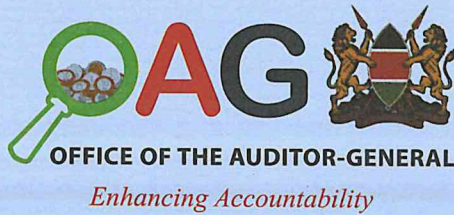


REPUBLIC OF KENYA

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

OAG/AUD/ LAPSSET/2021-2022/(29)

24 February, 2023

The Director General
Lapsset Corridor Development Authority
Chester House
P.O Box 45009-00100
NAIROBI



Dear Sir,

REPORT OF THE AUDITOR-GENERAL ON LAPSSET CORRIDOR DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2022

Your responses dated 1 February, 2023 in respect of the draft audit report for the financial year ended 30 June 2022 refers.

The additional information and evidence provided in the responses have been examined and issues that have not been satisfactorily explained and or supported are now included in the audit report.

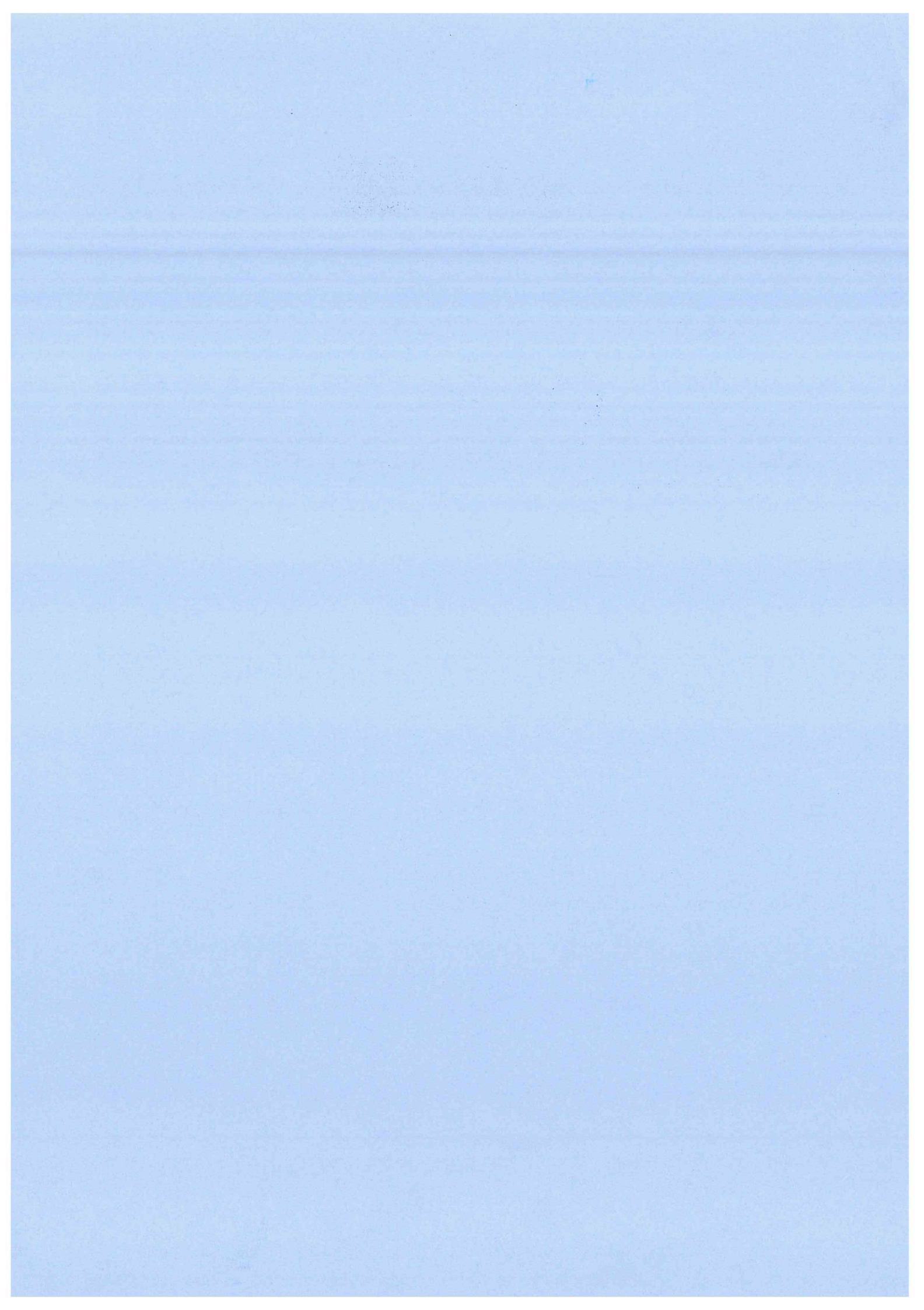
Enclosed herewith please find one set of the report of the Auditor-General on Lapsset Corridor Development Authority for the year ended 30 June 2022 duly certified and with the seal thereon for your retention and necessary action.

The invoice No 12221 to Kshs. 464,000.000 for audit services for the financial year ended 30 June 2022 payable within 30 days from the date of this letter is enclosed.

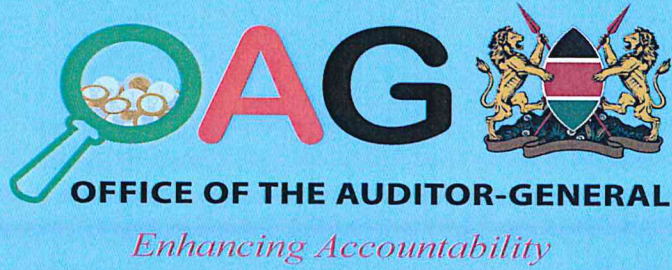
Yours faithfully,

A.S. Mohamed
FOR: AUDITOR-GENERAL

Copy to: Principal Secretary
State Department of Regional &
Northern Corridor Development
P.O Box 45008-00100
NAIROBI



REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**LAPSSET CORRIDOR DEVELOPMENT
AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE, 2022**

LAPSSET CORRIDOR DEVELOPMENT AUTHORITY

**ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE FINANCIAL
YEAR ENDING 30TH JUNE 2022**



***Prepared in accordance with the
accrual Basis of accounting method
under the international public sector
accounting standards (IPSAS)***

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ABBREVIATIONS

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

1. KEY LAPSET CORRIDOR DEVELOPMENT AUTHORITY INFORMATION AND MANAGEMENT

(a) Background Information

The LAPSET Corridor Development Authority (LCDA) is a State Corporation established pursuant to a Presidential Order, LAPSET 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 East Africa Community, State Department of Northern Corridor and Regional Development with Headquarters in Nairobi.

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

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

The other LAPSET 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

(b) Principal Activities

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

The Authority further plays a significant role in guiding policy, mobilizing resources as well as Monitoring and Evaluation (M&E) of the program components. Besides the fore stated, the Authority provides operational and technical oversight for the LAPSET Corridor program to ensure the different Agencies deliver on their mandate. This mandate is derived from the Authority's functions as stipulated below:-

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

Who are we

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

Our Vision

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

Our mission

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

Core values

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



Figure 1: LAPSSET Plaza housing our Lamu Regional Office



Figure 2: Dredging channels at the Port of Lamu

(c) 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

(d) Fiduciary management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

#	Name	Designation
1.	Stephen Ikua	Director-General/CEO
2.	Jacob Mwakio	Director, Utility Infrastructure
3.	Susan Karimi	Principal Administrative Officer
4.	Benard Oluoch	Asst. Accounts & Finance Manager
5.	Norman Muraya	Asst. Strategy & Program Advisory Manager
6.	Benjamin Mutea	Supply Chain Manager
7.	Benson Thuita	Principal Corporate Affairs Officer
8.	James Muigai	Internal Audit Manager
9.	Daniel Mumira	Manager, Security Services
10.	Maina Kiondo	Ag. Director-General/CEO

(e) Fiduciary Oversight Arrangements

The following fiduciary arrangements were in place during the 2021/2022 Financial Year.

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

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

(f) Entity Headquarters

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

(g) Entity Contacts

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

(h) Entity Bankers

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

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

**National Commercial Bank of Africa
(NCBA)
NCBA House, Masaba Road
P.O Box 44599-00100
Nairobi**

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



(i) Independent Auditors




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



(j) Principal Legal Adviser



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

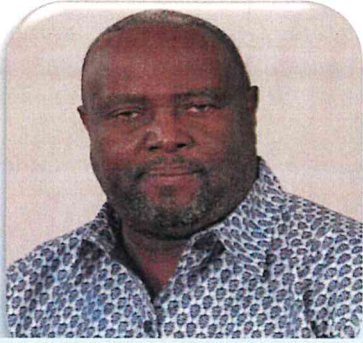

2. THE BOARD OF DIRECTORS



Ref	Directors	Details
1	 <p data-bbox="304 813 536 846">Titus Ibui, EGH</p>	<p data-bbox="660 387 1501 943"><i>Mr. Titus Ibui is the Chairman, Board of Directors of LCDA. He is also the Executive Director of Bell Industries, Council Member of China Africa Friendship Association Kenya Chapter, Director of Blue Waters Resort-Diani- Board, a Real Estate Development Company. He is also former Chairman of Kenya Leather Development Council Board and Vipigo Investments - Real Estate Development. Mr Ibui has also served as a Member of the Management Board of the Methodist Guest House Ltd and former Chairman of Finance and Personnel Sub Committee of Methodist Guest House as well as member of Board of Trustee of Kenya Methodist University. Further, he served in the position of the Chairman of resource mobilization sub-committee of the trustee, Council and the Senate of the University. Currently, Mr. Ibui serves in the Board of Directors of Kingsway Institute and GCA. Mr. Ibui has worked as technical and Marketing Manager for Shell International Chemical Group. He is a member of British Institute of Management (MBIM), Member of Kenya Institute of Management (MKIM), a Member of Marketing Society of Kenya (MMSK).</i></p>
2	 <p data-bbox="240 1536 624 1610">Dr. Richard Belio Kipsang', CBS</p>	<p data-bbox="660 1144 1501 1877"><i>Dr. Richard Belio Kipsang' is the Principal Secretary, State Department for Regional and Northern Corridor Development. He previously worked as Principal Secretary in the Ministry of Education Science and Technology. He holds a Master of Arts and PhD degrees in Business/Economics and Administration/Planning respectively. He is also a Council Member at Mt. Kenya University and Cooperative University College where he also Chairs Finance, Planning and Development. He is a Board member Finance Alliance for Sustainable Trade, (FAST) an International Think Tank on Financial Resource Mobilization; Council Member Advisory Council for Coffee Initiative; Government Delegate International Coffee Organization (ICO) and; Chair Operations Committee, Association of African Higher Education Financing Agencies (AAHEFA). He has had extensive professional trainings and commands numerous expose to local and international conferences and workshops in areas of higher education financing and administration, leadership, management, micro-enterprise development, fraud, corruption and combating economic crime, agricultural value chain financing, computing and other areas of business and management among others particularly in prestigious institutions such as the London School of Economics (LSE) in the UK, Harvard University in the USA, State University of New York in the USA, among other institutions in Kenya, Germany, Belgium, Sweden, Denmark, Thailand among others. He is an Associate Member of the Association of Certified Fraud Examiners and also; a member, Institute of Directors of Kenya.</i></p>

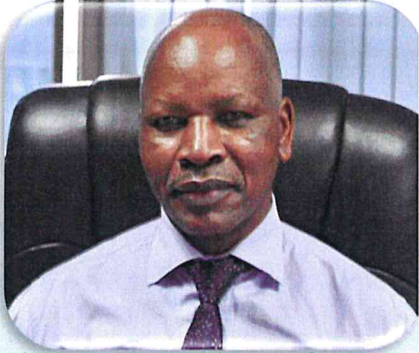

Ref	Directors	Details
3	 <p data-bbox="272 656 624 734">Dr. Eng. Joseph Njoroge, CBS</p>	<p data-bbox="687 320 1406 745"><i>The Principal Secretary for the State Department for Transport in the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works. He holds an MBA with a major in strategic management and a First Class Honors 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.</i></p>
4	 <p data-bbox="328 1317 632 1350">Dr. Julius Muia, EBS</p>	<p data-bbox="719 947 1437 1395"><i>The Principal Secretary, 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 trains on Leadership and teaches in Strathmore Business School.</i></p>
5	 <p data-bbox="312 2000 632 2033">Dr. Nicholas Muraguri</p>	<p data-bbox="711 1597 1374 1910"><i>The Principal Secretary, Ministry of Lands and Physical Planning, Co-opted Board Member. Dr. Muraguri is 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.</i></p>

