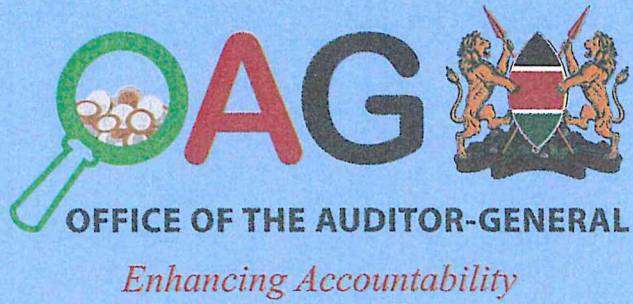


REPUBLIC OF KENYA



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**LAPSSET CORRIDOR DEVELOPMENT  
AUTHORITY**

**FOR THE YEAR ENDED  
30 JUNE, 2023**







LAPSET CORRIDOR  
DEVELOPMENT AUTHORITY



# 2022-2023

## ANNUAL REPORT AND FINANCIAL STATEMENTS

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 LAPSSET CORRIDOR DEVELOPMENT AUTHORITY INFORMATION AND MANAGEMENT**

### **(a) Background Information**

The LAPSSET Corridor Development Authority (LCDA) is a State Corporation established pursuant to a Presidential Order, LAPSSET Corridor Development Authority Order, 2013 as per the Kenya Gazette Supplement No. 51, Legal Notice No. 58 of March 2013. The Authority is domiciled in the Ministry of 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 LAPSSET 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 LAPSSET Corridor Program components as defined in the vision 2030, Kenya's long-term Development Plan include: -

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

### **(b) Principal Activities**

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

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

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

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



## **Who are we**

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

## **Our Vision**

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

## **Our mission**

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

## **Core values**

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



*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 30<sup>th</sup> June 2023 and who had direct fiduciary responsibility were:

#	Name	Designation
1.	Stephen Ikua	Director-General/CEO
2.	Benard Oluoch	Accounts & Finance Manager
3.	Consolata Mwai	Human Resource Manger
4.	Benjamin Mutea	Supply Chain Manager
5.	Benson Thuita	Principal Corporate Affairs Officer
6.	James Muigai	Internal Audit Manager
7.	Daniel Mumira	Manager, Security Services

**(e) Fiduciary Oversight Arrangements**

The following fiduciary arrangements were in place during the 2022/2023 Financial Year.

COMMITTEE	MEMBERSHIP	RESPONSIBILITIES
Finance & Administration Committee	<ul style="list-style-type: none"> <li>• Hon Anwar Loitiptip – Chairperson</li> <li>• Hon. Hashim Mohamed - Member</li> <li>• Hon Nasra Ibrahim - Member</li> <li>• Abdikahiya Maalim - Member</li> <li>• Principal Secretary / Alternate - The National Treasury</li> <li>• Principal Secretary / Alternate - State Department for Regional and Northern Corridor Development</li> <li>• Dr. Dancun Hunda, alternate to PS Ministry of Transport</li> <li>• Eng. John M. Muiruri.PS State Department of Water</li> <li>• DG Vision 2030</li> <li>• Inspectorate, State Corporation</li> <li>• Stephen Ikua – Secretary</li> </ul>	<ul style="list-style-type: none"> <li>• Oversee the preparation of the LCDAs budget.</li> <li>• Review the LCDA’s annual budget before submission and after approval by the National Treasury;</li> <li>• Review quarterly Financial Monitoring Reports (FMR);</li> <li>• Review periodic operational budgets and financial statements;</li> <li>• Monitor the continuing efficacy of accounting and internal control;</li> <li>• Comply with the Government financial management regulations;</li> <li>• Monitor the performance of key finance and accounts staff against approved performance contracts;</li> <li>• Oversee the annual procurement plans including the externally funded projects;</li> <li>• Recruit and develop of staff of LCDA;</li> <li>• Monitor and appraise the performance of senior management, review human resource policies, determining the remuneration of senior management, and other staff.</li> </ul>
Audit Committee	<ul style="list-style-type: none"> <li>• Hon. Nasra Ibrahim - Chairperson</li> <li>• Arch Shadrack Tulon - Member</li> <li>• Jeremiah Apalia - Member</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor the implementation of the risk management policy framework;</li> <li>• Monitor and ensure timely implementation of recommendations of various fiduciary oversight responsibilities, including internal and external auditors, Government project monitoring agencies, and externally</li> </ul>



