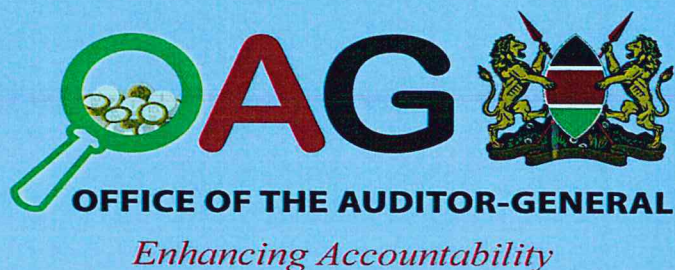


REPUBLIC OF KENYA



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

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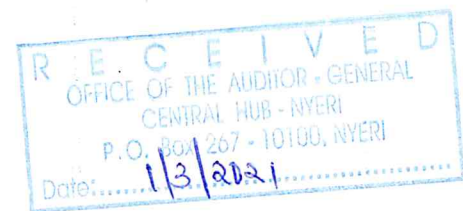
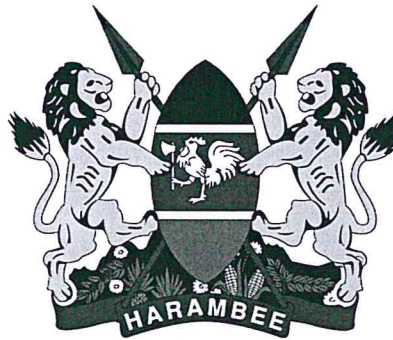
**LAIKIPIA COUNTY DEVELOPMENT  
AUTHORITY**

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





Revised Template June 2020



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## **LAIKIPIA COUNTY DEVELOPMENT AUTHORITY**

### **REPORT AND FINANCIAL STATEMENTS**

#### **FOR THE FINANCIAL YEAR ENDED**

**30<sup>TH</sup> JUNE, 2020.**

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

**Laikipia County Development Authority**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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

### **a) Background information**

Laikipia County Development Authority is established by and derives its authority and accountability from The Laikipia County Development Authority Act of 2014. The Authority is wholly owned by the County Government of Laikipia and is domiciled in Kenya.

The Authority's objective is to promote and co-ordinate county development.

The Authority's principal activity is:

- ❖ Advise the county government on the appropriate policies, laws, plans and programs necessary for county development.
- ❖ Coordinate development programs and initiatives and provide liaison between county and national government on implementation of development programs and projects.
- ❖ Initiate and implement in collaboration with other county departments targeted development programs and projects.
- ❖ Source locally or internationally resources required for promoting county development.
- ❖ Support other county departments in preparing and implementing development plans and programs.
- ❖ Mobilize and support residents to initiate or participate in development initiatives, programs and projects.
- ❖ Monitor and evaluate development policies, laws, plans and programs and advise the county government on appropriate measures to be adopted.
- ❖ Carry out such other roles necessary for the implementation of the projects and purpose of this Act and perform such other functions as may from time to time, be assigned by the executive member in charge of county planning and development.

### **b) Principal Activities**

The principal activity/mission/ mandate of the Authority is to co-ordinate and promote development in Laikipia.

- a) **Mission:** To shape the future of Laikipia by making it easy to do business in the County, and making strategic investments to raise productivity and earnings of farmers and small businesses.
- b) **Vision:** To make Laikipia the greatest county with the best quality of life.

**Laikipia County Development Authority**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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**c) Core values:**

- a. *Synergy*: alignment with line departments' work-plans to avoid duplication and/or conflicts.
- b. *Partnerships*: with private sector, Government agencies and development partners/donors.
- c. *Innovation*: to optimize value for money and impact on the lives of Laikipians
- d. *Professionalism*: to become an employer and partner of choice.
- e. *Integrity*: will be honest, transparent and accountable to all stakeholders.

**a) The Board of the Authority**

Ref	Name	Position
1.	Dr James Mworira.	Chairman
2.	Faith Waigwa.	Vice Chairman
3.	Amb. Johnson Weru.	Member
4.	Joseph Ngugi Mutuura.	Member
5.	Margaret Iyasi Lesuuda.	Member
6.	Michael Dyer.	Member
7.	Grace Mohe.	Member
8.	Paul Njenga.	Member
9.	Charles Muiruri.	Member
10.	Jesee Mugo.	Secretary/CEO

**c) Key Management**

Ref	Name	Position
1.	Jesee Mugo.	Ag CEO
2.	Wollace Ndiritu.	Head of flagship investments
3.	Dr Jeniffer Kinoti.	Head of Ease of Doing Business
4.	John Mwaniki.	Head of Social Investments

**d) Registered Offices**

P.O Box 1271-10400  
LCDA Building  
MOUNT KENYA ROAD Road/Highway  
Authority Contacts  
Telephone: (254) 716-031031  
E-mail: [lcda@laikipia.go.ke](mailto:lcda@laikipia.go.ke)  
Website: [www.destinationlaikipia.go.ke](http://www.destinationlaikipia.go.ke)

**e) Authority Bankers**

Equity bank Kenya limited  
  
P.O Box 75104-00200  
  
Nairobi.