Ref	Directors	Details
6	 <p data-bbox="373 831 671 864">Joseph W. Irungu CBS</p>	<p data-bbox="780 356 1390 983"><i>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).</i></p>
7	 <p data-bbox="339 1641 716 1720">Maj. Gen (Rtd) Dr. Gordon .O. Kihalangwa, CBS</p>	<p data-bbox="780 1223 1390 1709"><i>Maj. Gen (Rtd) Dr. Gordon .O. Kihalangwa, CBS joined the Ministry of Energy as the Principal Secretary from the State Department for Public Works. Before his posting in the Ministry of Energy, he served as the Director for Immigration services from 2014 until March 2018 when he was appointed as the Principal Secretary, State Department for Immigration and Citizen Services, in the Ministry of Interior and Coordination of National Government. He also had a short stint as Principal Secretary, Ministry of Defense in August 2019, he was reassigned in the same capacity to the State Department for Public Works in the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works in 2019.</i></p>






Ref	Directors	Details
8	 <p data-bbox="368 730 616 763">Mr. Jack Chebett</p>	<p data-bbox="703 338 1401 1104"><i>Jack K. Chebett joined the Board in February, 2019. He is the Chairman of Finance and Administration Committee. Mr. Chebett is an astute Business Executive with invaluable Sector experience in Petroleum, Transport & Logistics, Agribusiness, Cement Manufacturing and Telecommunications. Currently Chebett is the Chairman of Oil Marketers Association of Kenya (OMAK), Director Petroleum Institute of East Africa (PIEA), Vice Chairman East Africa Petroleum Transporters Association (EAPTA) and Board Member of 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.</i></p>
9	 <p data-bbox="368 1671 600 1704">Martha Wariithi</p>	<p data-bbox="703 1317 1453 1910"><i>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).</i></p>





Ref	Directors	Details
10	 <p data-bbox="347 730 743 763">Hon. Abdallah Jumaa Ngozi</p>	<p data-bbox="783 353 1398 779"><i>Hon. Abdallah Jumaa Ngozi joined the LAPSSET Board in June 2019. He has extensive training in port management; he undertook his trainings in Kenya, France and Netherlands. He gained over 28 years of experience in port management at the Kenya Ports Authority where he had risen to the position of Operations Manager. In 2002 he was elected to the Kenya National Assembly to represent Msambweni Constituency until 2007. In parliament he was an active member of the Foreign Relations, Security and Health Departmental Committees. After parliament Ngozi established a successful Hotel and Petroleum business in Kwale at the coast where he is the Executive Director up to date.</i></p>
11	 <p data-bbox="363 1496 703 1570">Hon. David Ngugi HSC, MBA, ACII (UK), AII (K)</p>	<p data-bbox="762 1104 1353 1933"><i>Has over 30 years' experience in leadership and management (both private & public sector). Is a career insurance professional having held various leadership roles from GM, MD, Executive Director & Chairman in several companies: Corporate Insurance Co, Association of Kenya Insurers (AKI), Phoenix Assurance, UAP Provincial now Old Mutual etc. Has consulted & trained for State University of New York, Canadian Aid & Development Agency, Westminster Foundation for Democracy & approximately half of the counties on leadership, management, governance & devolution. Served as the MP Kinangop Constituency 2008-2012 & member (Chair) Local Government Authorities, Public Accounts, & Constitutional Implementation Oversight committees & various government's taskforces. Directorships & memberships have included Chairman of AKI, Insurance Institute of Kenya (IIK), College of Insurance, KEPSA, FKE, NHIF, NEMA, etc. Has delivered management & professional papers to institutions & professional societies like: LSK, IIK, Institute of Arbitrators, & University of Nairobi. Currently, he is the Managing director & CEO of Directline Assurance, the number one PSV insurer. He is an avid golfer & former Chairman Muthaiga Golf Club & Kenya Golf Union.</i></p>

Ref	Directors	Details
12	 <p data-bbox="443 745 746 819">Eng. Karanja Mburu Wamatangi</p>	<p data-bbox="810 376 1417 931"><i>He joined the LAPSET Corridor Development Board of directors in June 2019, serving as Chair of the Audit and Risk Management Committee. He holds a Masters in Engineering Project Management, Bachelors of Science in Organizational Leadership Management, and Associate's in Business Administration. He has served as Executive Director of Can Do Kids International in Kenya since 2011 and is the founder of Can Do Kids Kenya. He serves as a Can Do Kids resource mobilizer and a bridge to link resources in western countries and Kenya with the extreme needs of children and youth in rural Central Kenya. He worked in management for Seneca Foods, one of the world's leading food processors, for more than 17 years. He served on the board of Kenya Community Abroad in the US and Murang'a School of Hearing Impaired. He is an honorary member of</i></p>
13	 <p data-bbox="451 1525 770 1559">Hon. Hashim M. Fumo</p>	<p data-bbox="826 1216 1417 1630"><i>Hon. Hashim M. Fumo joined the Board in May, 2021. He is a national figure in politics and has served as an Assistant Minister, Ministry of Trade in 1999. He also worked in the Ministry of Local Government in 2000-2002. He then served as the First Speaker of the Lamu County Government. He also holds a Doctorate Degree in Public Administration by Commonwealth University. He also holds a Bachelor's degree in Management & Leadership from the Management University of Africa and also a level 7 graduate from the Chartered Management Institute of London.</i></p>

Ref	Directors	Details
14	 <p data-bbox="300 779 689 855">Maina Kiondo AG. DIRECTOR GENERAL/CEO</p>	<p data-bbox="790 365 1455 987"><i>He is the Acting Director General/CEO & Secretary to the Board of Directors, a position he has held since 5th January 2021. Mr. Maina Kiondo joined the Ministry of Agriculture in 1987 as a Project Officer. He has participated in implementing a number of projects including the Sigor Wei Wei Irrigation Project, the Central Kenya Dry Land Project, the National Agriculture and Livestock Extension Project and the National Dairy Development Project. In 2011, he moved to the Ministry of Regional Development as the Deputy Director, Resource Mobilization. In 2019, he became the Director, Northern Corridor Development at the Ministry of East African Cooperation and Regional Development. On 5th January, 2021, he was appointed as the Ag. Director General/CEO of LAPSSET Corridor Development Authority. Mr. Kiondo who is an Agriculturalist by profession, holds an MBA – Project Management and is a member of the Project Management Institute.</i></p>
15	 <p data-bbox="338 1729 679 1805">Stephen Ikua DIRECTOR GENERAL/CEO</p>	<p data-bbox="810 1361 1433 1572"><i>He is the Director General/CEO & Secretary to the Board of Directors. Until his appointment to LCDA, Mr. Ikua had served as the in-charge of Administration for the East African Community and Liaison officer for South Sudan relations. Previously he had served as the Project Manager for Thwake Dam Multi-purpose project and saw towards its inception.</i></p> <p data-bbox="810 1585 1433 1675"><i>He has a vast experience in Governance, Security and Development and in his line as an administrator he served in all the Counties relating to the LCDA project.</i></p> <p data-bbox="810 1688 1433 1778"><i>He is a seasoned Public servant who holds an MBA-alongside other courses attained locally and internationally.</i></p>

3. MANAGEMENT TEAM

Ref	Management	Details
1		<p>Stephen Ikua DIRECTOR GENERAL/CEO Holds Masters Degree in Business Administration Has Over 30 years in the Public Service.</p>
2		<p>Maina Kiondo AG. DIRECTOR GENERAL/CEO Holds Masters Degree in Business Administration – Project Management Has Over 34 years in the Public Service. Served between January 2021 and Jan 2022</p>
3		<p>Eng. Jacob Mwakio PE, MIEK MEng. Director, Utility Infrastructure Holds MSC – Civil Engineering Has over 10 years of experience</p>
4		<p>Norman N. Muraya Ag. Director, Trade Tourism & Urban Development Holds Masters Arts Degree in Economics</p>
5		<p>Benjamin Mutea Supply Chain Manager Holds BA (Economics) and CIPS (UK) Has Over 16 Years of Experience</p>

Ref	Management	Details
6		<p>Daniel Mumira Manager, Security Services Commissioner of police Has over 30 years of experience</p>
7		<p>James Muigai Internal Audit Manager Holds MBA- Finance and CPA (K) Has Over 15 years of experience</p>
8		<p>Bernard Oluoch Ag. Manager, Finance and Accounts Holds MSC- Finance & Investment and CPA (K) Has Over 15 years of experience</p>
9		<p>Susan Karimi Principal Administrative Officer Holds BA Human Resource Has Over 21 years of Experience</p>
10		<p>Benson Thuita Principal Corporate Affairs Officer Holds BA (Communications) Has Over 7 years of Experience</p>

4. CHAIRMAN'S STATEMENT



There is great potential that can be realized through value addition and integrated approach in harnessing the Blue Economy and the Livestock Sectors. Indeed, these sectors presents the next growth frontier for the country and the LAPSSET Corridor provides the best opportunity for their exploitation and realization

Introduction

It is with great honour that I present the Annual Report and Financial Statements for the year ending 30th June 2022.

On 12th March this year, the LAPSSET Corridor Program marked ten years since the official launch that commenced with the Port of Lamu. This has been a tremendous journey with major and visible investments witnessed in the LAPSSET Corridor Program (LCP). It has also been an opportune time to reflect on projects delivery, especially on the magnitude and financial demand posed by integrated infrastructure projects.

Over the years, the LAPSSET Corridor Development Authority has highlighted the significance of the country's second commercial port and the second strategic transport and transit corridor. We have also emphasized that we are creating an economic belt that will tap into the huge potential that exist within the region traversed by the projects while providing the much-needed network to across other regions. Already, the road infrastructure delivery has provided enhanced investment opportunities resulting to socio-economic transformation.

Revenue

During the year under review, the Authority received Ksh552 million for its core mandate from The National Treasury. The Transaction Advisory Grant provided by the African Development Bank was extended to December 2024. It is important to complete the Transactional Advisory consultancy for the Port of Lamu and the Special Economic Zone as per the contract.

Strategic Plan

In the year under review, the Authority commenced the process of drafting its's second-generation Strategic Plan (SP). This follows the coming of end term for the Revised and Extended Strategic Plan for the period 2019/2020 – 2022/2023. The SP will align with the Medium-Term Plan IV (MTP IV) that will run for the period 2023-2027.

Am glad to inform that a comprehensive analysis was undertaken that identified the lessons learnt and the challenges faced during the previous SP implementation. The next generation SP

will therefore benefit from a meticulous process and is therefore expected to be more actionable by broadening the Authority activities to fully embrace the implementation of our mandate.

Key Achievements of the Year

During the year under review, the Authority firmly coordinated the LCP in an uncertain environment posed by the persistence of COVID-19 pandemic outbreak. This influenced the projects delivery both in terms of time loss and in terms of reduced resource flow. Am glad to note that the institutional framework established under the auspices of Joint Chairs Steering Committee (JCSC) was instrumental in addressing most of the emerging issues that would otherwise have impeded projects delivery.

Within the Financial Year, the Authority was able to coordinate the finalization of the 1st phase of land acquisition from Lamu to Lokichar. This is a major milestone that will safeguard and secure the 500 meters corridor that will host the multi-modal infrastructure components. It is fundamental to note that land sometimes is the biggest projects realization barrier and hence timely acquisition is a significant step in the right direction. On LAPSSET Corridor Project Components delivery, construction of berths 2 and 3 of Port of Lamu were completed. This brings to total three berths that are currently operational. The Authority equally coordinated a Market Sounding, Economic Mapping and Scooping of industries along the LAPSSET Corridor. This is essential in mapping clientele and identifying customer needs and aspirations.

In respect to the road component, there was accelerated delivery for the Lamu – Ijara – Garissa Road. Initially, the road was to undergo stage construction but will now be constructed to bitumen standards. The Garissa – Modogashe – Isiolo road works were contracted during this period. This road development will provide a seamless connectivity from Lamu to Moyale, a distance of 1035 Kms, resulting in an over 400Kms distance reduction compared to the current route. The road sections from Lokichar – Nakodok are complete with only one lot remaining.



Sections of the complete Lokichar – Nakodok Highway

Apart from the road infrastructure, there is renewed interest to empower communities and provide sustainable livelihoods through exploitation of emerging and under exploited sectors. There is great potential that can be realized through value addition and integrated approach in harnessing the Blue Economy and the Livestock Sectors. Indeed, these sectors presents the next growth frontier for the country and the LAPSSET Corridor provides the best opportunity for their exploitation and realization.

