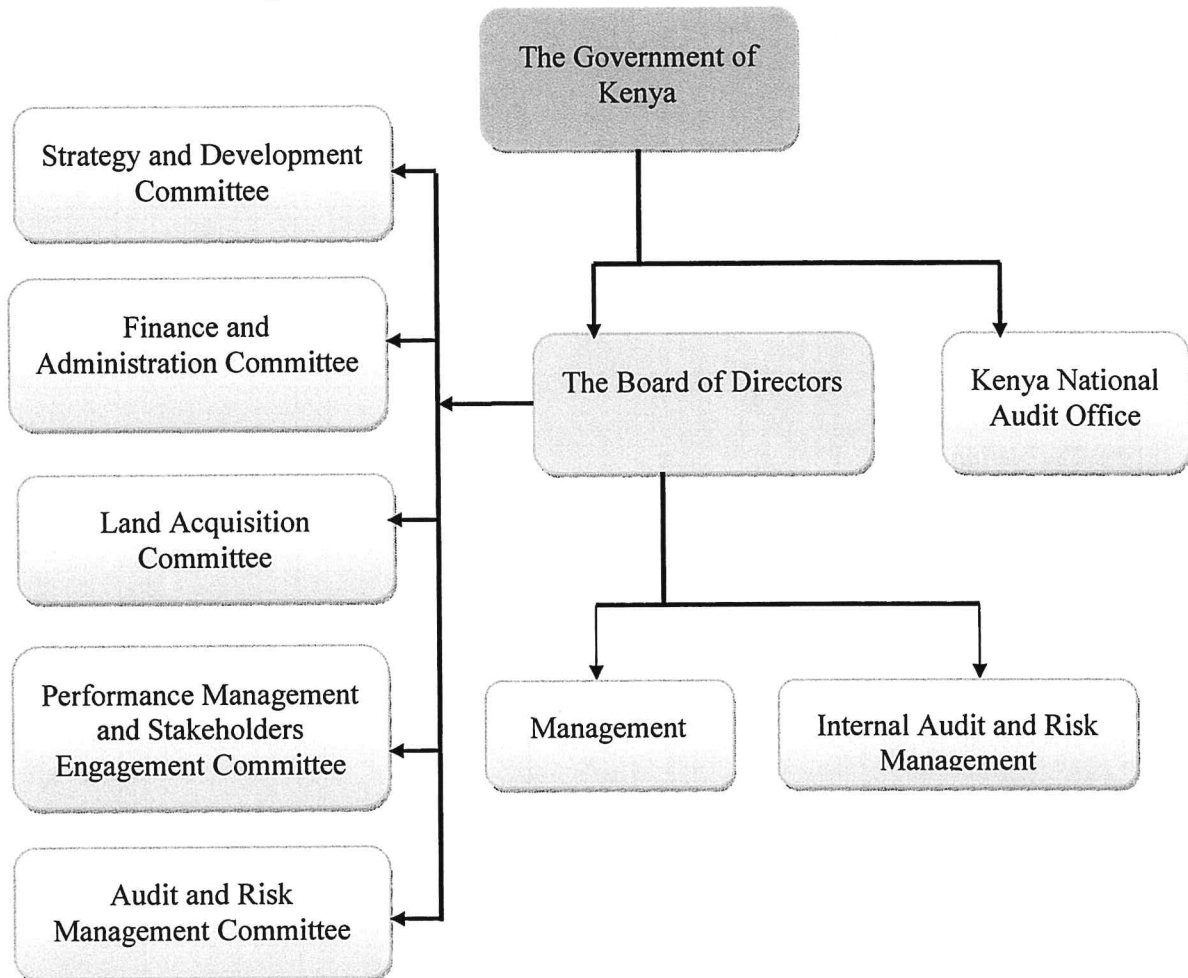
The Authority has also received significant support from numerous regional and international partners. Certainly, AU, AfDB, UNECA, NEPAD, UK Government, DfID, World Bank, WWF and DBSA have given unflattering support and more so dedicate their resources to promote the LCP in many ways. There are many more supporting institutions that have indeed expressly supported this program more so in the partner states of Ethiopia and South Sudan, we applaud you for this support. Indeed, your support is a bedrock for this program and will continue to work together to deliver the LCP in a sustainable way.