**f) Independent Auditors**

Auditor General,  
Office of the Auditor General,  
Anniversary Towers, University Way,  
Tel ISDN NO. +254-020-3214000  
[oag@oagkenya.go.ke](mailto:oag@oagkenya.go.ke)  
Fax +254-20-322482  
P.O. Box 30084, 00100,  
Nairobi.

**g) Principal Legal Adviser**

The County Attorney,  
Office of the Governor Laikipia County,  
Mt. Kenya Road/10  
P.O. Box 1271 - 10400  
Nanyuki, Kenya



## **2. THE BOARD OF MANAGEMENT**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1.	Dr James Mworia.	Chairman
2.	Faith Waigwa.	Vice Chairman
3.	Amb. Johnson Weru.	Member
4.	Joseph Ngugi Mutuura.	Member
5.	Margaret Iyasi Lesuuda.	Member
6.	Michael Dyer.	Member
7.	Grace Mohe.	Member
8.	Paul Njenga.	Member
9.	Charles Muiruri.	Member
10.	Jessee Mugo.	Secretary/CEO

### **3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S PREDETERMINED OBJECTIVES**

#### **Introduction**

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key development objectives of the Laikipia County Development Authority's 2018-2022 plan are to:

- a) Brand Laikipia-to brand the county as the best place to visit, invest and get settled.
- b) Ease of doing business-reducing the red tape that businesses face when venturing to their businesses.
- c) Flagship economic investments-supporting the investment in Viable commercial enterprises in the country.
- d) Flagship social investments-a leading role in the social welfare of the people of Laikipia in matters Health, education and social justice.

#### **Progress on attainment of Strategic development objectives (*Adopted from Laikipia County-Customize as per specific county,***

Below we provide the progress on attaining the stated objectives:

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Brand Laikipia	To develop, manage and market a good brand for the county.	Increased positive stories and images about Laikipia	<b>Number of positive mentions Reduction of negative publicity.</b>	<b>In FY 19/20 we ran a campaign dubbed tembea Laikipia and had assisted the tourism industry</b>
Ease Of doing business	To make it easy for businesses to thrive and succeed in Laikipia	Good business environment	Ease of doing business reports	<b>County ranked number 5 in the KIPPRA ease of doing business report</b>
Flagship economic investment	To support commercially viable enterprises to grow and thereby create more employment.	Commercially vibrant enterprises thriving in the county	Commercial investments	<b>Led the training of over 200 Business development officers in the county to hand hold businesses.</b>
Flagship social	To support	Better	Better managed	An education

**Laikipia County Development Authority**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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investments	Laikipians to lead Meaningful lives	livelihoods for the people	schools ,hospitals and other social structures.	strategic plan made and launched. Training of the strategy implementors partially done
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#### **4. MANAGEMENT TEAM**

<b>Name</b>	<b>Details of qualifications and experience</b>
1. Jesse Mugo mbuthi.	DOB-30/08/1980 Master's in business Administration(Finance) Bachelors in education(arts) Diploma in Human Resource Diploma in Marketing, Advertising and PR. Over 10 years' experience in retail banking.
2. Dr Jeniffer Kinoti Mutiga.	DOB-25/12/1969 PhD in water resources management, GIS and remote sensing Over 20 years professional experience.
3. Wollace Nderitu Kariuki.	DOB-02/05/1985 Bachelor's degree in arts-econ & sociology CPA K Over 10 years professional experience.
4. John Mwangi Mwaniki.	DOB-05/06/1973 Bachelor of education(science) Over 20 years professional experience

## **5. BOARD/FUND CHAIRPERSON'S REPORT**

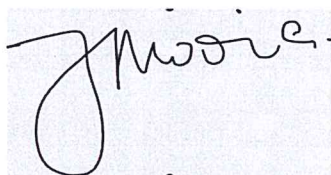
I am pleased to present to you the annual report of Laikipia County Development Authority (LCDA) for the financial year 2019/2020 which ended on 30<sup>th</sup> June 2020. The Authority is a statutory body that was formed in 2014 vide an act of the County Assembly of Laikipia with the key objective of promoting socio-economic development. LCDA's mandate includes advisory to the county government on policy formulation, resource mobilization, co-ordination and execution of development initiatives in Laikipia County.

The Authority has identified financial services, agriculture, manufacturing, construction & mining as some of the core sectors of focus to enable employment creation and catalyse development across the county. To this end, we have rolled out initiatives that will enhance governance and operations of SACCO's and other cooperatives, promote and open up markets for livestock and pyrethrum farmers, facilitate investment in affordable housing and promote formulation of suitable policies to attract investments in the extractive sector. These initiatives are further elaborated in the subsequent sections of this report. Additionally, LCDA continues to champion the branding and positioning of Laikipia County as the preferred destination for investment. During the period under review, we finalized restructuring of the organization to ensure that it is well placed to effectively discharge its mandate. Mr James Mathenge vacated his position as the Chief Executive Officer of the Authority and this position has been taken up by Mr Jesse Mugo in an acting capacity. Mr. Mugo was the head of Brand Laikipia pillar prior to this appointment.