COMMITTEE	MEMBERSHIP	RESPONSIBILITIES
	<ul style="list-style-type: none"> <li>• Principal Secretary / Alternate -The National Treasury</li> <li>• Principal Secretary / Alternate -State Department of Energy</li> <li>• Dr. Dancun Hunda, alternate to PS Ministry of Transport</li> <li>• Principal Secretary / Alternate -State Department of Lands</li> <li>• DG Vision 2030</li> <li>• Inspectorate, State Corporation</li> <li>• Mr. James Muigai, Manager Internal Auditor– Secretary</li> </ul>	<ul style="list-style-type: none"> <li>• funded projects’ periodic review and supervision missions;</li> <li>• Oversee continuing efficacy of accounting and internal control standards, policies, and practices;</li> <li>• Ensure compliance with legal covenants of Development Partners funding agreement on projects by them; and</li> <li>• Monitor the performance of key internal audit staff against approved performance contracts.</li> </ul>

**(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@LAPSSET.go.ke](mailto:dg@LAPSSET.go.ke)  
Website: [www.LAPSSET.go.ke](http://www.LAPSSET.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



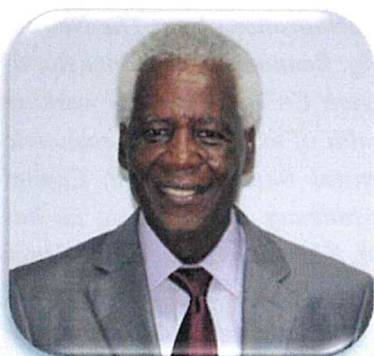
### **Hon. Ali Menza Mbogo**

*Hon. Ali Menza Mbogo is the Chairman, Board of Directors of LCDA. He was formerly Member of Parliament; National Assembly representing Kisauni Constituency and served as a Member of Lands Committee in 12th Parliament.*

*He served in the position of General Manager of African Gas and Oil Limited (AGOL). He also served as the Managing Director of One Petroleum Limited. Hon Ali Menza was also a Manager in Hydrocarbons and Economics at Kenya Petroleum Refineries Limited. He was a Director of Supply, Pricing and Operations at Pentoil Petroleum Limited as well as the Manager of Supply, Planning and Operations at Mafuta Products Limited.*

*Hon served at the position of Operations Manager at Somken Petroleum Company Limited and served as the Manager of Supply and Logistics, Engen (K) Limited.*

*A politician, public policy aficionado and an accomplished professional with over twenty-five years of diversified*



### **Titus Ibui, EGH**

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



### **Mr. Mohamed Daghar**

*Mr. Mohamed Daghar is the Principal Secretary, State Department for Transport in the Ministry of Roads and Transport. He was appointed on 2nd November 2022. Mr. Mohamed is a holder of BA International Relations from United States International University, Kenya, Masters in Peace, Conflict and Development studies from Universitat Jaume I, Spain. As the Principal Secretary in charge of Transport, he is a member of the Executive Committee of the Northern Corridor Transit and Transport Coordination Authority (NCTTCA). He has wealth of experience in safety and security matters.*



### **Dr. Chris Kiptoo, PhD, CBS**

*Dr. Chris Kiptoo is the Principal Secretary, National Treasury. He was appointed Principal Secretary on 1<sup>st</sup> December 2022. Dr. Kiptoo is the immediate former Principal Secretary, Ministry of Environment and Forestry. Before that, he also served as a Principal Secretary at the State Department of Trade, Ministry of Industry, Trade & Cooperatives. Dr. Chris Kiptoo holds a Doctor of Philosophy Degree (PhD) in Finance (International Macroeconomics Finance specialization) from The Nairobi University, as well as a Master of Science (Ag. Economics) and Bachelor of Science (Ag. Economics) degree from Egerton University. In his working career, Dr. Kiptoo has acquired a rich wealth of experience in economic policy analysis, mainly gained at the Central Bank of Kenya, Capital Market Authority and the International Monetary Fund, where he has served in various capacities. Additionally, Dr. Kiptoo has proven experience in environment and climate change policies, trade policy and regional integration, private sector development and advocacy, infrastructure development, institutional development of Government institutions and organisational management, all mainly gained at the Ministry of Environment and Forestry, State Department of Trade as well as Trade Mark East Africa. Noteworthy, he also has four years of experience in economic policy coordination gained while working at the then Office of the Prime Minister. He is an Accredited Fellow in Macroeconomic Management Macroeconomic & Financial Management Institute of Eastern & Southern Africa (MEFMI).*