Sylvester Kasuku, MBS, CMILT
DIRECTOR GENERAL/CEO

VII. 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 conforms to guidelines and code of governance issued by 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	Board Committees				
	Finance & Admin	Strategy & Dev	Performance Contracting & Stakeholders Engagement	Lands Acquisition	Audit & Risk Management
Alice Kirenge	X	X		X	
Fauziya B. Karama		X	X	X	
James Wachira		X	X		X
Martha Wariithi		X			
Jack Chebett	X				
PS The National Treasury	X	X			X
PS State Department of Transport	X	X	X		
PS State Department of Energy					X
PS State Department of Tourism	X	X			X
Principal Administrative Secretary Office of the Presidency	X		X		
PS State Department of Lands				X	
PS State Department of Water	X	X			
DG Vision 2030	X	X	X	X	

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.	Membership	15 th Oct, 2018	22 nd Nov, 2018	4 th Feb, 2019	19 th Mar 2019	18 th June 2019
1.	Titus Ibui	X	X	X	X	X
2.	Silvester Kasuku	X	X	X		X
3.	Alice Kirenge	X	X	X	X	X
4.	Fauziya B. Karama	X	X	X	X	X
5.	James Wachira	X	X	X		
6.	Jack Chebett				X	X
7.	Martha Wariithi				X	X
8.	PS The National Treasury	X	X	X	X	
9.	PS State Department of Transport				X	X
10.	PS State Department of Energy		X			
11.	PS State Department of Tourism		X	X	X	X
12.	Principal Administrative Secretary Office of the Presidency					
13.	PS State Department of Lands		X	X	X	X
14.	PS State Department of Interior				X	
15.	PS State Department of Water	X	X	X	X	X
16.	PS State Department of Planning	X				
17.	DG Vision 2030	X	X	X	X	
18.	Presidential Delivery Unit		X			X
19.	Inspectorate of State Corporations				X	

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;
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

#	COMMITTEE	ROLES AND FUNCTIONS
		<p>funded projects;</p> <ul style="list-style-type: none"> 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 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 through 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
5.	Audit and Risk Management Committee	<ul style="list-style-type: none"> Monitor the implementation of the risk management policy framework; Monitor and ensure timely implementation of recommendations of various fiduciary oversight responsibilities, including internal and external auditors, Government project monitoring agencies and external funded projects' periodic review and supervision missions; 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 performance of key internal audit staff against approved performance contracts.

INDUCTION AND TRAINING

4 Board members was inducted in the Financial Year under review.

PROCESS OF APPOINTMENT AND REMOVAL OF DIRECTORS

The appointment of the Chairman and the Non-Executive Board Members is done by the President pursuant to the provision of the Authority's establishing Legal Notice, 5(1)(a and g(i-v)). The removal of the Directors is provided for under Section 11(1) (b and c(i-v)).

APPOINTMENTS AND RESIGNATIONS

The Term of three independent Directors lapsed on 24th June, 2019. There were new Board appointments, where Mr. Jack Chebett and Ms. Martha Wariithi were appointed with effect from 8th February, 2019 while Mr. Abdalla Gonzi and Eng. Karanja Mburu were appointed with effect from 24th June, 2019.

BOARD REMUNERATIONS

The Directors are paid sitting allowances for every meeting attended. In addition, the Chairman is paid monthly Honoraria.

CONFLICT OF INTEREST

Directors have a statutory duty to disclose any situations which may give rise to conflict of interest in executing their mandate in the Authority. The Directors have signed a Code of Governance committing to disclose any conflict of interest which may arise.

VIII. 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 LAPSSET 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.

IX. 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

2018/2019

X. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30th, 2019 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 Nakadok; 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, 2019 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

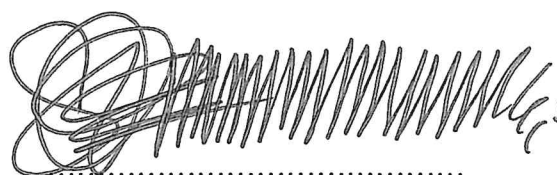
The Auditor General is responsible for the statutory audit of the Authority in accordance with the Section 35 of the Public Audit Act, 2015.