Corporate Social Investments

The Presidential Youth Scholarship programme is a Corporate Social Investments (CSI) that benefits Youths from Lamu with training opportunities. During the year under review, the last batch of students completed their studies and this now paves way for a third lot intake. It is gratifying to note that most of the students upon completion of their studies were absorbed as the seed staff for Lamu Port. The Authority also advocated for the Port Government Agencies to employ the locals as an affirmative action.

To support the CSI initiative further, the Authority through the JCSC agreed on identifying and implementing high impact projects with direct benefits to the communities across the LAPSSET Corridor Counties. Towards this end, the Authority has already identified a LAPSSET Resilience Program that will address the persistent water needs along the corridor and enhance projects acceptability and sustainability.

Changes to the Management

During the year under review, Mr. Maina Kiondo acting Director General/CEO exited the Authority having served for a period to two years. Mr. S. Ikua joined the Authority as a substantive Director General/CEO following a successful recruitment process. On behalf of the Board, I extend sincere thanks to Mr. Maina Kiondo for his dedication and for the achievements realized under his leadership and wish him well in future endeavours. I also take this opportunity to congratulate and welcome Mr. S. Ikua as he aims to steer the Authority forward during his tenure in office.

Changes to the Board

During the Financial Year, the term of Chairman and three Board members, Mr. Jack Chebett, Ms. Martha Wariithi and Hon Abdallah Ngozi expired. Another Board member, Eng. Karanja Mburu resigned to seek elective posts.

I take this opportunity to extend sincere thanks to the Directors who exited for their exemplary leadership and commitment during their term. Indeed, as an Authority, we benefitted immensely from their wealth of experience and learnt lessons that are invaluable to the growth of the Authority. We wish them all the best in their present and future endeavours.

I also thank H.E the President for renewing my appointment and giving me an opportunity to serve as the Chairman of the LCDA Board for another term.

Our Aspirations

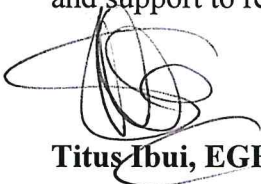
Going forward, there is renewed impetus on the implementation of the LCP. The ten years that has resulted to the delivery of the 1st three berths and most of the road infrastructure have provided important insights. Among this is the need for LCDA to play a more active role in the realization of the projects with a direct role. The Authority therefore will support the one government approach to ensure the gains realized within this framework are consolidated and harnessed.

The Authority will also support the establishment of the Regional Institutional Framework that is in the formative stages to ensure all the partner states institutionalize the delivery of the LCP in a speedy manner.

Board Appreciation

As a Board, we are aptly aware of the major responsibility bestowed to us in realizing our second strategic economic, transport and transit corridor. We have humbly taken up this magnanimous task fully aware that it beholds us to provide unequivocal leadership for it to be delivered during this generation. Our commitment and resolve to this end is unmatched

I therefore on behalf of the Board of Directors thank the Government, Ministries, Counties, Departments, and Agencies that have enabled us execute our mandate in close collaboration which has eased our work considerably. We are equally grateful to stakeholders for continued support and feedback on many occasions. The Management and the staff have executed their roles with utter commitment. We know the circumstances occasioned by COVID-19 have presented challenges that may linger for a long time and hence the need for a creative way to surmount them for results to be realized. As a Board, we will continue to provide leadership and support to realize our shared aspirations.



Titus Ibui, EGH

Chairman, LCDA Board of Directors

5. REPORT OF THE CHIEF EXECUTIVE OFFICER



As an Authority, we recognize the significance of delivering the LAPSSET Corridor Program and hence continue to work closely with all stakeholders to ensure timely delivery of projects. We endeavour to ensure that the projects are implemented in an integrated and synergized manner that will be effective and efficient.

Mr. S. Ikua
DIRECTOR GENERAL/CEO

Introduction

This Annual Report and Financial Statements for the year ended 30th June 2022 outlines the activities undertaken, key achievement and how the funds allocated were utilized during the financial year 2021/2022.

The LAPSSET Corridor Program (LCP) is one of the key Vision 2030 flagship projects. This is a composite and integrated multi modal infrastructure program encompassing highways, railway lines and pipelines for crude and product oil. The infrastructure is anchored on Port of Lamu, which is the country's second commercial port and creates a second strategic corridor connecting to neighbouring countries of South Sudan and Ethiopia. The corridor traverses seven counties which are located in the Northern and North Eastern parts of the country. These LAPSSET Corridor counties are Lamu, Garissa, Meru and Isiolo, the central county, where the Corridor branches North Western through Samburu to Turkana and Northwards through Marsabit.

The program as designed incorporated International Airports to support Tourism Sector that has huge potential in designated areas of Lamu, Turkana and Isiolo. This is expected to support socio-economic transformation by exploiting new opportunities and harnessing the backbone economic activities such as agriculture, livestock and mining sectors.

Kenya sits strategically within the African Continent and the Port of Lamu amplifies her position in being a transport, transit and logistics hub. The LAPSSET Corridor will connect Port of Lamu to Ports in the West Coast of Africa and create complementally Port business in the continent, hence contributing to the continental aspirations as articulated in the Agenda 2063. The East – West connection will create a continental land bridge through the Great Lakes region which will highly enhance continental trade, regional integration and exploitation of the massive resources available within the region.

LAND BRIDGE / PORT TO PORT CORRIDORS

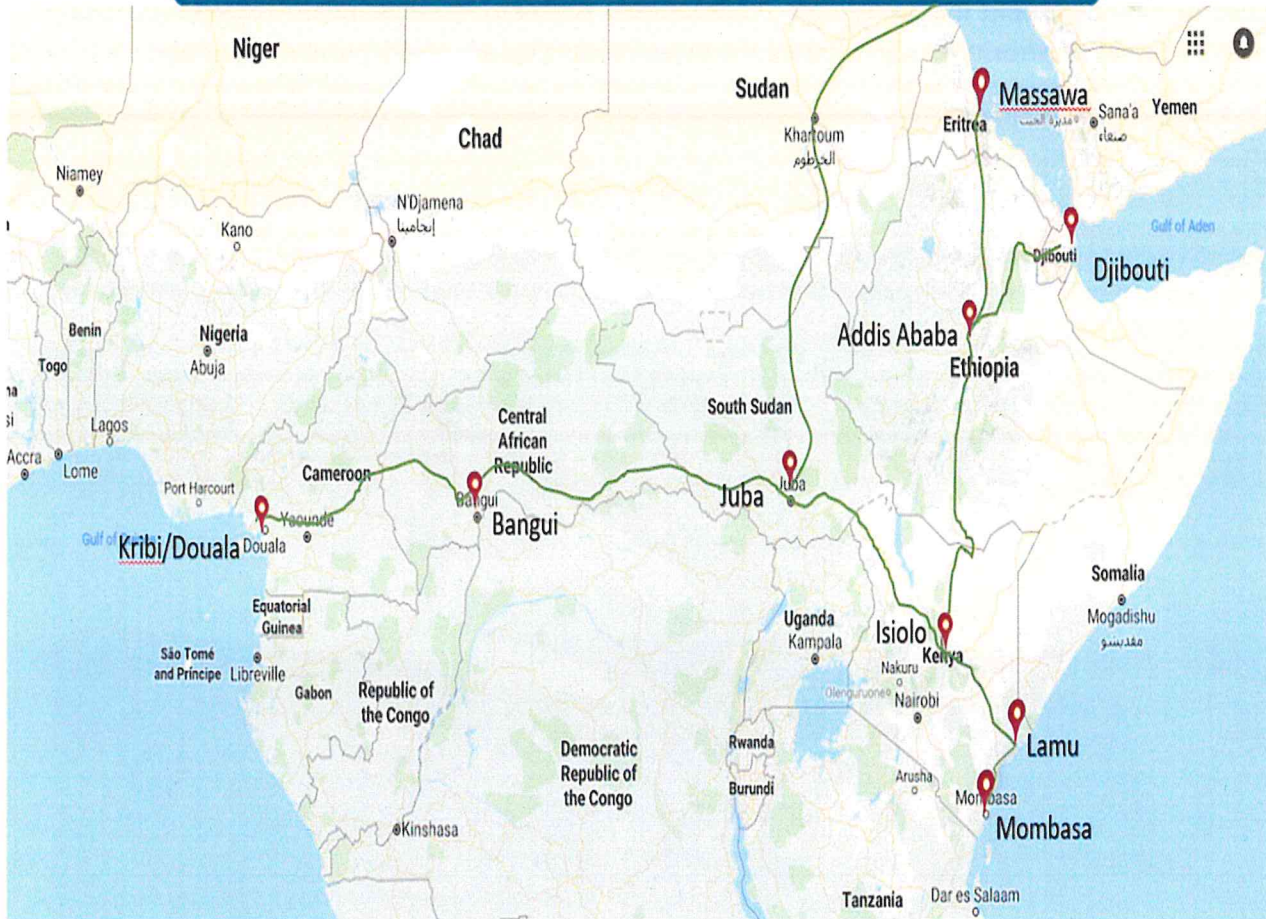


Figure 6: A section of the vast LAPSSET Corridor route connecting port to port through the Equatorial Land Bridge

As an Authority, we recognize the significance of delivering the LAPSSET Corridor Program and hence continue to work closely with our sister agencies for timely delivery of projects. We endeavour to ensure that the projects are implemented in an integrated and synergized manner that will be effective and efficient.

LAPSSET Corridor Program Progress

In the period under review, the Authority executed its’ mandate and made crucial achievements amid myriad of challenges posed by the outbreak of the COVID-19 and other challenges arising from resource constraints that the has country faced.

i. Port of Lamu

During the year, the 1st three berths of Port of Lamu were completed. The 1st berth was completed and operationalized by H.E the President, Uhuru Kenyatta on 20th May 2021 and the other two have been completed in this year. The completion of the three berths with massive capacity to

provide the transshipment business. The Port of Lamu affirms Kenya's' position as a regional transport and logistics hub that will play a major role in fostering regional integration. The Authority has also been undertaking the Lamu Port Transactional Advisory that has identified an Agri-Bulk and Oil Terminal as priority to compliment the three berths that are multi-purpose in nature.



MV Songa Cougar makes its maiden call at the Lamu Port. The CMA CGM operated vessel with a length overall of 147.8 meters loaded assorted goods destined for the Port of Jeddah.

ii. LAPSSET Highways

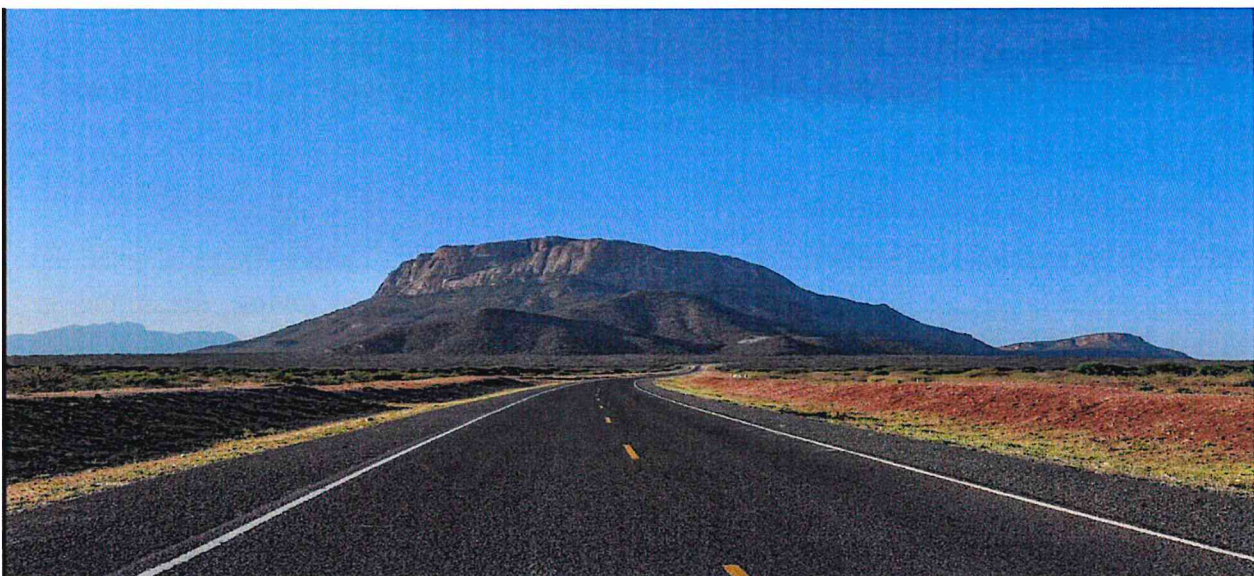
In respect to the LAPSSET highways, there have been noticeable progress with over 1000Kms out of the estimated 1800Kms road network from Lamu port to boundaries of the Federal Democratic Republic of Ethiopia (Moyale) and Republic of South Sudan (Nakodok) either completed or under construction.