**Arch. Shadrack Tulon**

*Arch. Shadrack Tulon is the chairman of Lands Committee, He is also a principal of Tego Arch systems. He is a registered architect with the Board of Registration of Architect and Quantity Surveyors (BORAQS) as a member of the Architectural Association of Kenya. Arch. Shadrack holds a Bachelor of Architecture (Hons) from Jomo Kenyatta University of Agriculture and Technology. In 2014-2016 was a chairman of Uasin Gishu county management Board NLC (National land commission)*



**Jeremiah Apalia Lomari**

*Jeremiah Apalia Lomari is the Chairman of Audit Committee. He was the Chief officer in the office of the Governor where he was in charge of developing county profiles and coordinating county development programmes/activities.*

*He previously worked as an Economic Advisor to the Governor and District development officer.*

*He holds a masters of arts in economics at university of Nairobi as well as bachelor of arts Economics and statistics from Egerton university. His objective is to be a distinguished economist in policy formulation, budgeting and planning various aspects of the economy*



### **Mr. Alex K. Wachira**

*Mr. Alex K. Wachira is the Principal Secretary of State Department for Energy. He joined the State Department for Energy with a wealth of experience from the private sector where he worked variously as an investment banker. His latest assignment was with Faida Investment Bank where he traded and structured Treasury bonds and Corporate bonds at the Nairobi Stock Exchange (NSE). Other assignments include working with Dyer & Blair Investment Bank and Genghis Capital limited in the same capacity. He was a founding member of the Bonds Market Association as well as a member of the Steering Committee of the Kenya Association of Stock Brokers and Investment Bankers (KASIB). His contribution to the Bond's market saw him being appointed to the Central Depository Project at the Central Bank of Kenya (CBK). In 2021, the project dealt in government securities worth 900 billion, the highest turnover ever in Kenya. He launched his career in the financial sector after participating in the issuance of the Safaricom IPO in 2008 where he interned. He had prior completed a Bsc Degree course from the University of Nairobi. At Campus, he served as the Secretary General NUNSA and Treasurer for the Confederation of Medical Students Association. He is currently pursuing an MA in Leadership at Pan African Christian University. A strong believer in servant leadership through community engagement and development, in that position, the PS was able to spearhead initiatives such, as free medical camps for Cancer Screening, Tree planting, Youth Mentorship Programmes, and Sports Tournaments among others.*



### **Mr. John Ololtuaa**

*Mr. John Ololtuaa is the Principal Secretary of State Department for Tourism in the ministry of Tourism, Wild Life, Culture and Heritage. He is in charge of Tourism Promotion, policy formulation, and Development of the Tourism industry in Kenya. He is a transformative leader who believes in the ideals of strategic management and high standards of professionalism, transparency, integrity, and accountability. He holds Bachelor of Education (Arts) Degree and a Masters Degree in Education Administration both from Kenyatta University.*





**Hon. Anwar Loitiptip**

*Hon. Anwar Loitiptip is the Chairman Committee on Finance Administration and Human Resource Management. He was a Senator for Lamu County. He is also a senior consultant at Maritime and Blue Economy. He holds Bachelor's Degree in international tourism and hotel management, at Kampala International university in he as well practiced practical science at University of Nairobi.*



**ABDIKAHIYA NOOR MAALIM**

*Mr Abdikahiya Noor is a member of the Committee on Finance Administration and Human Resource Management appointed on 10<sup>th</sup> March 2023.*

*He is a Managing Director of Salan Company Limited, before he was a manager Uptown Food Limited.*



**Hon. Nasra Ibrahim Ibren**

*Nasra Ibrahim Ibren, is the Chairperson of planning and Strategy Committee, she holds a global executive masters in business administration from the United States international university- Africa and a masters from Khartoum International institute of Arabic language. Ms Ibren served as a none executive director at Kenya Reinsurance corporation and Ewasongiro north development authority between 2013-2017 and prior to that she held various management position in the education sector. She is Known for mentoring, guiding and counselling young girls in her community She has successfully supported empowerment projects, linking women and youth groups to development funds from the government and encouraging them to set up sustainable businesses.*



**Stephen Ikua**

***DIRECTOR GENERAL/CEO***

*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.*

*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.*

*He is a seasoned Public servant who holds an MBA- alongside other courses attained locally and internationally.*



### 3. MANAGEMENT TEAM



**Stephen Ikua**

**DIRECTOR GENERAL/CEO**

Holds Masters Degree in Business Administration

Has Over 31 years in the Public Service.