By Order of the Board

Secretary to the Board
Nairobi

Date:

23/6/2020



XI. STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

Section 83 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, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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, 2019, 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.

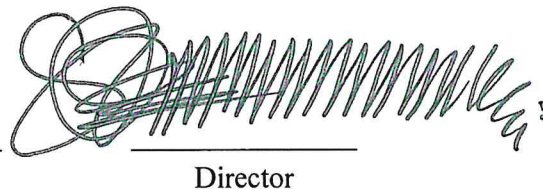
The Authority's financial statements were approved by the Board on _____ 2019 and signed on its behalf by:



Director



Director



Director

REPUBLIC OF KENYA

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



Enhancing Accountability

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NAIROBI

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

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

In my opinion, except for the effect of the 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, 2019 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the LAPSET Corridor Development Authority Order, Legal Notice No. 58 of March, 2013 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Non-Valuation of Land

The statement of financial position reflects a balance of Kshs.13,033,226 in respect of property, plant and equipment. However, the balance excludes Land Ref: Title No. CR.68910 measuring 28,140 hectares whose value had not been determined. The land was allocated to the Authority on 1st January, 2016 by the Registrar of Titles for a term of 99 years.

In view of the foregoing, the accuracy of the carrying value of Kshs.13,033,226 for property, plant and equipment could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of LAPSSET 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 audit 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

Unresolved Prior Year Matters

As reflected under the progress on follow-up of auditors' recommendations section of the financial statements, issues reported in the prior year remained unresolved as at 30 June, 2020.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the 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

1. Lack of a Risk Management Policy

The Authority had not developed a documented Risk Management Policy. The Authority had therefore not developed risk management strategies, which include fraud prevention mechanism and a system of risk management and internal controls that builds robust business operations as required under Regulation 165(1) of the Public Finance Management (National Governments) Regulations, 2015.

2. Staff Establishment

The Staff Establishment of the Authority provides for one hundred and thirty (130) members of staff in various cadres and job groups. However, during the financial year 2018/2019, the Authority had forty-one (41) members of staff. Further, although each Department was supposed to be headed by a Manager, most of the Departments were headed by Assistant Managers in acting capacities. In addition, available information indicated that the Authority advertised for nineteen (19) positions on 30 January, 2018. However, only one position for Regional Manager, Lamu was filled despite interviews having been conducted for all the positions. The under staffing may have negatively affected the Authority's ability to effectively deliver on its mandate.

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 those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the 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

13 July, 2021

STATEMENT OF FINANCIAL PERFORMANCE**For the year ended 30th, June 2019**

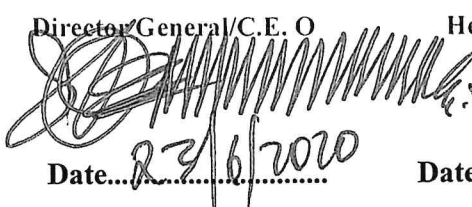
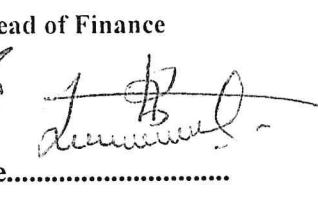
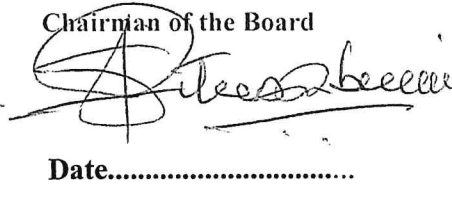
	Notes	FY 2018/2019	FY 2017/2018
		Kshs	Kshs
Revenue from non-exchange transactions	6		
Transfers from other governments	i	248,310,000	248,310,000
Donor receipts (Direct payments)	ii	23,364,999	1,487,016
Amortized capital grant	iii	3,735,182	9,144,605
Other income	iv	67,560	191,664
Total revenue		275,477,741	259,133,285
Expenses			
Employee costs	7	86,087,688	87,846,513
Board expenses	8	18,636,574	8,221,582
Depreciation expenses	9	8,783,872	14,539,806
Grants and subsidies	10	13,008,909	43,786,533
Operating expenses	11	155,568,837	149,738,921
Total expenses		282,085,881	304,133,355
Deficit for the period		(6,608,141)	(45,000,071)