Looking forward, LCDA will pursue avenues to achieve self-funding and progressively reduce reliance on the county government budgetary support. The Authority remains committed to the realization of its core mandate of co-ordinating and promoting socio-economic development of Laikipia County and will continue to offer advisory on budgetary allocation and projects prioritisation, with due regard to the importance of public participation in all development matters across the county.

Our greater focus in the new fiscal year will continue to be on supporting the County's efforts towards achieving quick recovery of the economy from the effects of coronavirus pandemic. In partnership with the county government and the private sector, we will facilitate initiatives aimed at reviving small holder farming and small and medium enterprises (SMEs) which have borne the greatest brunt due to the current economic situation.

Signed:



**Dr James Mworira**  
**Chairman Laikipia County Development Authority**



## **6. REPORT OF THE FUND ADMINISTRATOR**

It is my pleasure to present the Laikipia County Development Authority financial statements up to the financial year ended 30<sup>th</sup> June, 2020. The financial statements present the financial performance of the Authority.

### **Financial Performance**

#### **Revenue**

In the financial year 2019/2020 LCDA was awarded a total budget allocation of Ksh 22,500,000 by the County Government of Laikipia. This was broken down into 12 million for development activities and 10.5 million for recurrent expenditure. By the end of the period, the authority had received a disbursement of Ksh. 20,250,000 and also managed to raise Ksh 695,000 from some fundraising activities. The county government owes the authority Ksh 2,250,000 in undisbursed receivables from the exchequer. The authority earmarked 5 projects to undertake and most of them began in earnest. The Authority has a bright future outlook and we expect a positive growth trajectory save for the unexpected bottlenecks in project execution that has been brought about by the Corona Virus.

The authority had set out to undertake 6 projects during the financial year and all of them are underway. Save for the Corona Virus disruptions, the first phases of these projects which are largely long term in nature would be complete.

The Authority had targeted to initiate projects for continuous development which includes the Affordable housing, leather tannery project and mining. Most of these projects are long term and the authority has managed to do the initial ground-breaking activities. On affordable housing the preliminary works has been to identify government land and engage the National land commission for allocation of parcels. On the leather tannery, we have managed to register the SPV that will deliver the project-the Laikipia tannery cooperative society and are also seeking for allocation of the land for the project. We hosted the Laikipia mining conference and also published and launched the mining report and are now registering the mining blocks for commercial exploitation.

The Authority hopes to reap the maximum returns from the implementation of the Land banking initiative noting that Laikipia county is blessed with large tracts of land most of which has not been put in productive use or is been underutilized. This arises from the findings of an economic symposium we carried out at the end of the last financial year where consensus was arrived that the major driving force for the economy of Laikipia is agriculture. To this end, we have made good progress under the land banking initiative where we have seen interested investors who want to take up idle land and convert it into economically viable land. We are currently in engagements with the National Land Commission and County government of Laikipia to be able to effect land transfers of economically viable county land to LCDA to facilitate on leasing to the interested investors.

The authority has functioned well without financial hitches and looks forward to full implementation of projects into the future.



### **Conclusion**

The performance for the year 2019-2020 shows a good progress for the development authority. The board is liquid and will be able to meet all its obligations.

I take this opportunity to thank the board for their support. I would also want to thank all the authority's staff who are working to ensure that we achieve our mission.

Signed:



**Jesse Mugo Muthi**  
**C. E. O. Laikipia County Development Authority.**

## **7. CORPORATE GOVERNANCE STATEMENT**

### **The Board**

The Laikipia County Development Authority was formed by the Laikipia County Development act no. 3 of 2014. The board is a body corporate with perpetual succession and a common seal and shall, in its corporate name be capable of-

- (a) Taking, purchasing or otherwise acquiring, holding, charging or disposing of movable and Immovable property;
- (b) Borrowing money or making investments;
- (c) Entering into contracts; and
- (d) Doing or performing all other acts or things for the proper performance of its functions under the Act which may lawfully be done or performed by a body corporate.

The authority's Board charter exists and some of the roles of the board include the following:

- To ensure proper and efficient exercise of the powers and performance of the functions of the Authority.
- To advise the management of the Authority generally on the exercise of the powers and the performance of the functions of the Authority.
- To approve the estimates of the revenue and expenditure of the Authority.
- To perform such other functions as are provided for under this Act or any other written law.

The Laikipia county Development Authority has a structured board formation where we hold board meetings every quarter and in the ended year we've held 4 board meetings. The meetings were held on 1<sup>st</sup> June 2019, 16<sup>th</sup> October 2019, 24<sup>th</sup> January 2020 and 16<sup>th</sup> June 2020. All the meetings were well attended and had the expected quorum of 5.

The board has put in place several board committees to oversee the running of the organization. This includes the Finance, audit and risk committee, Human resource and admin committee.

The finance committee reviews the financial situation of the organization ensuring that it remains healthy over time. It also has oversight on the plan for annual income and expenditure.

In ensuring that corporate governance and integrity is enhanced in between the LCDA board operations, the board relies on the audit committee team from the Executive.