The Lokichar – Lodwar – Nakodok (330Kms) Road is largely completed with five out of six lots completed and the entire road at about 95% completed. The Lamu – Garissa Road (250Kms) is

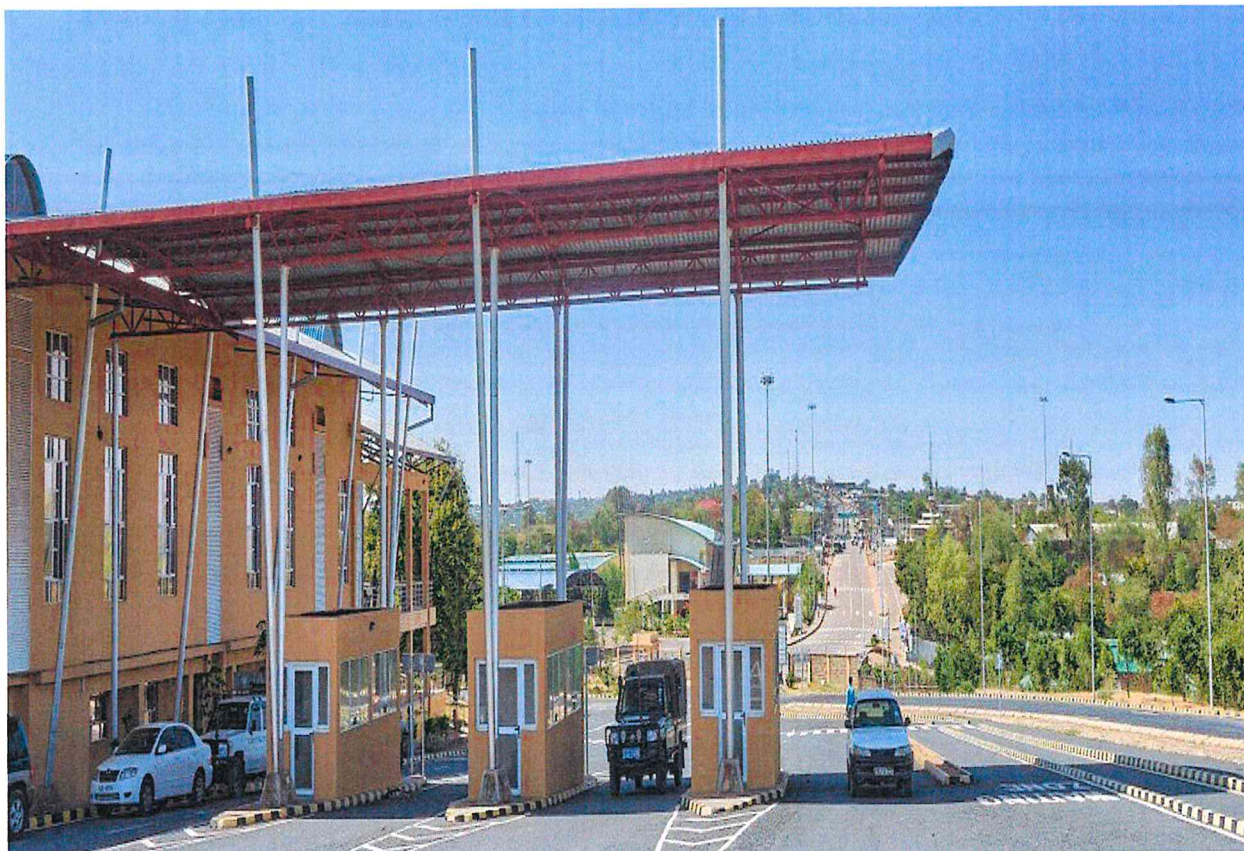
under construction to bitumen standards. The Modogashe – Isiolo (123Kms) has been awarded. The completion of the missing road sections will create a seamless connection from Port of Lamu to Moyale and will ease transport and enhance regional trade.



A section of the Lokichar-Lodwar-Nakodoko 330 Km Highway



A section of the Isiolo-Moyale Highway 505 Km



Moyale One-Stop Border Post

iii. Crude Oil Pipeline

The Crude Oil Pipeline project has also progressed with all initial studies completed. The route identification for the Lokichar – Lamu Crude Oil Pipeline was also completed. This paved way for the commencement of the 1st phase of land acquisition which was completed in the year under review.

iv. Stakeholders Consultations

Stakeholder's engagement is crucial for the success of the LAPSSET Corridor Program given the multiplicity and diversity of the project players. During the period under review, the Authority convened several stakeholder consultative forums along the LAPSSET Corridor Counties in order to address issues on Land Acquisition, Fishermen Compensation, Master Planning Studies among others. This undertaking was necessary to bolster project implementation and project acceptability and sustainability.

v. Institutional Regional Coordination Framework

A strong regional institutional framework is vital to support the execution of the transboundary infrastructure components and guide policy delivery framework. It will equally enhance the program visibility and attract investments and joint program support. Am glad to note that we

together with partner states made huge and remarkable strides in actualizing this noble undertaking in the year under review. Going forward, we are earmarked to hold the 3rd Ministerial Meeting in Juba, South Sudan.



Group photo of the participants of the LAPSSET Ministerial Meeting held in Addis Ababa, Ethiopia

vi. Regional Offices.

During the year under review, the Regional Offices in Lamu, Garissa, Isiolo and Turkana continued to facilitate strong linkages with the community. The regional offices were strengthened through deployment of additional requisite staff which improved their operational and functional efficiency.

vii. Strategic Plan Review

The Authority's has embarked in earnest on the 2nd generation Strategic Plan to align with MTP IV. This follows successful implementation of the 1st generation Strategic Plan that was revised and extended to 2022/2023 to align with MTP III. As part of the preparation of the 2nd generation Strategic Plan, we have taken a deliberate step to ensure that we incorporate the lessons learnt and more importantly embrace new thinking in LCP delivery.

viii. Risk Management

The Authority continues to highlight Risk Management as a fundamental commitment to ensure sustained internal operations and successful business operations. Towards the endeavour, the

Authority has fostered strong mechanism by undertaking capacity building of the Board and Management. Further, we continue to embrace the utilization of the Enterprise Resource Planning (ERP) software that is improving internal process and mitigate possible risk occurrences.

ix. Financial Performance

During the year under review, the Authority received an allocation of Kshs 452 million from The National Treasury for operations. The funds were utilized to undertake to operational activities of the Authority. These included the coordination of the JCSC meetings, the inter-agency meetings, land acquisition, stakeholders and public participation meetings and projects monitoring.

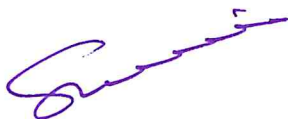
x. Institutional Operational Challenges

For the period under review, the challenge occasioned by COVID-19 persisted resulting to dwindled resources devoted by the Government on projects. There was therefore a setback in the delivery timelines of projects. There have been efforts to address this aspect especially through interventions that can provide quick wins for projects delivery. As with the previous year, the Authority adopted a mix of measures in coordination the implementing agencies with application of technology playing a significant role.

The budgetary allocation for the Authority was inadequate to cover all the planned annual activities. There are cross-cutting projects activities such as land acquisition, environmental safeguard, transboundary technical and design project studies, Master planning and feasibility studies which are intended to facilitate projects delivery which this far have not been concluded due to budgetary constraints.

Appreciation

In conclusion, the LAPSSET Corridor Program has received considerable support from the Government, amplifying its' position as a critical program to transform Kenya. The major works achieved this far has been made possible through the leadership and commitment of the Board. I therefore extend sincere appreciations to the Board of Directors for steering the Authority to achieve critical milestones. I also wish to genuinely thank the dedicated and talented staff of Authority for their support and effort in achieving the goals and objectives of the organization. Our stakeholders including National and County Governments, Implementing Ministries, Departments, Agencies, Development Partners, our Service Providers and our Program Partner States have been exceedingly supportive and we are grateful to them all. We affirm that we will continue to work together with our distinguished stakeholders to achieve more in the coming financial year as we deliver the second strategic corridor for the region.



S. Ikua

DIRECTOR GENERAL/CEO

6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022

The LAPSSET Corridor Development Authority has 4 Strategic themes within the current Extended Strategic Plan for the FY 2019 - FY 2022. These strategic themes are as follows:

1. LAPSSET Corridor Program Development
2. Resource Mobilization
3. Promotion and Publicity of the LAPSSET Corridor
4. Institutional Capacity Development

The LAPSSET Corridor Development Authority develops its annual work plans based on the above 4 Key Result Areas. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The LAPSSET Corridor Development Authority achieved its performance targets set for the FY 2019-2023 period for its 3 Key Result Areas, as indicated in the diagram below:

Key Result Area	Strategic Objective	Key Performance Indicators	Activities	Achievements
LAPSSET Corridor Program Development	To deliver a modern vibrant integrated LAPSSET Corridor that guarantees seamless regional connectivity and trade	Progress status of the LAPSSET Corridor Project Components	<ul style="list-style-type: none"> • Coordination of the implementation and delivery of the LAPSSET Corridor Project Components 	<ul style="list-style-type: none"> • Completion of the 1st 3 berths of Port of Lamu. • Completion of 115 Kms of the Lamu – Garsen road • Construction of the Lamu – Ijara – Garissa highway • Construction of the Lokichar – Nadapal 338 Kms road • Completion of the preliminary surveying, inspection and valuation of the Lamu – Lokichar 824Kms (500metres wide) Corridor. • Undertaking the Transaction advisory consultancy for the Port of Lamu and the Lamu Special Economic Zone. • Convening of the Joint Steering Committee of the Chairpersons of the implementing Agencies. • Convening stakeholders and leadership consultative

				<p>meetings on the delivery of the LCP for sustainability.</p> <ul style="list-style-type: none"> • Undertaking the LAPSSET Corridor Resilience Program.
Resource Mobilization	To provide adequate financial resources to implement LAPSSET Corridor Project components	Amount of funds mobilized for the Project Components and Operations of the Authority	<ul style="list-style-type: none"> • Convening investment conferences • Mapping of the development partners • Undertaking joint projects promotion with the implementing agencies. • Reviewing and apprising investment proposals. 	<ul style="list-style-type: none"> • Mobilization of funds for the Port of Lamu • Mobilization of funds for the LAPSSET Corridor Resilience Program. • Mobilization of funds for the Lamu – Ijara – Garissa Road • Mobilization of funds for the compensation of the fishers in Lamu.
Promotion and Publicity of the LAPSSET Corridor	To develop LAPSSET Corridor as the Preferred investment and transport corridor in the Region	<ul style="list-style-type: none"> • No. of investors and investments attracted and retained in the LAPSSET Corridor Program 	<ul style="list-style-type: none"> • Preparing targeted documentaries. 	<ul style="list-style-type: none"> • Undertaking of the Port of Lamu marketing along the corridor. • Promotion of the use of Port of Lamu through promotion tariff. • Participations in international investment conferences. • Development of documentary detailing and progress status of the LAPSSET Corridor Project Components.
Institutional Capacity Development	To establish an efficient and motivated workforce	<ul style="list-style-type: none"> • To build a workforce that has skills and capacity to deliver the LAPSSET 	<ul style="list-style-type: none"> • Implementing the institutional establishment to enhance capacity of the Authority. 	<ul style="list-style-type: none"> • Convening the inter-ministerial technical committee forums to address cross cutting project bottlenecks.