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 2019**

		FY 2018/2019	FY 2017/2018
		Kshs	Kshs
Assets	Notes		
Current assets			
Cash and cash equivalents	12	363,082	10,611,621
Receivables from exchange transactions	13	1,197,006	6,024,290
Total current assets		1,560,088	16,635,910
Non-current assets			
Property, plant and equipment	14	13,033,226	20,747,420
Total assets		<u>14,593,314</u>	<u>37,383,330</u>
Liabilities			
Current liabilities			
Provisions and payables	15	21,344,329	36,574,517
Employee benefit obligation	16	10,598,138	7,814,644
Total liabilities		31,942,467	44,389,161
Net assets		(17,349,153)	(7,005,831)
Capital grants		2,523,846	6,259,026
Accumulated surplus		(19,872,997)	(13,264,857)
Total net assets and liabilities		<u>14,593,316</u>	<u>37,383,330</u>

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

<p>Director General/C.E. O</p>  <p>Date... 23/6/2020</p>	<p>Head of Finance</p>  <p>Date.....</p>	<p>Chairman of the Board</p>  <p>Date.....</p>
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STATEMENT OF CHANGES IN NET ASSETS**For the year ended 30th June 2018**

	Revenue Reserve 2017/2018 Kshs	Capital Grants* 2017/2018 Kshs	Total 2017/2018 Kshs
Reserves as at 1st July 2017	31,735,214	15,403,631	47,138,845
Amortized during the year	-	(9,144,605)	(9,144,605)
Deficit for the year	(45,000,071)	-	(45,000,071)
30th June 2018	(13,264,857)	6,259,026	(7,005,831)

For the year ended 30th June 2019

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

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 2019**

	Note	2018/2019	2017/2018
		Kshs	Kshs
Cash flow from Operating Activities	6		
Receipts			
Transfers from other governments	i	248,310,000	248,310,000
Donor (Direct payments)	ii	23,364,999	1,487,016
Other revenue	iv	67,560	191,664
		271,742,559	249,988,680
Payments			
Employee costs	7	82,429,461	86,747,047
Board expenses	8	18,636,574	8,221,582
Grants and subsidies	10	22,037,520	25,917,126
General expenses/operating	11	157,817,864	138,126,514
		280,921,419	259,012,269
Net Cash flow from Operating Activities	17	(9,178,860)	(9,023,590)
Purchase of Fixed assets	14	(1,069,680)	(4,192,120)
Net cash used in investing activities		(1,069,680)	(4,192,120)
Net decrease in cash and cash equivalents		(10,248,540)	(13,215,710)
Cash and cash equivalents at the beginning of the year		10,611,622	23,827,331
Cash and cash equivalents at the end of the Year	12	363,082	10,611,622

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

ITEMS	Original Budget	Adjustments	Final Budget	Actual on Comparable basis	Performance difference	Performance %
Revenue						
Transfers from Ministry	248,310,000	-	248,310,000	248,310,000	-	-
Transfers from other Government						
Donor Receipts-Direct payments			23,364,999	23,364,999	-	-
Other income:						
-Bank interest		67,560	67,560	67,560	-	-
-Previous year balance	10,611,622		10,611,622	10,611,622	-	-
Total revenue	258,921,622	-	282,354,181	282,354,181		
Expenses						
Employee costs	77,000,000		82,486,000	82,429,460	56,539	
Board Expenses	9,000,000	-	18,700,000	18,636,574	63,425	
Grants and subsidies	20,100,000	-	22,150,000	22,037,520	112,480	
Operating expenses	132,821,622		157,864,099	157,817,864	16,842	
Fixed Asset	20,000,000		1,086,522	1,069,680	46,235	
Total expenses	258,921,622	67,560	282,286,621	281,991,098		
Surplus for the period						

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 2019

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period.</p> <p>The entity adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the entity.</p>
IPSAS 34: Separate Financial Statements	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements</p> <p>The entity does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply</p>
IPSAS 35: Consolidated Financial	<p>Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 35, Consolidated Financial</p>