### **Statement of Compliance**

The LCDA board confirms that the facilitation up to the end of the year has complied with all statutory and regulatory requirements and that the facilitation has been managed in accordance with the principles of good corporate governance.

## **Internal Control and Risk Management**

### **Internal Control**

The board is responsible for reviewing the effectiveness of the LCDA's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of the development board allocation against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be unforeseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

### **Standing Instructions**

The LCDA board has a Code of Ethics and Service Charter that is applicable to all employees. These have a number of standing instructions to employees of the board designed to enhance internal control.

### **Strategic Plan**

The business of the board is determined by the strategic plan. The strategic plan sets out the objectives of the board, and the annual targets to be met to attain those objectives. The board on an annual basis approves the work plan supported by the financial plan for the year. Progress against the plan is monitored on a quarterly basis.

### **Internal Control Framework**

The board continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an on-going basis. A risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing the board, is approved by the audit and risk committee.

### **Risk Management**

The board has in place a risk management framework which guides the board in identifying, assessing and managing the risks. The board has developed a risk register which documents and prescribes mitigating measures of all the risks both external and internal facing the board.

### **Management Team**



**Laikipia County Development Authority**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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The management team headed by the C.E.O implements the board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the board's objectives are achieved effectively and efficiently.

**Auditor**

The LCDA board will be audited by the Auditor-General.

## 8. MANAGEMENT DISCUSSION AND ANALYSIS

*During the financial year LCDA identified and embarked on several projects with the limited funding received. Below please find the enumeration of the projects and the current status of each project.*

PROJECT NAME	VALUE	DESCRIPTION	IMPLEMENTATION status
Land Banking through LAINVEST	2.0 m	Land banking involving consolidation of most idle and “abandoned lands” and linking the same with interested investors.	<ul style="list-style-type: none"> <li>• Call for interest in land for 10-15 year leases done .</li> <li>• There was an interest for over 20,000 acres of land.</li> <li>• The expressed interests are being pursued for closure.</li> </ul>
Investment in Sagak tech enterprises	10.0 m	Purchase of shareholding in sagak tech enterprises	<ul style="list-style-type: none"> <li>• Shares acquisition done</li> <li>• Only kes 4m is accrued as a disbursement.</li> </ul>
Affordable Housing	1.5 m	Facilitation of investors to build affordable houses in the county.	<ul style="list-style-type: none"> <li>• Application to National land commission done.</li> <li>• Project sites identified.</li> </ul>
Mining	1.5 m	Facilitation of the mining conference and registration of the mining blocks.	<ul style="list-style-type: none"> <li>• Hosting of mining conference and stakeholder meetings done</li> <li>• Registration of mining blocks on-going.</li> </ul>
Business development services, innovation and incubation hubs	2.0 m	Facilitation of the putting up of business innovation hubs and training in business development.	<ul style="list-style-type: none"> <li>• Supporting the physical infrastructure for incubation that is on-going.</li> <li>• The Nanyuki hub works at 70% completion.</li> <li>• Business development training on-going with 204 people already trained.</li> </ul>
Investment in Leather value Chain	1.5 m	This project aims at establishing a leather processing plant in	<ul style="list-style-type: none"> <li>• The SPV is in the name of Laikipia</li> </ul>

		Laikipia through consolidation of funds from investors	<p>Tannery Co-operative society has been registered with the ministry of co-operatives.</p> <ul style="list-style-type: none"> <li>Interested investors are getting put Together.</li> </ul>
LACOSSOF Project	1.0 m	This is a project that aims at interconnecting the Saccos electronically through the department of co-operatives.	<ul style="list-style-type: none"> <li>The project took off and the system is in the procurement stages.</li> </ul>



**9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

There was no CSR carried out during the year.

**10. REPORT OF THE TRUSTEES**

The Authority is not managed by trustees.

## **11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by County legislation shall prepare financial statements for the Authority in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of each quarter and at the end of the financial year. 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 Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The Laikipia county development Act 2014. The Administrator of the Authority is of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions of the Authority's financial position as at 30<sup>th</sup> June, 2020. The Administrator 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.

In preparing the financial statements, the Administrator of the County Development Authority has assessed the Authority's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

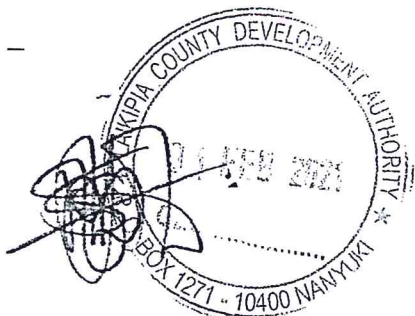


**Laikipia County Development Authority**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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**Approval of the financial statements**

The Authority's financial statements were approved on \_\_\_\_\_ 2020 and signed on its behalf by:



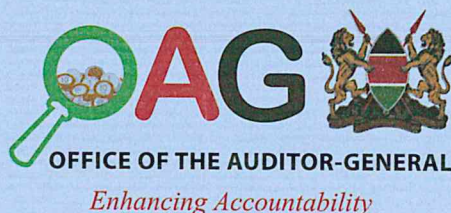
**Jesse Mugo Mbuthi.**  
**C.E.O./Administrator - Laikipia County Development Authority**