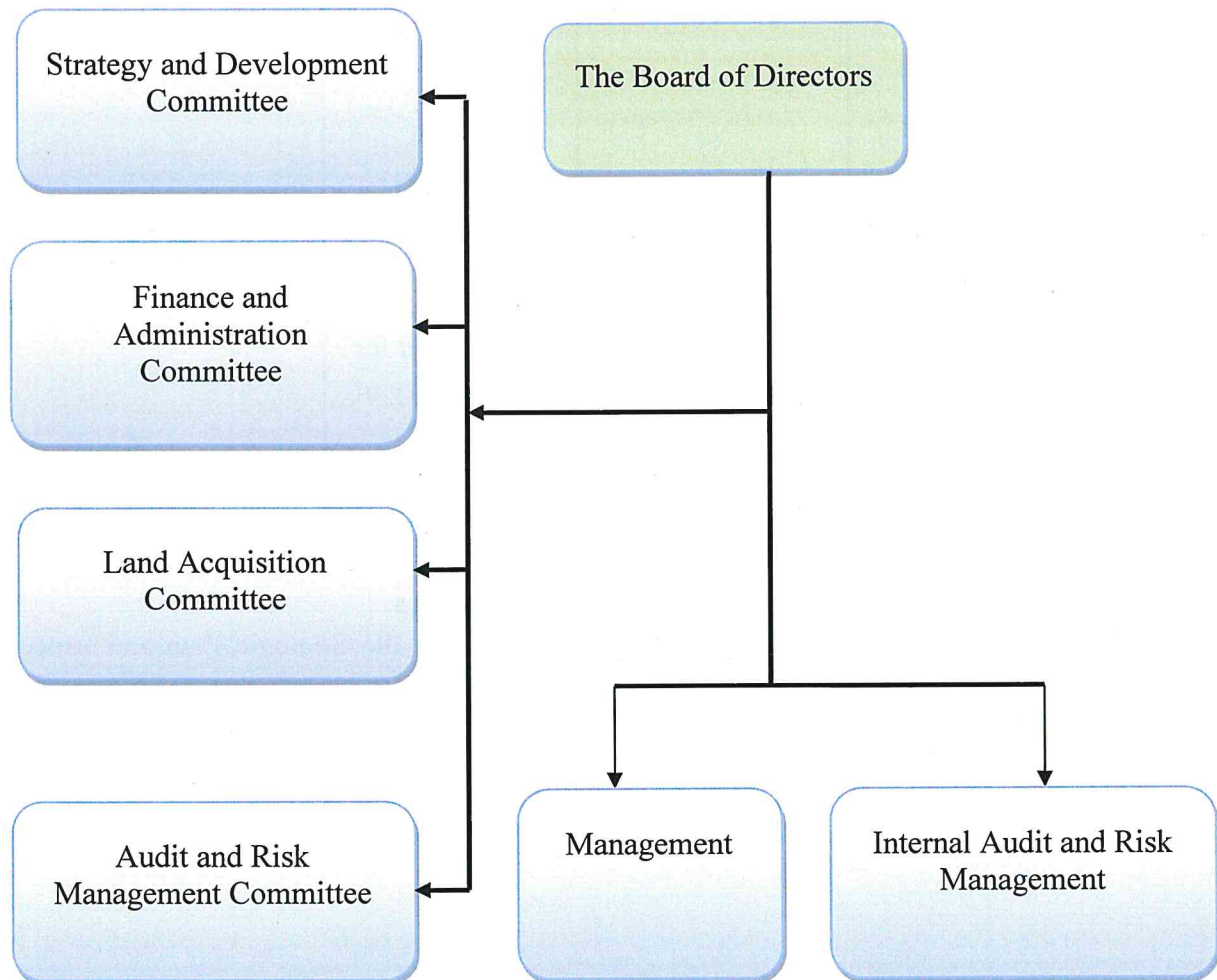
		Corridor Program	<ul style="list-style-type: none"> • Undertake appropriate training and skills development in the Authority • Enhancing operational efficiency within the Authority. • Supporting the institutional structures established for the delivery of the LCP 	<ul style="list-style-type: none"> • Establishment and strengthening the regional offices. • Training of offices to bridge the skills and capacity gaps.
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Annually, the Authority enters into a Performance Contract (PC) with the Government through the Parent Ministry. The PC is largely drawn from the activities stipulated in the Annual Workplan targets and other government commitments as given in the guidelines.

The Annual workplan is an instrument for the implementation of the Strategic Plan and hence creates a linkage with the Performance Contract. This Pc thus sets targets that feed into the implementation and attainment of the targets desired to achieve the Key Result Areas as identified in the Strategic Plan.

7. CORPORATE GOVERNANCE STATEMENT

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



THE BOARD AND MEMBERS PERFORMANCE

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

The Directors are independent of Management and their role is to provide leadership and stewardship for effective execution of the Authority's objectives and strategies. The Directors oversee the operations of the management through constructive advice and consistently engaging the management on agreed parameters within the strategic framework set by the Board. The Director

General/CEO is responsible to the Board and takes responsibility for the effective and efficient running of the Authority on day-to-day basis.

MEMBERSHIP OF THE BOARD COMMITTEE

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

Name	Finance & Administration	Strategy and Development	Performance Contracting and Stakeholders Engagement	Land Acquisition	Audit & Risk Management
Jack Chebett	✓			✓	
Martha Muthoni Wariithi	✓	✓			
Hon. Hashim Mohamed	✓	✓		✓	✓
Eng. Karanja Mburu		✓			✓
Hon. Abdallah Ngozi				✓	✓
Hezbourne Macobong – Alternate National Treasury	✓	✓			✓
Theodore Gichana – Ag.IG Inspectorate of state corporation	✓	✓			
PS State Department for Regional and Northern Corridor Development	✓				
PS State Department of Energy		✓			✓
Dr. Dancun Hunda, alternate	✓	✓			

to PS Ministry of Transport					
David Kinyangi alternate to PS State Department of Tourism	✓			✓	
Principal Administrative Secretary Office of the Presidency		✓			✓
Rodgers Gacewa alternate to PS State Department of Lands				✓	✓
Eng. John M. Muiruri. PS State Department of Water	✓			✓	
DG Vision 2030	✓	✓			

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

NAME	DATE				
	29 TH SEPT 2021	14 TH OCT 2021	14 TH DEC 2021	7 TH FEB 2022	10 TH MAY 2022
Titus Ibui		✓	✓	✓	
Jack Chebett	✓	✓		✓	
Martha Muthoni Wariithi	✓	✓	✓	✓	
Hon. Hashim Mohamed	✓	✓	✓	✓	✓
Hon. Abdallah Ngozi	✓	✓		✓	

Karanja Mburu	✓	✓	✓	✓	
Maina Kiondo	✓	✓	✓		
S. Ikua				✓	✓
PS the National Treasury	✓	✓		✓	✓
Emilio Mugo, alternate to PS State Department for Regional and Northern Corridor Development	✓	✓	✓	✓	✓
PS State Department of Energy	✓	✓			
David Kanyangi alternate to PS State Department of Tourism	✓	✓	✓		
Principal Administrative Secretary Office of the Presidency	✓	✓	✓	✓	✓
Rodgers Gacewa, alternate to PS State Department of Lands	✓	✓	✓	✓	✓
Eng. John M. Muiruri, alternate to PS State Department of Water	✓	✓	✓	✓	✓
DG Vision 2030			✓	✓	✓ ✓
Dr. Dancun Hunda, alternate to PS Ministry of Transport	✓	✓	✓	✓	
Inspectorate, State Corporation		✓			✓

NOTE* The meeting on 10th May 2022 is Evaluation of the Board Performance for the FY 2021/2022.

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.

ROLES AND FUNCTIONS OF BOARD COMMITTEES

The Board Committees undertake 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 follow: -

#	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 of the Board Charter; • Review of technical and policy documents including cabinet papers, board papers, Authority manuals, and 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; • Review and approve the LCDA's Resource Mobilization Strategy; • Review the Quarterly Reports on the Implementation of Strategic Plan activities to be submitted to the Cabinet Secretary, Ministry of East Africa Community; • Review collaboration activities and partnerships with other agencies; • Undertake annual progress review of the Strategic Plan; • Oversee the preparation of LCDAs Performance Contract. • Identify for inclusion in the Performance Contract targets for the Financial Year. • Participate in the vetting of the Performance Contract. • Review quarterly and annual reports of the Performance Contract before submission to the Performance Contracting Division of the Ministry of Devolution and Planning. • Participate in the evaluation of the Performance Contract.
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 externally funded projects; • Recruit and develop staff of LCDA;

#	COMMITTEE	ROLES AND FUNCTIONS
		<ul style="list-style-type: none"> • Monitor and appraise the performance of senior management, review human resource policies, determine the remuneration of senior management, and other staff.
3.	Land Acquisition Committee	<ul style="list-style-type: none"> • Oversee the survey and mapping process for all the land falling within the LAPSSET Corridor • Oversee the Strategic Environmental Assessment process for the Corridor • Review and guide measures put in place to sensitize the public on Land Acquisition for the Corridor and the compensation process. • Develop a policy framework for compulsory land acquisition by engaging counties and other stakeholders. • Ensure that any land disputes arising from the acquisition of land along the Corridor are effectively addressed. • Guide the process of allocating land to the Authority • Oversee the allocation of land to various users and/or investing firms ensuring that leases are issued to legitimate beneficiaries, and that they are only issued for the required time frame. • Review the Administration of ground rent and demand notices
4.	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.

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

During the year under review, there occurred changes in the LCDA Board of Directors. MR. Jack Chebett, and Martha Wariithi, came to an end after serving two term, Hon. Abdallah Ngozi, and

Karanja Mburu resigned to pursue, their other business. Mr. Stephen Ikuu joined the Authority as Director General/CEO replacing Acting DG/CEO Mr. Maina Kiondo whose term ended.

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.

8. MANAGEMENT DISCUSSION AND ANALYSIS**SECTION A****The Authority's Operational and Financial Performance**

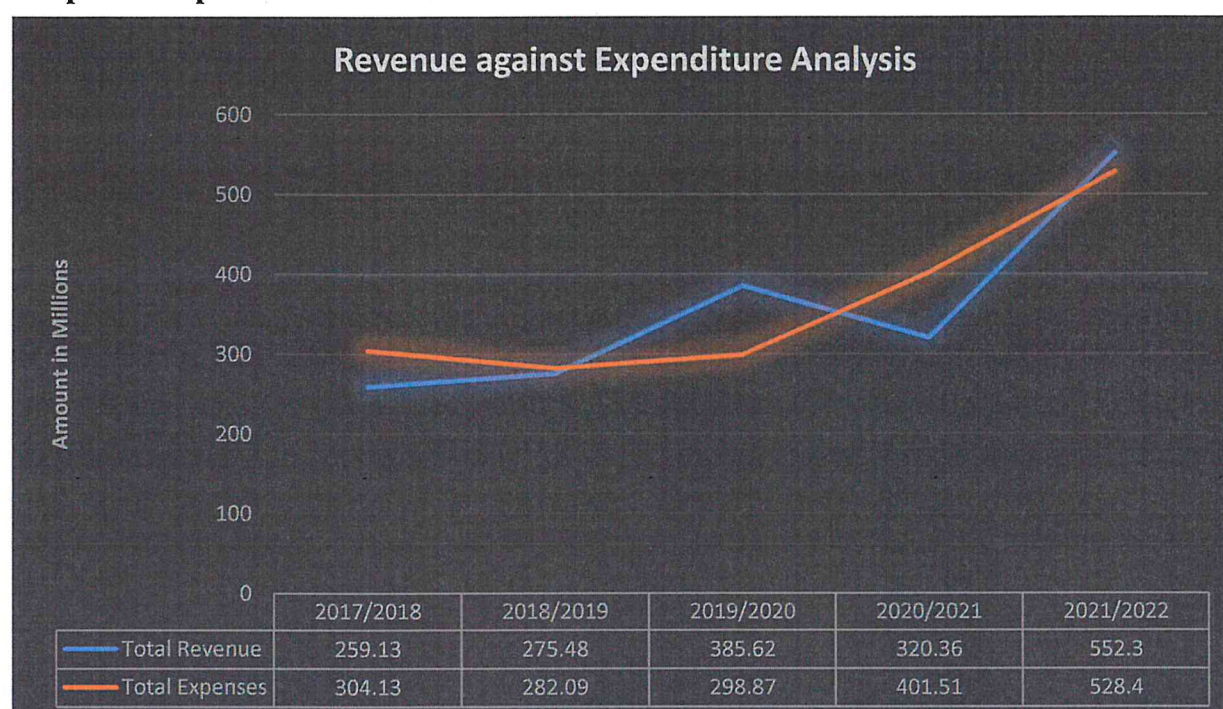
During the Financial Year under review, the Authority received **Kshs. 452,300,000.00** (including additional KShs.26Million in Supplementary 001 and KShs. 50Million during Supplementary 002) disbursement from The National Treasury for recurrent expenditure. The funds facilitated Stakeholder Engagement Activities, Land Acquisition Activities, and Alignment of the Corridor, investment fund mobilization activities and efforts towards the coordination of implementation of the LAPSSET Corridor Projects.