Standard	Impact
Statements	<p>Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an entity controls one or more entities. It requires an entity that controls one or more other entities to assess control over those entities based on the following:</p> <ul style="list-style-type: none"> - Its power over the other entity - Its exposure or rights to variable benefits from involvement with the other entity - Its ability to control the nature, timing and amount of benefits from the other entity. <p>Once control is assessed the controlling entity is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of IPSAS 35.</p> <p>The entity does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply</p>
IPSAS 36: Investments in Associates and Joint Ventures	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest.</p> <p>The entity does not have investments in associates or joint ventures and therefore the standard does not apply</p>
IPSAS 37: Joint Arrangements	<p>Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly</p> <p>The entity does not have an interest in a joint arrangement and therefore the standard does not apply</p>
IPSAS 38: Disclosure of Interests in Other Entities	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows.</p> <p>The entity does not have an interests in other entities and therefore the standard does not apply</p>

Standard	Impact
IPSAS 39: Employee Benefits	(Effective for annual periods beginning on or January 1, 2018) The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach. The Authority's defined contributory pension scheme and is managed by independent contracted entity and therefore the standard does not apply
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 which are covered purely under Public Sector combinations as amalgamations.

ii. Early adoption of standards

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the 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 recognised on obtaining control of the asset and on yearly basis the assets are amortised 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 2018/2019 was approved by the board on 15th, October, 2018. 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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, 2019.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

ii. TRANSFERS FROM OTHER GOVERNMENTS

Description	2018/2019	2017/2018 Kshs
Grant-British High Commission		
Grant-African Development Bank	23,364,999	1,487,016

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 towards procurement of Transactional advisory services

iii. **AMORTIZED CAPITAL GRANT**

	2018/2019	2017/2018
Amortized Capital Grant	3,735,182	9,144,605

iv. **OTHER INCOME**

	2018/2019	2017/2018
Interest Income earned	67,560	191,664

7. EMPLOYEE COST

	2018/2019	2017/2018
	KShs	KShs
Basic Salaries of Permanent Employees	57,019,350	57,742,005
Medical Aids	0	-
Gratuity	5,565,117	5,565,116
Leave allowance	1,389,753	1,881,342
Pension	2,760,000	2,738,800
Sub-Total	66,734,220	67,927,263
PAYE	18,797,568	19,386,599
NHIF	555,900	532,650
Sub – Total	19,353,468	19,919,249
Total	86,087,688	87,846,512

8. BOARD EXPENSES

	2018/2019	2017/2018
	Kshs	Kshs
Board cost	17,592,574	7,177,582
Chairman's Honoraria	1,044,000	1,044,000
Total	18,636,574	8,221,582

9. DEPRECIATION

	2018/2019	2017/2018
	Kshs	Kshs
Motor vehicles	4,266,478	9,675,901
Computer and Accessories	493,067	858,965
Furniture and Fittings	289,145	269,758
Partitions	3,735,182	3,735,182
Total	8,783,872	14,539,806

Note: Donated motor vehicles and some computers were depreciated to zero values-Note No 26

10. GRANTS AND SUBSIDIES

	2018/2019	2017/2018
	Kshs	Kshs
Presidential Youth Scholarship programme**	13,008,909	43,786,533

11. OPERATING EXPENSES

	2018/2019	2017/2018
	Kshs	Kshs
Telephone, Postage and Courier	2,826,050	3,629,626
Coordination Activities	12,956,786	12,942,013
Investment and funds Mobilization	12,849,860	17,001,740
Monitoring –Presidential Scholarship programme	1,099,762	71,750
Project Counties & Stakeholders Engagements	17,989,021	26,764,552
International Project Investor engagement meetings	25,362,250	8,976,589
Printing, Advertising and Information Supplies & Services	6,866,625	3,678,337
Rent Expenses	23,932,935	25,442,857
Training Expenses	1,660,970	854,950
Project Coordination Assignments	1,826,293	2,921,500
Office and Project Operation stationeries	1,152,671	2,007,857
Project Planning and Preparation Activities	1,681,732	4,937,701
Project Vehicles Operation Cost	5,929,491	6,404,503
Cleaning Services	1,070,725	1,065,312
Insurance	10,788,458	5,517,249
Consultancy	23,364,999	23,664,011
General Expenses	4,114,628	3,799,214
Repair and Maintenance	95,590	59,160
Sub Total	155,568,846	149,738,921