# REPUBLIC OF KENYA

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



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

## REPORT OF THE AUDITOR-GENERAL ON LAIKIPIA COUNTY DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2020

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Laikipia County Development Authority set out on pages 23 to 52, which comprise the statement of financial position as at 30 June, 2020 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects 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 the Laikipia County Development Authority as at 30 June, 2020 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

#### Basis for Qualified Opinion

##### Accuracy of Financial Statements

The statement of cashflows for the year ended 30 June, 2020 reflect nil cashflows in respect of purchase of property plant and equipment. However, the statement of financial position reflects property, plant and equipment valued at cost amounting to Kshs.1,082,317 acquired during the year, resulting in a variance of the same amount between the two statements. Further, the statement of cashflows reflects changes in receivables as Kshs.107,100 and no changes in payables instead of Kshs.2,357,100 and Kshs.2,029,777 respectively as per the statement of financial position.

In the circumstances, the accuracy of financial statements could not be confirmed.

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

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*Report of the Auditor-General on Laikipia County Development Authority for the year ended 30 June, 2020*



requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **Budgetary Control**

The statement of Comparison of Budget and Actual amounts reflects final receipts budget and actual on comparable basis of Kshs.22,500,000 and Kshs.20,945,720 respectively resulting in a shortfall of Kshs.1,554,280 or 7% of the approved budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.22,500,000 and Kshs.16,032,032,890 respectively resulting in an under performance amounting to Kshs.6,467.110 or 29%.

Review of detailed budget performance revealed a budget amount of Kshs.4,000,000 allocated to domestic travel and subsistence. However, the Authority spent Kshs.4,656,750 resulting in an excess and unapproved expenditure of Kshs.656,750 or 16% of the budget.

As a result, the Authority did not comply with the approved budget provisions as appropriated by the County Assembly.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

## **Basis for Conclusion**

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 processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **Responsibilities of Management and 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 overall governance.

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

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

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

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,



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

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

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

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

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

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



- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Authority to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to sustain its services.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**08 February, 2022**



### 13. FINANCIAL STATEMENTS

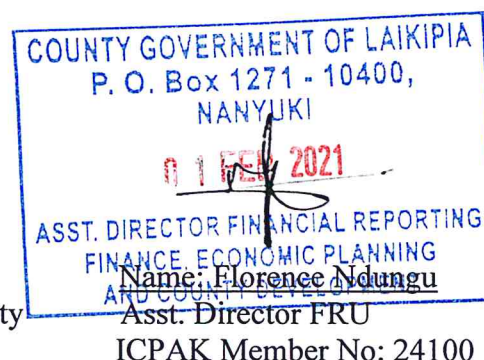
#### 13.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2020

Description	Note	FY 2019/20 KShs	Comparative FY 2018/19 KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	1	695,000.00	-
Transfers from the County Government	2	22,500,000.00	-
		<b>23,195,000.00</b>	-
<b>Revenue from exchange transactions</b>			
Interest income		-	-
Other income		-	-
		-	-
<b>Total revenue</b>		<b>23,195,000.00</b>	-
<b>Expenses</b>			
Fund administration expenses			-
General expenses	3	10,975,430.00	-
Finance costs	4	4,920.00	-
<b>Total expenses</b>		<b>10,980,350.00</b>	-
<b>Other gains/(losses)</b>		-	-
Gain/(loss) on disposal of assets		-	-
<b>Surplus/( deficit) for the period</b>		<b>12,214,650.00</b>	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on \_\_\_\_\_ 2020 and signed by:



Name: Jesse Mugo  
 Administrator – Laikipia County Development Authority



COUNTY GOVERNMENT OF LAIKIPIA  
 P. O. Box 1271 - 10400,  
 NANYUKI  
 01 FEB 2021  
 ASST. DIRECTOR FINANCIAL REPORTING  
 FINANCE, ECONOMIC PLANNING  
 AND COUNTY DEVELOPMENT  
 Name: Florence Ndungu  
 Asst. Director FRU  
 ICPAK Member No: 24100



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**13.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

Description	Note	FY 2019/20	Comparative FY 2018/19
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	4,805,010.00	-
Total receivables from transactions	6	2,357,100.00	-
Inventories		-	-
		7,162,110.00	-
<b>Non-current assets</b>			
Property, plant and equipment	7	1,082,317.00	-
Investments	10	6,000,000.00	-
Intangible assets-software	8	-	-
Long term receivables from exchange transactions		-	-
		7,082,317.00	-
<b>Total assets</b>		14,244,427.00	-
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transaction	9	2,029,777.00	-
Provisions		-	-
Short term portion of borrowings		-	-
		2,029,777.00	-
<b>Non-current liabilities</b>			
Long term portion of borrowings		-	-
		-	-
<b>Total liabilities</b>		2,029,777.00	-
<b>TOTAL NET ASSETS</b>		12,214,650.00	-
<b>Financed By:</b>			
Fund Balance b/f.		-	-
Reserves			-
Accumulated surplus		12,214,650.00	-
<b>TOTAL EQUITY</b>		12,214,650.00	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on \_\_\_\_\_ 2020 and signed by:

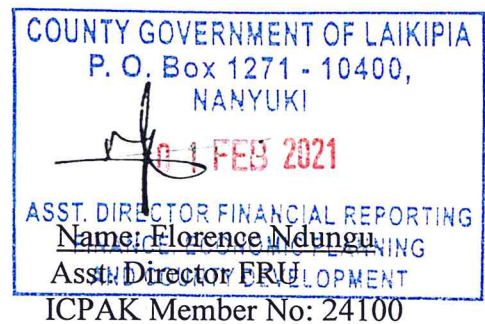
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**For the year ended June 30, 2020**

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Name: Jesse Mugo

Administrator – Laikipia County Development Authority



Name: Florence Ndungu

Asst. Director FINANCIAL REPORTING

ICPAK Member No: 24100

**Laikipia County Development Authority**  
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**13.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020**

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
<b>Balance as at 1 July 2019</b>	-	-	-	-
Surplus/(deficit) for the period	-	-	12,214,650.00	<b>12,214,650.00</b>
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2020</b>	-	-	<b>12,214,650.00</b>	<b>12,214,650.00</b>



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**13.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020**

Description	Note	FY 2019/20	Comparative FY 2018/19
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations	1	695,000.00	-
Transfers from the County Government	2	20,250,000.00	-
Interest received		-	-
Receipts from other operating activities		-	-
<b>Total Receipts</b>		<b>20,945,000.00</b>	-
<b>Payments</b>			
Fund administration expenses		-	-
General expenses	3	10,027,970.00	-
Finance costs	4	4,920.00	-
<b>Total Payments</b>		<b>10,032,890.00</b>	-
<b>Adjustments for:</b>			
Changes in receivables		107,100.00	-
<b>Net cash flows from operating activities</b>		<b>107,100.00</b>	-
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment	7	-	-
Purchase of intangible assets	10	6,000,000.00	-
<b>Net cash flows used in investing activities</b>		<b>6,000,000.00</b>	-
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4,805,010.00</b>	
Cash and cash equivalents at 1 JULY, 2019	5	-	-
<b>Cash and cash equivalents at 30 JUNE, 2020</b>	<b>5</b>	<b>4,805,010.00</b>	-

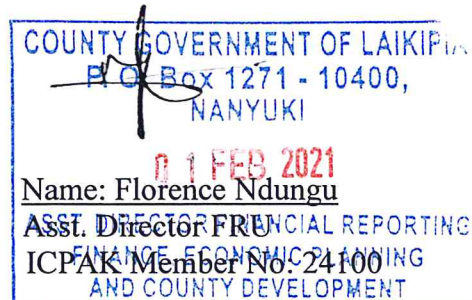
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on \_\_\_\_\_ 2020 and signed by:

**Laikipia County Development Authority**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

---



Name: Jesse Mugo  
Administrator – Laikipia County Development Authority



Name: Florence Ndungu  
ASST. DIRECTOR FINANCIAL REPORTING  
ICPAK Member No. 24100

**Laikipia County Development Authority**  
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**13.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR  
THE PERIOD ENDED 30<sup>th</sup> JUNE 2020**

Description	Original	Adjustments	Final	Actual	Performance difference	% Utilisation
	2019/2020	2019/2020	2019/2020	2019/2020	2019/2020	2020
<b>Revenue</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	
Transfers from County Government	22,500,000	-	22,500,000	20,250,000	2,250,000	90%
Other income (Donations)	-	-	-	695,720	(695,720)	
<b>Total income</b>	<b>22,500,000</b>	<b>-</b>	<b>22,500,000</b>	<b>20,945,720</b>	<b>1,554,280</b>	<b>93%</b>
<b>Expenses</b>						
Fund administration expenses	-	-	-	-	-	
General expenses	10,495,000		10,495,000	10,027,970	467,030	96%
Finance Costs	5,000	-	5,000	4,920	80	98%
Property, plant and equipment	2,000,000		2,000,000	-	2,000,000	0%
Investments	10,000,000		10,000,000	6,000,000	4,000,000	60%
<b>Total expenditure</b>	<b>22,500,000</b>	<b>-</b>	<b>22,500,000</b>	<b>16,032,890</b>	<b>467,110</b>	<b>71%</b>
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,912,830</b>	<b>1,087,170</b>	

**Budget notes**

1. On Other income (Donations), budget utilisation was 0% as there was no budget for donations that was actually received.
2. On investment, budget utilisation was 60% as the accrued disbursement of ksh.2,250,000 had not been done due undisbursed amount from the County Government.
3. On Property, plant and equipment, utilisation was 0% as acquisition was done in June and payment had not completed by the close of the reporting period.
4. On software, utilisation was 0% as the payment had not been effected by the close of the period.



### **13.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **1. 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.

#### **2. 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 entity and can be measured reliably.

##### **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.

#### **3. Payments Recognition**

The entity recognises all expenses when they become due.

#### **4. Budget information**

The original budget for FY 2019/2020 was approved by the County Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Authority recorded no additional appropriations on the FY 2019/2020 budget.