Moreover, The National Treasury allocated to the Authority an additional **KShs. 100Million** (Kshs. 40 Million and Kshs. 60 Million in Supplementary 001 & 002 respectively) for implementation of the LCDA Resilient Programmes. The allocation facilitated construction of Burka Water Pan in Wajir County and Kubihalo Water Pan in Mandera County as efforts towards addressing the drought menace in the Northern Corridor characterized by low rainfall levels, high evapotranspiration rates, poor soil fertility, few water resources and poor infrastructure.

Berth 1 of Lamu Port was completed during the FY 2020/2021 and operations launched on 20th May 2021 by H.E the President. Berths no. 2 and 3 were completed in the Financial Year under review awaiting commissioning.

5-Year Review of the Authority's Financial Performance.**Figures in 'Millions'**

Financial Year	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Revenue					
Government Transfers	248.31	248.31	330.60	307.00	452.3
Donor Receipts	1.49	23.36	50.13	10.70	-
Amortized Capital Grants	9.14	3.74	4.59	2.68	2.68
Other Income	0.19	0.07	0.30	0.48	0.07
Total Revenue	259.13	275.48	385.62	320.36	455.05
Expenses					
Personnel Emoluments	87.85	86.09	116.18	235.59	283.00
Board Costs	8.22	18.64	10.00	20.33	11.64
Grants and Subsidies	43.79	13.01	15.01	0.24	-
Depreciation	14.54	8.78	9.37	18.27	21.14
Operating expenses	149.74	155.57	148.31	124.68	118.41
Total Expenses	304.13	282.09	298.87	401.51	437.39
Deficit/ Surplus	(45.00)	(6.61)	86.75	(81.15)	17.66

Graphical Representation of 5-Year Financial Performance**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 Implemented or Ongoing**

The Authority has undertaken/coordinated the implementation of the following key projects/activities:

- i. Operationalization of the first berth of the Port of Lamu and Completion of Berths 2 and 3.
- ii. Transaction Advisory (TA) for the Port of Lamu and Special Economic Zone Land Acquisition for the Project Components
- iii. Stakeholder engagements with the County governments, National government and the Partner States
- iv. The Authority coordinated the Front-End Engineering Designs (FEED) and the Environmental and Social Impact Assessment (ESIA) study for Crude Oil Pipeline.

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;
- iv. Feasibility studies for:

- Crude Oil refinery
 - Fibre Optic cables
 - Resort Cities
 - Fishing Berth and Fish Processing Plant
 - Standard Gauge Railway
 - Lamu International Airport
 - Product Oil Pipeline
- v. Strategic Environmental Assessment for the Resort Cities
- vi. Resettlement Action Plan for the Lamu Special Economic Zone

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. During the Financial Year, the Authority was not exposed to any credit risks.

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 affect payments from Authority's balances on authorized 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. However, due to operationalization of the port of Lamu and the port auxiliaries, the Authority incurred unforeseen costs resulting into pending bills.

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.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The LAPSSSET Corridor Program (LCP) traverses majorly through arid and semi-arid Counties in Kenya. These counties are endowed with rich flora and fauna in the backdrop of a delicate ecological composition. The LCP seeks to implement corridor projects through sustainable use of the environment by employing green initiatives that comply with the sustainable use of resources to enhance the ecological balance.

LAPSSSET Corridor Program is a mega Infrastructure Program and is vulnerable to climate change impacts. Furthermore, factors such as poverty, inadequate information, water scarcity, poor access to financial resources, resource-based conflicts, deforestation, a threat to heritage sites, biodiversity loss, and competition over scarce resources have exacerbated the situation

In this regard the Authority seeks to implement a program known as the LAPSSSET **Green Corridor Initiative** which targets the implementation of the following key programs;

- a) To plant around 1 million trees in each of the LAPSSSET Corridor Counties of Lamu, Garissa, Isiolo, Meru, Marsabit, Laikipia, Samburu, and Turkana;
- b) Capacity building of the communities;
- c) Research activities on potential green and clean energy;
- d) Investment in water storage and food security;
- e) Promotion and adoption of climate-smart agriculture;
- f) Rainwater harvesting;
- g) Waste recycling and Circular Economy;
- h) Exploration on renewable energy;
- i) Climate proofing of the LAPSSSET Infrastructure; and
- j) Reforestations and rangelands Restoration Programs.
- k) Carrying out of joint research and development activities on most suited species; species site matching, scoping of the target area, quality seeds and seedlings supply, forestry and technologies pieces of training establishment and management of tree nursery, designs for green zones, establish demonstration sites, as well field supervisions and management along the corridor and its urban centers.
- l) Building of the Sustainable boreholes
- m) Mobilization of Climate Finances

These measures are aimed toward Sustainable utilization of the Environmental, Climate Change mitigation, and adaptation. LAPSSSET Green Corridor Initiative aims to fill this gap. This is in line with the objectives of the Paris Agreement, the National Government Climate Change Act (2016), the National Climate Change Action Plan (NCCAP 2018-2022), and the Government Policy on forest cover and implementation of Nationally Determined Contributions.

This initiative further aims at promoting the development of a “greener-oriented” corridor that is underpinned by sustainable policies, planning strategies, and investment decisions that effectively balance the economic, environmental, and social objectives.

The LAPSSET Green Corridor Initiative is a model program for classifying the corridor’s green zones and application of green technologies in all the LAPSSET Corridor Counties which are considered arid and semi-arid (ASAL) Counties. These counties are increasingly affected by climate change impacts such as more frequent and severe droughts and floods.

The LAPSSET Green Corridor Initiative will go along in combatting climate change and also promoting plant and wildlife biodiversity. LAPSSET Corridor initiative also compliments the Presidential Directive on tree planting activities aimed at meeting the constitutional requirement of 10% forest cover by 2022.

i) Sustainability strategy and profile

Sustainability of the LAPSSET Corridor Program is anchored on two principles. First strong community ownership cultivated through stakeholders and public consultations and the involvement of locals in the execution process.

There are broad trends in political and macroeconomic that affect sustainability priorities of the LAPSSET Corridor Program. Though there is broad political leadership support, the LCP traverses seven (7) counties with varying political interests, cultural practices, socio-economic status and also the main sources of livelihoods. The fact also that the political leadership is heterogenous requires extensive effort in creating a common understanding and ownership of the LCP.

The level of the government debt has a direct bearing on resources that can be directed to projects. In the case of the LCP, there are many cross-cutting priority activities touching on the environmental safeguards, land acquisition, stakeholders engagement, projects monitoring that have detrimentally affected by inadequate resources. Equally, the delay in financing component activities has resulted to cost escalation over time due to inflation.

ii) Environmental performance

The LAPSSET Corridor Program (LCP) traverses majorly through an arid and semi-arid Counties in Kenya. These counties are endowed with rich flora and fauna in the backdrop of a delicate ecological composition.

The LCP seeks to implement the corridor projects through sustainable use of the environment by employing green initiatives that comply with the sustainable use of resources to enhance the ecological balance. The LAPSSET Green Corridor Initiative is a model program of classifying the corridor’s green zones and application of green technologies in all the seven counties of Lamu, Garissa, Isiolo, Meru, Marsabit, Samburu, Laikipia and Turkana. These are considered

as arid and semi-arid (ASAL) counties. These counties are increasingly affected by climate change impacts such as more frequent and severe droughts and floods.

The LAPSSSET Green Corridor Initiative will go along in combatting climate change and also promoting plant and wildlife biodiversity. LAPSSSET Corridor initiative also compliments the Presidential Directive on tree planting activities aimed meeting the constitutional requirement of 10% forest cover by 2022. The identification of the green zones, especially near the urban areas will help in research process and seedling identification for the implementation of the initiative.

Unsustainable practices such as overharvesting/deforestation of trees for charcoal, overgrazing and overstocking are contributing to significant land degradation in ASALs and we anticipate climate change will further compound the already fragile situation

In order to implement the Greening Corridor initiative, LCDA shall enter into a collaborative partnership with key stakeholders such as Kenya Forestry Research Institute (KEFRI), Council of Governors, National Environment Management Authority (NEMA), Climate Change Directorate, World Wildlife Fund (WWF), Ministry of East African Community and Regional Development, Ministry of Environment and Forestry, Kenya Forest Service, National Treasury, Kenya National Highways Authority, Kenya Railways, Kenya Pipeline Corporation, Kenya Wildlife Service, Mines and Geological Department, key development partners and the Community. These Institutions are assisting to provide the research, mapping of the green zones, training, seedling identification and development among other key activities.

iii) Corporate Social Responsibility / Community Engagements

LCDA is planning and coordinating the implementation of the LAPSSSET Corridor Program (LCP) and is under its obligation to also implement other social programs that benefit the communities under its Corporate Social Responsibility (CSR) function including the “Inclusive Green Growth”. This is in addition to green initiatives that seek to address sustainable use of the environment and developing LAPSSSET with initiatives, programmes and activities that aims to achieve Sustainable Development.

There are various Corporate Social Investments that are incorporated in the projects that are ongoing that are intended to enhance the community resilience targeting the local communities. This includes the Lamu Youth Scholarship Programme that has so far supported 376 students.

10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30th, 2022 which show the state of the Authority's affairs as at that date.

Principal Activities

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

Results

The results of the Authority for the year ended June 30th, 2022 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. During the Financial Year, the term of Chairman and three Board members, Mr. Jack Chebett, Ms. Martha Wariithi and Hon Abdallah Ngozi expired. Another Board member, Eng. Karanja Mburu resigned to seek elective posts.

The Chairperson of the LAPSSET Corridor Development Authority Board was appointed with effect from 27th May, 2022.

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

Name

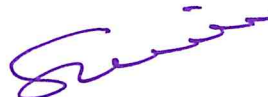
Signature

Date

S. IKUA

DIRECTOR GENERAL/CEO

Secretary to the Board



15/2/23

11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30th, 2022. 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, 2022, 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 3rd August 2022 and signed on its behalf by:

Signature



Date

TITUS IBUI, EGH

15/02/2023

Signature



Date

15/2

S. IKUA

Chairperson of the Board

Accounting officer

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 LAPSSSET CORRIDOR DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements which considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations which have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of LAPSSSET Corridor Development Authority set out on pages 1 to 33, which comprise of the statement of

financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the 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, the financial statements present fairly, in all material respects, the financial position of LAPSSET Corridor Development Authority as at 30 June, 2022, 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 LAPSSET Corridor Development Authority Order, 2013 and the Public Finance Management Act, 2012.

Basis for Opinion

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

Emphasis of Matter

Material Uncertainty Relating to Sustainability of Services

I draw attention to the statement of financial position which reflects current liabilities balance of Kshs.150,874,301 (2021: Kshs.60,963,089) which exceeded its current assets balance of Kshs.127,396,692 (2021: Kshs.5,259,639) by Kshs.23,477,609 (2021: Kshs.55,703,450). However, unless the trend is reversed, the Authority will continue to experience liquidity challenges.

These conditions indicate that a material uncertainty exists, which may cast significant doubt on the Authority's ability to sustain its services.

My opinion is not modified in respect of this matter.

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

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final total capital budget and actual on a comparable basis of Kshs.150,000,000 and Kshs.32,912,167 respectively resulting to an under-expenditure of Kshs.117,087,833 or 78% of the budget.

The under-expenditure affected the planned activities of the Authority and may have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management had not resolved the issues and did not give reasons for the delay in resolving the issues.

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 matter 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 governance were not effective.

Basis for Conclusion

Failure to Conduct Governance Audit

Review of records provided revealed that the Authority was not subjected to an annual governance audit as required by the Mwongozo - Code of Governance. This is contrary to Practice 1.13(1) of the Mwongozo: Code of Governance which stipulates that the board in consultation with the oversight office, should ensure that it subjects the organization to an annual governance audit by a member regulated by the Institute of Certified Public Secretaries of Kenya (ICPSK) and accredited for that purpose. The purpose of the governance audit is to ensure that the organization conforms to the highest standards of good governance. In the circumstances, it was not possible to confirm that the Authority conformed to the highest standards of good governance.

In the circumstances, Management was in breach of the law.