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

		2019	2018
		Kshs	Kshs
Financial Institution	Account Number		
Current Accounts			
Kenya Commercial Bank	1142485498	159,628	1,810,733
NIC-Bank	1001309354	14,547	8,383,864
CFC Stanbic-Bank	0100004036397	50,412	372,296
Sub-Total		224,587	10,566,893
b) Others			
Cash In hand		138,495	44,728
Sub-Total		138,495	44,728
Total		363,082	10,611,621

13. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2018/2019	2017/2018
	Kshs	Kshs
Balance at the Beginning of the Year	6,024,289	4,240,377
Additional provision Raised		
Rent	-	3,988,822
Post Office	7,875	9,133
Medical Insurance		
Salary Advances	1,151,601	2,026,334
Motor Vehicle Insurance	37,530	
Provision Utilized During the Year	6,024,289	4,240,377
Total	1,197,006	6,024,289

14. PROPERTY AND EQUIPMENT					
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
Disposals	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-
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
Disposals	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-
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
Depreciation and impairment					
As at 30 th June 2017	(17,187,966)	(470,056)	(12,372,150)	(2,975,306)	(33,005,478)
Depreciation	(9,675,901)	(269,758)	(3,735,182)	(858,965)	(14,539,806)
Impairment	-	-	-	-	-
As at 30 th June 2018	(26,863,867)	(739,814)	(16,107,332)	(3,834,271)	(47,545,284)
Depreciation	(4,266,478)	(289,146)	(3,735,182)	(493,067)	(8,783,872)
Impairment	-	-	-	-	-
As at 30 th June 2019	(31,130,345)	(1,028,959)	(19,842,514)	(4,327,338)	(56,329,156)
Net book values					
As at 30 th June 2019	8,245,616	1,284,204	2,523,844	979,564	13,033,228
As at 30 th June 2018	12,512,094	1,573,349	6,259,026	402,951	20,747,420

15. PROVISIONS AND PAYABLES

	2018/2019	2017/2018
	Kshs	Kshs
Presidential Youth Scholarship	15,379,870	24,408,481
Printing, Advertising and information supplies	3,307,120	1,073,400
Consultancy	0	4,139,895
Rent	1,994,411	2,870,464
Other payable	662,928	
Investment and fund mobilization	0	418,000
International project investor engagement meetings	0	3,664,268
Total	21,344,329	36,574,517

16. EMPLOYEE BENEFIT OBLIGATION-GRATUITY

	2018/2019	2017/2018
	Kshs	Kshs
Balance at the beginning of the year	7,814,644	5,464,678
Additional provisions raised	5,565,116	5,565,116
Provisions utilized	2,781,621	3,215,150
Closing Balance	10,598,139	7,814,644

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, 598,139**. Detail balances are as follows;

SERVICE GRATUITY FOR FY 2018/2019 BALANCES

Officer Name:	Designation	Closing Balance As at 30th June, 2019
Silvester Kasuku	Director General/CEO	7,205,679
James Esimit Achuka	HR/Admin Manager	576,723
Norman N. Muraya	Senior Economist	744,000
Judith Sarange	Economist	639,841
Lucy W. Mburu	Secretary	645,172
Bernard O. Oluoch	Finance Officer	388,523
Dorothy W.Nziki	Record Management Officer	398,201
Total		10,598,139

17. CASH GENERATED FROM OPERATIONS

	2018/2019	2017/2018
	Kshs	Kshs
Surplus/(Deficit) for the Year	(6,608,141)	(45,000,071)
Adjusted for:	-	
Depreciation	8,783,872	14,539,806
Amortized capital grant	(3,735,182)	(9,144,605)
Working capital changes	-	
Increase in prepayments	4,827,283	(1,783,913)
Increase in provision	-	
Increase in grant receivable	-	
Increase in provisions and payables	(15,230,188)	30,015,226
Increase in gratuity	2,783,495	2,349,966
Net cash flow from operating activities	(9,178,860)	(9,023,589)

18. 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 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	224,587	224,587	N/A	N/A
Total	1,421,593	1,421,593		
At 30 June 2018				
Receivable from exchange transactions	5,318,555	5,318,555	Nil	Nil
Receivable from non- exchange transactions	0	0	N/A	N/A
Bank balances	10,566,893	10,566,893	N/A	N/A
Total	15,885,448	15,885,448		

(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, 2019				
Provisions (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
At 30th, June, 2018				
Provisions (Scholarship)	0	0	24,408,481	24,408,481
Employee benefit obligation (Gratuity)	1,383,840	0	4,080,837	5,464,677
Other accrued expenses	20,217	0	0	20,217
Total	1,404,057	0	28,489,318	29,893,375

(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.