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

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comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under Note 12 of the notes to the financial statements.

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

Depreciation is computed annually for each whole calendar month after the acquisition of the asset except for those acquired within the month which is not included in that month computation of depreciation.

## **6. Intangible assets**

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

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

## **7. Related parties**

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

## **8. Cash and cash equivalents**

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



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commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**9. Comparative figures**

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

**10. Events after the reporting period**

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

**11. Ultimate and Holding Entity**

The Laikipia County Development Authority was established by the Laikipia County Development Authority Act, 2014 under the Department of Finance, Planning and County Development. Its ultimate parent is the County Government of Laikipia.

**12. Currency**

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

**13. Significant judgments and sources of estimation uncertainty**

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

State all judgements, estimates and assumptions made: e.g

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

**Useful lives and residual values**

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

- The condition of the asset based on the assessment of experts employed by the Entity



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**For the year ended June 30, 2020**

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- 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 Authority 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.

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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**14. Revenue recognition**

**iii) 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 entity and can be measured reliably.

**iv) 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.

**15. Budget information**

The original budget for FY 2019/2020 was approved by the County Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 13.7 of these financial statements.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**17. Intangible assets**

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

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

**18. Financial instruments**

***Financial assets***

***Initial recognition and measurement***

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



**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Held-to-maturity***

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

***Impairment of financial assets***

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

- The debtors or a entity 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)

***Financial liabilities***

***Initial recognition and measurement***

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

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

***Loans and borrowing***

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**19. Inventories**

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

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

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

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

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

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

**20. Provisions**

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

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



**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Contingent assets***

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

**21. Nature and purpose of reserves**

The Entity has not put aside any reserves.

**22. Changes in accounting policies and estimates**

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

**23. Employee benefits – Retirement benefit plans**

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

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

**24. Foreign currency transactions**

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



**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**25. Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**26. Related parties**

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

**27. Cash and cash equivalents**

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

**28. Comparative figures**

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

**29. Events after the reporting period**

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

**30. Ultimate and Holding Entity**

The entity is a County Public Fund established by the County Assembly Act no 3 of 2014 under the Ministry of finance. Its ultimate parent is the County Government of Laikipia.

**31. Currency**

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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **32. Significant judgments and sources of estimation uncertainty**

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

State all judgements, estimates and assumptions made: e.g

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

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

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

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

#### **Provisions**

Provisions were raised and management determined an estimate based on the information available.

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**33. Financial risk management**

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

The Fund's financial risk management objectives and policies are detailed below:

**a) Credit risk**

The authority has no credit risk exposures



**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**b) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity 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 entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

**i. Foreign currency risk**

The authority has no foreign currency exposures

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**ii. Interest rate risk**

The authority has no interest rate risk exposures.



### 13.7. NOTES TO THE FINANCIAL STATEMENTS

#### 1. Public contributions and donation

Description	FY 2019/20	Comparative FY 2018/19
	KShs	KShs
Donation from development partners	695,000.00	-
Contributions from the public	-	-
<b>Total</b>	<b>695,000.00</b>	<b>-</b>

*Funds were received from well-wishers and exhibitors during the mining conference.*

#### 2. Transfers from County Government.

Description	FY 2019/20	Comparative FY 2018/19
	KShs	KShs
Transfers from County Executive - Received	20,250,000.00	-
Payments by County on behalf of the entity	-	-
<b>Total actual Transfer</b>	<b>20,250,000.00</b>	<b>-</b>
Transfers from County Executive - Receivable	2,250,000.00	-
<b>Total</b>	<b>22,500,000.00</b>	<b>-</b>

*The Authority expected kes 22,500,000 from the county government of Laikipia but the total actual receipts during the year was kes 20,250,000 leaving a balance of 2,250,000.*

#### 3. General expenses

Description	FY 2019/20	Comparative FY 2018/19
	KShs	KShs
Consumables	2,000,000.00	-
Electricity and water expenses	-	-
Domestic travel and subsistence	4,656,750.00	-
Fuel, oil and Lubricants	250,000.00	-
Office and General Supplies and Services	400,000.00	-
Hospitality Supplies and Services	1,170,500.00	-
Printing, Advertising and Information Supplies	1,156,520.00	-
Communication Supplies and Services	342,000.00	-
Training Expenses.	52,200.00	-
<b>Total Cash Payments</b>	<b>10,027,970.00</b>	<b>-</b>
Office renovations (Accrued)	947,460.00	-
<b>Total Accrued Expenses</b>	<b>947,460.00</b>	<b>-</b>
<b>Total</b>	<b>10,975,430.00</b>	<b>-</b>

*The above relates to the normal expenditure arising from the running of the Authority's affairs of which Kes 947,460 is an accrued expense.*

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**4. Finance costs**

Description	FY 2019/20	Comparative FY 2018/19
	KShs	KShs
Bank Charges	4,920.00	-
<b>Total</b>	<b>4,920.00</b>	<b>-</b>