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 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 the Board of Directors

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

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

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

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

The Board of Directors is responsible for overseeing the Authority's financial reporting process, reviewing the effectiveness of how the Management 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 which 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 Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue 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

17 February, 2023

**13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH,
JUNE 2022**

	Note	FY 2021/2022	FY 2020/2021
Revenue from non-exchange transactions		Shs.	Shs.
Transfers from other government Entities (Grant – AfDB)	6(a)	21,702,564	10,691,553
Transfers from Ministries, Departments and Agencies	6(b)	452,300,000	307,000,000
Transfers from Ministries, Departments and Agencies-Conditional Grant	6(b)	1,135,600	
Amortized capital grant	6(c)	2,675,343	2,675,343
		477,813,507	320,366,896
Revenue from exchange transactions			
Other income	6(d)	71,673	483
Total revenue		477,885,180	320,367,379
Expenses			
Use of goods and services	7	141,259,869	124,682,936
Employee costs	8	282,996,762	235,593,304
Board Expenses	9	11,637,570	20,330,622
Depreciation and amortization expense	10	21,136,825	18,281,914
Repairs and Maintenance	11	3,194,743	2,371,951
Grants and subsidies	12	-	247,800
Total expenses		460,225,769	401,508,527
Surplus/Deficit for the Year		17,659,411	(81,141,148)

The notes set out on pages 7 to 27 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:

Accounting Officer

S. Ikua

Signature:

Date: 15/2/23

Head of Finance

Bernard Oluoch

ICPAK Member Number:

Signature:

Date: 15/02/2023

Chairman of the Board

Titus Ibui, EGH

Signature

Date: 15/02/2023

14. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022

	Note	FY 2021/2022	FY 2020/2021
Assets		Shs	Shs
Current assets			
Cash and Cash Equivalents	14	126,868,942	4,409,439
Receivables from exchange transactions	15	527,750	850,200
Total Current Assets		127,396,692	5,259,639
Non-Current Assets			
Property, Plant and Equipment	16	17,582,067,609	47,903,558
Intangible Assets	17	2,488,551	4,819,671
Total non - current assets		17,584,556,160	52,723,229
Total assets		<u>17,711,952,852</u>	<u>57,982,868</u>
Liabilities			
Current liabilities			
Trade and other Payables	18	39,224,374	53,543,306
Employee benefit obligation	19	22,859,531	7,419,783
Deferred Income	6(b)	88,790,397	-
Total current liabilities		150,874,301	60,963,089
Total Liabilities		150,874,301	60,963,089
Net assets		17,561,078,550	(2,980,221)
Revenue Reserve		3,395,898	(14,263,513)
Capital Reserve		17,552,156,796	5,757,436
Revaluation Reserve		5,525,856	5,525,856
Total net assets		17,561,078,550	(2,980,221)
Total net assets and liabilities		<u>17,711,952,852</u>	<u>57,982,868</u>

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:

Accounting Officer

S. Ikua

Signature:

Date: 15/2/23

Head of Finance

Bernard Oluoch

ICPAK Member Number:

Signature:

Date: 15/02/2023

Chairman of the Board

Titus Ibui, EGH

Signature

Date: 15/02/2023

15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2022

	Revenue Reserve	Capital/Development Grants Fund	Revaluation Reserve	Total
	2020/2021	2020/2021	2020/2021	2020/2021
	Kshs	Kshs	Kshs	Kshs
Reserves as at 1st July 2020	66,877,636	8,432,779	5,525,856	80,836,271
Amortized during the year		(2,675,343)		(2,675,343)
Revaluation gain				
Surplus for the year	(81,141,148)		-	(81,141,148)
30th June 2021	(14,263,513)	5,757,436	5,525,856	(2,980,221)
As at 1 st July 2021	(14,263,513)	5,757,436	5,525,856	(2,980,221)
Revaluation gain during the year				
Capital grants		17,546,399,360		17,546,399,360
Surplus for the year	17,659,411			17,659,411
As at 30 th , June 2022	3,395,898	17,552,156,796	5,525,856	17,561,078,550

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.

16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH, JUNE 2022

	Note	FY 2021/2022 Shs	FY 2020/2021 Shs
Cash flows from operating activities			
Receipts			
Transfers from other government entities: Grant -AfDB	6(a)	21,702,564	10,691,553
Transfers from Ministries, Departments and Agencies	6(b)	452,300,000	307,000,000
Transfers from Ministries, Departments and Agencies- Conditional Grant	6(b)	1,135,600	-
Other income-Bank Interest	6(d)	71,673	483
		475,209,837	317,692,036
Payments			
Employees Costs		293,566,451	222,256,895
Board Expenses		12,297,570	19,670,621
Repairs and Maintenance		3,736,637	1,663,481
Grants and subsidies		-	2,121,006
Use of goods and services		131,940,072	85,881,846
		441,540,731	331,593,849
Net cash flows from operating activities	20	33,669,106	(13,901,813)
Cash flows used in investing activities			
Receipts			
Transfers from Ministries, Departments and Agencies- Conditional Grant	6(b)	98,864,400	-
		98,864,400	-
Payments			
Purchase of PPE and Intangible assets		10,074,003	(31,791,984)
		10,074,003	
Net cash flows used in investing activities		89,925,997	(31,791,984)
Net increase/(decrease) in cash and cash equivalents		122,459,503	(45,693,797)
Cash and cash equivalents at 1 st July 2021	14	4,409,439	50,103,236
Cash and cash equivalents at end of the year	14	126,868,942	4,409,439

The Financial Statements set out from pages 1 to 6 were signed on behalf of the Board of Directors by:

Accounting Officer



S. Ikua

Head of Finance



Bernard Oluoch

ICPAK Member Number:

Date: 15/02/2023

Chairman of the Board



Titus Ibui, EGH

Date: 15/02/2023

Date: 15/2/23

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2022

	Original Budget	Adjustments	Final Budget	Actual	Variance	% of utilisation
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from Other Governments entities - Recurrent	376,300,000	76,000,000	452,300,000	452,300,000	-	-
Other income				71,673	(71,673)	
Sub-Total Recurrent	376,300,000	76,000,000	452,300,000	452,371,673		
African Development Bank - Capital Grant	50,000,000		50,000,000	21,702,564	28,297,436	43.41
Transfers from Other Governments entities - Capital		100,000,000	100,000,000	100,000,000	-	100.00
Sub-Total Capital	50,000,000	100,000,000	150,000,000	121,702,564	28,297,436	81.14
Total income	426,300,000	176,000,000	602,300,000	574,074,237	28,297,436	95.30
Expenses						
Use of Goods and Services	92,950,000	57,350,000	150,300,000	109,101,908	41,198,092	72.59
Employee costs	245,000,000	25,000,000	270,000,000	293,566,451	(23,566,451)	108.73
Remuneration of Directors	15,350,000	(5,350,000)	10,000,000	12,297,570	(2,297,570)	122.98
Depreciation and Amortization expense	10,000,000	8,000,000	18,000,000	21,136,825	(3,136,825)	117.43
Repairs and Maintenance	8,000,000	(4,000,000)	4,000,000	3,736,637	263,363	93.42
Grants and Subsidies	5,000,000	(5,000,000)	-	-	-	100.00
Total expenditure	376,300,000	76,000,000	452,300,000	439,839,391	12,460,609	97.25
Surplus for the period				12,532,282		
Capital Expenditure						
Transaction Advisory	50,000,000		50,000,000	21,702,564	28,297,436	43
Resilient Program		100,000,000	100,000,000	11,209,603	88,790,397	11
Total expenditure	50,000,000	100,000,000	150,000,000	32,912,167	117,087,833	22

Item	Variance Explanation
African Development Bank - Capital Grant	Delayed regularization of the Transaction Advisory contract by The National Treasury
Transfers from Other Governments entities - Capital	Delayed disbursement of the Supplementary 002 allocation.
Recurrent Expenses	
Use of Goods and Services	Late disbursement of the Supplementary 002 funds resulted in delayed payments
Remuneration of Directors	There were urgent matters that emerged during the year under review that required the intervention of board members. The issues touched on insecurity along the LAPSSET Corridor, stakeholders' engagement meetings and operationalization of the port of Lamu.
Depreciation and Amortization expense	Additional assets
Repairs and Maintenance	Delayed disbursement of the Supplementary 002 allocation.
Capital Expenditure	
Transaction Advisory	Delayed regularization of the Transaction Advisory contract by The National Treasury
Resilient Program	Late disbursement of the Supplementary 002 funds resulted in delayed payments

18. 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. New and amended standards and interpretations in issue effective in the year ended 30 June 2022.**

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and

Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023: <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	Applicable 1st January 2023 <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i>

Standard	Effective date and impact:
	<p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

ii. ***Early adoption of standards***

The Authority did not early – adopt any new or amended standards in year 2021/2022.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

Amortization of Capital Grants

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

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for the FY 2021/2022 was approved by the board on 26th January, 2021. 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
vii.	Intangible Assets	33.3

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) 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.

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

g) Financial instruments

a) 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 an Authority of financial assets is impaired. A financial asset or an 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)

b) 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.

i) 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.

j) 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.

k) 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 Ministry of Lands and Physical Planning, Office of the Deputy President, Lake Basin Development Authority, Coast Dev. Authority and Ewaso Nyiro North Dev. Authority. Land was valued at the prevailing market rates while the other 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
Land	27,440HA	Ministry of Lands and Physical Planning	Development of the Lamu port

l) 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.

m) Employee benefits

Retirement benefit plans

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

n) Foreign currency transactions

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

o) 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.

p) 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.

q) 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.

r) Subsequent Events

There have been events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30th, 2022.

The National treasury disbursed the subsequent Supplementary II of Kshs 50,000,000.00 for Recurrent expenditure and Kshs 60,000,000.00 for Development fund on 4/07/2022 and 8/07/2022 respectively impacted the financial statements.

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. State all judgements, estimates and assumptions made: Such as;

Estimates and assumptions

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

- a) The condition of the asset based on the assessment of experts employed by the Entity.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) 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 40.

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.

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

6. a). TRANSFER FROM OTHER GOVERNMENT ENTITIES

	2021/2022	2020/2021
	Kshs	Kshs
Grant-African Development Bank	21,702,564	10,691,553
Total	21,702,564	10,691,553

b). Transfers from Ministries, Departments and Agencies (MDAS)

	Amount recognized to statement of Financial Performance	Amount deferred under deferred income	Amount recognized in Capital Fund Kshs	Total Transfers 2021/2022 Kshs	Total Transfers 2021/2022
State Department of Northern Corridor Development: Non conditional Grants	452,300,000	-	-	452,300,000	307,000,000
State Department of Northern Corridor Development: Conditional Grants	1,135,600	28,790,397	10,074,003	40,000,000	-
State Department of Northern Corridor Development: Conditional Grants	-	60,000,000	-	60,000,000	-
Ministry of Lands		-	17,539,000,700	17,539,000,700	-
Total	453,435,600	88,790,397	17,549,074,703	18,091,300,700	307,000,000

Note: The Authority received Kshs. 100Million Conditional Grant of which only Kshs. 11,209,603 had been spent by the end of the FY of which Kshs. 1,135,600 was expensed as recurrent item hence recognized in the statement of performance and Kshs. 10,074,003 Capitalized while the remaining amount of Kshs. 88,790,397 transferred to deferred income.

c). Amortized Capital Grant

	2021/2022	2020/2021
Amortized Capital Grant	2,675,343	2,675,343
	2,675,343	2,675,343

d). Other Income

	2021/2022	2020/2021
Interest earned	71,673	483

7. USE OF GOODS AND SERVICES/OPERATING COSTS

	FY 2021/2022	FY 2020/2021
Telephone, Postage and Courier	1,436,182	2,083,737
Field Coordination Activities	10,875,839	11,068,524
Fund Mobilization Meetings	3,180,750	5,441,432
Monitoring and Evaluation Project Counties & Stakeholders Consultative meetings/Air Transport	2,108,988	-
Resilient Programme	1,135,600	-
Lamu Port operationalization	-	1,282,040
International Project Investor engagement meetings (Foreign travel)	34,433,643	-
Printing, advertising and information supplies & services	1,757,257	1,769,568
Rent expenses	29,033,207	32,410,288
Training expenses	3,209,999	1,408,326
Strategic planning costs	678,800	407,220
Project Coordination Assignments	3,737,080	-
Office and Project operation stationeries	435,459	-
Project Planning and preparation activities	5,725,070	5,280,346
Project Vehicles operation cost-Fuel	3,046,141	3,249,700
Cleaning Services	-	671,598
Insurance	1,368,183	27,691,107
Consultancy	27,235,977	15,342,438
General Office Expenses	4,286,932	8,538,947
Total Operating Cost	141,259,869	124,682,935

8. EMPLOYEE COST

	FY 2021/2022	FY 2020/2021
	Shs.	Shs.
Basic Salaries and wages	234,046,069	159,103,850
Employer contribution to health insurance schemes	20,708,981	-
Employer contribution to pension schemes	23,347,310	19,000,771
Housing benefits and allowances	-	39,491,677
Commuter Allowance	-	11,680,559
Hardship Allowance	-	-
Gratuity	4,701,851	652,835
Other employee related costs: Leave Allowance	28,000	3,573,888
NSSF- Employer Contribution	129,000	176,540
Other employee related costs –Hardship Allowance	-	1,865,035
Other employee related costs: NITA- Employer Contribution	35,550	48,150
Total	282,996,762	235,593,305