	2018/2019 Kshs	2017/2018 Kshs
Cash in Hand	138,495	44,728
Cash at Bank	224,587	10,566,893
Salary Advance	1,151,601	2,026,334
Total	1,514,683	12,637,955

(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, 473,031.00

19. 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	2018/2019 Kshs	2017/2018 Kshs
a) Grant from the Government		
Grant from National Government	248,310,000	248,310,000
Development partner (Grant) - African Development Bank	23,364,999	1,487,016
Total	271,674,999	249,797,016
b) Key management compensation		
Directors' emoluments	6,336,000	3,550,000
Compensation to the CEO	8,800,000	8,800,000
Compensation to key management	21,853,998	21,853,998
Total	36,989,998	34,203,998

20. CONTINGENT LIABILITIES

During the year under review the Authority had no contingent liabilities

21. CAPITAL COMMITMENTS

	2018/2019 USD	2017/2018 Kshs
Contracted (Balances)	1,071,481.02	4,139,895

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, 2019.

22. EVENTS AFTER THE REPORTING PERIOD

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

23. ULTIMATE HOLDING ENTITY

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

24. CURRENCY

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

25. ASSET-Land

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

26. ASSETS DEPRECIATED TO ZERO VALUE

The Authority procured assets and also received donated motor vehicles and partitions in the past years. Some motor vehicles and equipments have depreciated over the years and their Net book values came to zero but they are still recorded in the Authority's Assets register as motor vehicle are still on serviceable condition. A request was made to Ministry of Public Works to carry out revaluation of the same.

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 Acquisition	Cost	Dep rate	NBV JUNE 2018	NBV JUNE 2019
2015/16	507,200	33.33%	101,614	0

Motor Vehicles (Donation)

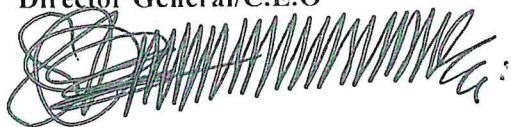
Year of Acquisition	Cost	Dep rate	NBV JUNE 2017	NBV JUNE 2018
2014	22,310,048	25%	5,409,422.60	0

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.

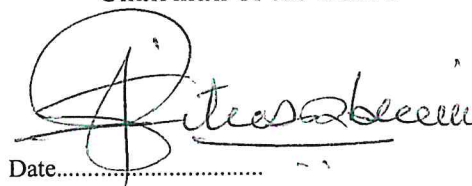
Reference No. on the external audit Report	Issue Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Scholarship -10 students not from Lamu county.(June 2016)	Students 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 have been initiated.	Mr.Benjamin Mutea –Ag Procurement Manager	Not Resolved	
5	Segregation of Duties.	The Authority is in the process of Recruiting Additional Staff	Mr.James Achuka- HRM Officer	Not 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:	LAPSSET CORRIDOR DEVELOPMENT AUTHORITY		
	Break down of Transfers from the State Department of Transport			
	FY 18/19			
a.	Recurrent Grants			
		Bank Statement Date	Amount (KShs)	Year
		28/08/2018	62,077,500	2018/2019
		08/11/2018	62,077,500	2018/2019
		12/02/2019	62,077,500	2018/2019
		02/05/19	62,077,500	2018/2019
		Total	248,310,000	

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

Ag. Finance Manager

LCDA

Head of Accounting Unit

State Department for Regional and

Northern Corridor Development

Sign



APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent / Development / Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
	as per bank statement			Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - statement of cash flow	
African Development bank(AfDB)	Direct payments	Donor Fund	23,364,999	23,364,999	0	0	0	23,364,999	23,364,999
Total			23,364,999	23,364,999	0	0	0	23,364,999	23,364,999