*The above expense relates to the bank charges over the financial period.*

**5. Cash and cash equivalents**

Description	FY 2019/20	Comparative FY 2018/19
	KShs	KShs
Fixed deposits account	-	-
On – call deposits		-
Current account - Equity A/C No. 0270279074923	4,805,010.00	-
Others	-	-
<b>Total cash and cash equivalents</b>	<b>4,805,010.00</b>	<b>-</b>

*The above reflects the reconciled bank balance held at the end of the period.*



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**Detailed analysis of the cash and cash equivalents are as follows:**

		<b>FY 2019/20</b>	<b>Comparative FY 2018/19</b>
<b>Financial institution</b>	<b>Account number</b>	<b>KShs</b>	<b>KShs</b>
<b>a) Fixed deposits account</b>			
Equity Bank		-	-
<b>Sub- total</b>		-	-
<b>b) On - call deposits</b>			
Equity Bank		-	-
<b>Sub- total</b>		-	-
<b>c) Current account</b>			
Equity Bank	0270279074923	4,805,010.00	-
<b>Sub- total</b>		<b>4,805,010.00</b>	-
<b>d) Others(specify)</b>			
Cash in transit		-	-
Cash in hand		-	-
M Pesa		-	-
<b>Sub- total</b>		-	-
<b>Grand total</b>		<b>4,805,010.00</b>	-

**6. Receivables from transactions**

<b>Description</b>	<b>FY 2019/20</b>	<b>Comparative FY 2018/19</b>
	<b>KShs</b>	<b>KShs</b>
<b>Current Receivables</b>		
Debtors - Imprest	107,100.00	-
Debtors -Health Dept	-	-
Receivable - County Executive	2,250,000.00	-
<b>Total Current receivables</b>	<b>2,357,100.00</b>	-

*The above represents the receivables that were outstanding at the end of the period.*



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**7. Property, plant and equipment**

Cost	12.5%	30%	Total
	Furniture and fittings	Computers and office equipment	
	KShs	KShs	
At 1 <sup>st</sup> July 2019	-	-	-
Additions	-	1,082,317.00	1,082,317.00
Disposals	-	-	-
Transfer/adjustments	-	-	-
At 30th June 2020	-	1,082,317.00	1,082,317.00
Depreciation	-	-	-
Disposals	-	-	-
Impairment	-	-	-
Transfer/adjustment	-	-	-
At 30th June 2020	-	-	-
Net book values ast at 30 June 2020	-	1,082,317.00	1,082,317.00

*No depreciation computed for the period as the computers were procured towards the year end.*

**8. Intangible assets-software**

Description	30%	Total
	FY 2019/20	
	KShs	
At 1 <sup>st</sup> July 2019	-	-
Additions	-	-
At 30th June 2020	-	-
<b>Amortization and impairment:</b>		
At 1 <sup>st</sup> July 2019	-	-
Amortization	-	-
At 30th June 2020	-	-
Impairment loss	-	-
At 30th June 2020	-	-
NBV	-	-

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**9. Trade and other payables from exchange transactions**

Description	FY 2019/20	Comparative FY 2018/19
	KShs	KShs
Trade payables	2,029,777.00	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
<b>Total trade and other payables</b>	<b>2,029,777.00</b>	<b>-</b>

*The above represents the amount owing to suppliers by the end of the period.*

**10. Investments**

Description	FY 2019/20	Comparative FY 2018/19
	KShs	KShs
SAGAK Investment	6,000,000.00	-
<b>Total Paid</b>	<b>6,000,000.00</b>	
SAGAK Investment (Accrued)	-	
<b>Total Accrued</b>	<b>-</b>	<b>-</b>
<b>Total Investments</b>	<b>6,000,000.00</b>	<b>-</b>

*The above investments are shareholding acquired in Sagak Tech investments company.*

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**11. Related party balances**

<b>a) Related party transactions</b>		
Description	FY 2019/20	Comparative FY 2018/19
	KShs	KShs
Transfers from related parties'	20,250,000.00	-
Transfers to related parties	-	-
<b>Total</b>	<b>20,250,000.00</b>	<b>-</b>
<b>b) Key management remuneration</b>		
Description	FY 2019/20	Comparative FY 2018/19
	KShs	KShs
Board of Trustees	-	-
Key Management Compensation	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>c) Due from related parties</b>		
Description	FY 2019/20	Comparative FY 2018/19
	KShs	KShs
Due from parent Ministry	-	-
Due from County Government	2,250,000.00	-
<b>Total</b>	<b>2,250,000.00</b>	<b>-</b>
<b>d) Due to related parties</b>		
Description	FY 2019/20	Comparative FY 2018/19
	KShs	KShs
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
<b>Total</b>	<b>-</b>	<b>-</b>



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**12. Reconciliation between Statement of Receipt and Comparison Budget and Actual**

Description	Transfers from the County Government	General expenses
Per Statement of Receipts and payments	22,500,000.00	10,975,430.00
Less Accrued Payments	-	(947,460.00)
Less Receivables Transfers from County Executive	(2,250,000.00)	-
Per Statement of Comparison Budget and Actual	<b>20,250,000.00</b>	<b>10,027,970.00</b>

**13. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS**

This is the first audit for the organisation.