9. BOARD EXPENSES

	FY 2021/2022	FY 2020/2021
	Shs.	Shs.
Travelling and Accommodation	4,522,848	8,054,259
Induction and Training	1,052,586	473,578
Sitting Allowances	4,538,000	10,398,734
Board Insurance	741,136	496,050
Chairman's Honoraria	783,000	908,000
Total	11,637,570	20,330,621

10. DEPRECIATION AND AMORTIZATION

	2021/2022 Shs.	2020/2021 Shs.
Motor Vehicles	12,535,155	11,690,699
Computer and Accessories	4,962,908	3,318,647
Furniture and Fittings	1,307,641	1,098,178
Amortized ERP	2,331,120	2,174,390
Total depreciation and amortization	21,136,825	18,281,914

11. REPAIRS AND MAINTENANCE

	FY 2021/2022 Shs.	FY 2020/2021 Shs.
Vehicles	3,194,743	2,371,951
Total repairs and maintenance	3,194,743	2,371,951

12. GRANTS AND SUBSIDIES

	FY 2021/2022 Shs.	FY 2020/2021 Shs.
Presidential Youth Scholarship Programme	-	-
Social development and support	-	247,800
Total grants and subsidies	-	247,800

13. CASH AND CASH EQUIVALENTS

Description	FY 2021-2022 Kshs	FY 2020-2021 Kshs
Current Account	124,858,211	2,253,185
Others(Cash in Hand)	38,267	305
Others(Imprests/Advances (KCB))	1,972,464	2,155,949
Total Cash and Cash Equivalents	126,868,942	4,409,439

14. 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

		FY 2021/2022	FY 2020/2021
		Kshs	Kshs
Financial Institution	Account Number		
(a) Current Accounts			
Kenya Commercial Bank	1142485498	80,499,957	1,970,983
NCBA Bank	1001309354	4,331,032	11,749
CFC Stanbic-Bank	0100004036397	40,027,222	270,453
Co Operative Bank	0114121990000	-	-
Sub-Total		124,858,211	2,253,185
Cash In hand (KCB)		25,777	305
Cash In hand (NCBA)		12,490	-
(b) Imprests /Advances (KCB)			
		1,972,464	2,155,949
Sub-Total		2,010,731	2,156,254
Total		126,868,942	4,409,439

15. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2021/2022	2020/2021
	Kshs	Kshs
Motor vehicle insurance	383,209	419,991
Post Office	7,875	7,876
Salary Advance	136,666	422,333
Total current receivables	527,750	850,200

16. PROPERTY, PLANT AND EQUIPMENT

	Land		Motor vehicles		Furniture and fittings		Partitions		Computers		Total	
		Kshs		Kshs		Kshs		Kshs		Kshs		Kshs
Cost												
As At 1 July 2020		56,199,818		7,855,078		22,366,358		11,501,076		97,922,330		
Additions		26,640,621		1,115,610		-		4,030,405		31,786,636		
Disposals		-		-		-		-		-		
Transfers/Adjustments		-		-		-		-		-		
As At 30th June 2021		82,840,439		8,970,688		22,366,358		15,531,481		129,708,966		
Additions		-		8,063,673		-		5,905,384		13,969,056		
Disposals		-		-		-		-		-		
Transfer/Adjustments		17,539,000,700		-		-		-		17,539,000,700		
As At 30th June 2022		17,539,000,700		17,034,361		22,366,358		21,436,865		17,682,678,722		
Depreciation And Impairment												
At 1 July 2020		(36,791,201)		(1,371,583)		(22,366,358)		(5,168,742)		(65,697,884)		
Depreciation		(11,690,699)		(1,098,179)		-		(3,318,647)		(16,107,525)		
Impairment		-		-		-		-		-		
Transfers/ Adjustments		-		-		-		-		-		
As At 30 June 2021		(48,481,900)		(2,469,762)		(22,366,358)		(8,487,389)		(81,805,409)		
Depreciation		(12,535,156)		(1,307,641)		-		(4,962,908)		(18,805,704)		
Disposals		-		-		-		-		-		
Impairment		-		-		-		-		-		
Transfer/Adjustment		(61,017,056)		(3,777,403)		(22,366,358)		(13,450,297)		(100,611,113)		
As At 30th June 2022		34,358,539		6,500,927		-		7,044,092		47,903,558		
Net Book Values												
As At 30th June 2021		21,823,384		13,256,958		-		7,986,568		17,582,067,609		
As At 30th June 2022		17,539,000,700		13,256,958		-		7,986,568		17,582,067,609		

17. INTANGIBLE ASSET – ERP SOFTWARE

Description	2021-2022	2020-2021
	Kshs	Kshs
Cost		
At beginning of the year	6,994,061	3,497,029
Additions	-	3,497,032
At end of the year	6,994,061	6,994,061
Additions–internal development	-	-
At end of the year	6,994,061	6,994,061
Amortization and impairment		
At beginning of the year	(2,174,390)	-
Amortization	(2,331,121)	(2,174,390)
At end of the year	(4,505,510)	4,819,671
Impairment loss	-	-
At end of the year	(4,505,510)	4,819,671
NBV	2,488,551	4,819,671

18. TRADE AND OTHER PAYABLES

	FY 2021/2022 KShs	FY 2020/2021 KShs
Provision for Audit Fees	600,000	400,000
PAYE		14,000,314
Other Salary deductions	3,792,430	1,857,463
NITA-Employer Contribution	-	12,450
Board Costs	-	660,000
Presidential Youth Scholarship	5,016,240	5,016,240
Rent	9,643,066	8,931,203
Other Merchants	16,111,010	7,617,310
Medical Insurance	-	14,339,856
Repair and Maintenance	166,576	708,470
Assets	3,895,053	-
Total trade and other payables	39,224,374	53,543,306

19. EMPLOYEE BENEFIT OBLIGATIONS

Description	FY 2021-2022 KShs	FY 2020-2021 KShs
Pension Contribution	22,859,531	7,388,183
NSSF Contribution	-	31,600
Total employee benefits obligation	22,859,531	7,419,783

20. CASH GENERATED FROM OPERATIONS

	FY 2021/2022	FY 2020/2021
Surplus for the Period	17,659,411	(81,141,148)
Adjusted for:		
Depreciation	21,136,825	18,281,914
Amortized capital grant	(2,675,343)	(2,675,343)
Working Capital changes		
Increase in Prepayments	322,450	11,756,736
Increase in provisions and payables	(2,774,237)	50,381,959
Increase in gratuity	-	(10,505,931)
Net cash flow from operating activities	33,669,106	(13,901,813)

21. 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 2022				
Receivable from exchange transactions	N/A	N/A	N/A	N/A
Receivable from non- exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2021				
Receivable from exchange transactions	N/A	N/A	N/A	N/A
Receivable from non- exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

(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, 2022				
Provisions (Scholarship)	-	-	5,016,240	5,016,240
Employee benefit obligation (Gratuity)	-		22,859,531	22,859,531
Other accrued expenses	-	-	34,208,134	34,208,134
Total	-	-	-	62,083,904
At 30th, June, 2021				
Provisions (Scholarship)	-	-	5,016,240	5,016,240
Employee benefit obligation (Gratuity)	-	7,419,783	-	7,419,783
Other accrued expenses	-	-	48,527,066	48,527,066
Total	-	-	-	60,963,089

(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.

	FY 2021/2022	FY 2020/2021
	Kshs	Kshs
Cash in Hand	38,267	305
Cash at Bank	124,858,210	2,253,185
Salary Advance	136,666	422,333
Imprests	1,835,798	1,733,616
Total	126,868,941	4,409,439

(e) 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.

22. RELATED PARTY BALANCES

LAPSSET Corridor Development Authority and other parties relates to the LAPSSET Corridor Development Authority 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 LAPSSET Corridor Development Authority, 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	FY 2021/2022 Kshs	FY 2020/2021 Kshs
a) Grant from the Government		
Grant from National Government	552,300,000	307,000,000
Development partner (Grant) - African Development Bank	21,702,564	10,691,553
Total	574,002,564	317,691,553
b) Key management compensation		
Directors' emoluments	9,886,573	9,886,573
Compensation to the CEO	5,550,000	5,550,000
Compensation to key management	28,276,000	28,276,000
Total	43,712,573	43,712,573

23. CONTINGENT LIABILITIES

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

24. EVENTS AFTER THE REPORTING PERIOD

There have been events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30th, 2022.

The National treasury disbursed the subsequent Supplementary II of Kshs 50,000,000.00 for Recurrent expenditure and Kshs 60,000,000.00 for Development fund on 4/07/2022 and 8/07/2022 respectively impacted the financial statements.

**25. ULTIMATE HOLDING LAPSSET CORRIDOR DEVELOPMENT
AUTHORITY**

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

26. CURRENCY

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

APPENDIX I. IMPLEMENTATION STATUS OF AUDITOR GENERAL'S 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	Issues/Observations from Auditors	Management Comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Inaccuracy in cash and cash equivalents	The stalled cheques were reversed in the cashbook	Resolved	December 2022
2	Undisclosed material uncertainty relating to sustainability of services	The Authority successfully mobilized for additional funds in order to meet its obligations and in the financial year under review we have a surplus and also a positive working capital. The Authority is solvent and stable going concern	Resolved	November 2021
3	Budget control and performance	No funds were allocated under grants and subsidies in the FY 2022.23	Resolved	November 2021
4	Failure to withhold tax on behalf of a consultant	The contract was regularized	Resolved	June 2022
5	Irregular recruitment of members of staff		Resolved	June 2022
6	Irregular board expenses	The Board of Directors held two	Resolved	June 2022

		separate meetings with different agenda/invitation		
7	Non-Valuation of land	The land valuation was done on 18th October 2021	Resolved	October, 2021
8	Land ownership and unregistered leases	The spelling mistake was rectified from 'LAPSET' to "LAPSSET" So far, the Authority has registered leases for Chester House and Turkana Offices. Lease registration for Garissa and Isiolo offices are in the final stages.	Resolved	October 2021
9	Unsupported Board Expense	The expenditure is fully supported	Resolved	February 2021

Accounting Officer


S. Ikua
Director General/C.E. O

Date.....15/2/23

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 Operationalisation of the first berth of Lamu Port, Transaction Advisory (TA) for the Port and Special Economic Zone which is ongoing and Land Acquisition for the Project Components.

APPENDIX III: TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent Development Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - statement of cash flow	
African Development Bank (AfDB)	Direct payments	Donor Fund	21,702,564		21,702,564				21,702,564
Ministry of Lands and Physical Planning	Capital Grant	Development	17,539,000,700	-	17,539,000,700				17,539,000,700
Total			17,560,703,264	21,702,564	17,539,000,700			-	17,560,703,264

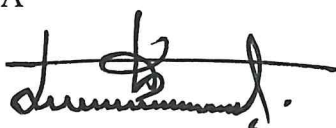
APPENDIX IV: INTER-ENTITY CONFIRMATION LETTER

	ENTITY NAME:	LAPSET CORRIDOR DEVELOPMENT AUTHORITY		
	Break down of Transfers from the State Department for Regional and Northern Corridor Development FY 2021/2022			
a.	Recurrent Grants			
		Bank Statement Date	Amount (KShs)	Financial Year
		9 th August 2021	94,075,000	2021/2022
		29 th October 2021	31,358,400	2021/2022
		29 th October 2021	31,358,400	2021/2022
		29 th October 2021	31,358,200	2021/2022
		3 rd February 2022	31,358,333	2021/2022
		3 rd February 2022	31,358,334	2021/2022
		3 rd February 2022	31,358,333	2021/2022
		28 th April 2022	40,025,000	2021/2022
		4 th May 2022	40,025,000	2021/2022
		4 th May 2022	40,025,000	2021/2022
		4 th July 2022	50,000,000	2021/2022
b.	Development Grants	12 th May 2022	13,333,333	2021/2022
		12 th May 2022	13,333,333	2021/2022
		12 th May 2022	13,333,334	2021/2022
		6 th July 2022	60,000,000	2021/2022
	Grand Total		552,300,000	

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

Head of Accounting Unit

LCDA



Sign -----

Head of Accounting Unit

State Department for Regional &
Northern Corridor Development

Sign-----





 Chester House, 2nd Floor
Koinange Street

 P.O.BOX 45008-00100,
Nairobi ,Kenya

 +254 (20) 222 2084

 Info@lapsset.co.ke

 www.lapsset.go.ke