**Eng. Jacob Mwakio PE, MIEK MEng.**

**Director, Utility Infrastructure**

Holds MSC – Civil Engineering

Has over 11 years of experience



**Norman N. Muraya**

**Director, Trade Tourism & Urban Development**

Holds Masters Arts Degree in Economics

Has Over 17 years in the service



**Benjamin Mutea**

**Supply Chain Manager**

Holds BA (Economics) and CIPS (UK)

Has Over 17 Years of Experience





**James Muigai**

**Internal Audit Manager**

Holds MBA- Finance and CPA (K)

Has Over 16 years of experience



**Bernard Oluoch**

**Manager, Finance and Accounts**

Holds MSC- Finance & Investment and CPA (K)

Has Over 16 years of experience



**Benson Thuita**

**Principal Corporate Affairs Officer**

Holds BA (Communications)

Has Over 10 years of Experience



#### 4. CHAIRMAN'S STATEMENT



**“The LAPSSET Corridor offers a great opportunity to Kenya and the horn of Africa that can be realized through value addition and integrated approach in Transport and infrastructure, the Blue Economy and the Livestock Sectors. Indeed, these sectors play a fundamental role in actualizing the blue print envisioned in Agenda 2063, the Africa we want”.**

#### INTRODUCTION

I am pleased to present the Annual Report and Financial Statements for the year ending on 30th June 2023, issued by the LAPSSET Corridor Development Authority. As an Authority, we are fully aware of the significant responsibility entrusted to us on both National and Regional levels, and we remain resolute in fulfilling these obligations with dedication.

The LAPSSET Corridor Program exemplifies our nation's shared aspiration for inclusive growth. It represents a transformative approach to development that disperses from traditionally perceived resource-rich regions and aims to encompass previously underdeveloped and economically deprived areas through enhanced infrastructure connectivity. This Program firmly upholds and solidifies the vital role of infrastructure in driving economic transformation and growth, which has been substantiated as a sound strategy for the realization of the Bottom-Up Economic Transformation Agenda (BETA). Its foundations are deeply rooted in Kenya's long-term Development Plan, Vision 2030, and it undoubtedly stands as the most ambitious and far-reaching endeavour in pursuit of a middle-income Kenya.



*The Road to Turkana through Lodwar*

The Program comprises an array of infrastructure elements, including highways, railroads, and oil pipelines that span across Ethiopia, Kenya, and South Sudan which are anchored on the Port of Lamu. Moreover, it envisions the development of essential investments projects such as International Airports, Resort Cities, Special Economic Zones, and High Grand Falls Multi-



Purpose Dam on the spatial economic enclave of the infrastructure corridor. The transport and transit components traverse vast areas in Northern and North Eastern Kenya and hold strategic position as enabler to the Bottom-Up Economic Model of the Government of Kenya. They bestow the country with a second strategic seaport and corridor, solidifying Kenya's position as the gateway to the region. This momentous responsibility, bestowed upon us by destiny as a nation, calls for our unwavering commitment to foster regional growth and integration. The LAPSSET Corridor Program stands at the forefront of realizing this vision.

### LAPSSET CORRIDOR PROGRAM PROGRESS

In the Financial Year under review, the Authority focused on core activities that further advanced the realization of the LAPSSET Corridor. Firstly, an extensive Inspection, Survey, and Valuation was undertaken along the 821Km corridor between Lokichar Oil Fields and Port of Lamu which is a key process of land acquisition for Crude Oil Pipeline and other transport infrastructure components. Secondly, public inquiries were undertaken for Project Affected Persons (PAPs) in the Garissa, Isiolo, and Turkana Counties during the period under review.



Significant progress has been achieved in the delivery of various projects under the implementation by respective agencies. Notably, the completion of construction works of the 1st three berths, cargo yards, port workshop, and other associated facilities mark substantial milestones.



Moreover, three 100-ton Harbor Mobile Cranes (HMC) were acquired and installed, and construction works of a Water Desalination Plant was commenced.



The LAPSSET Corridor highways have seen notable advancements, with Lokichar – Lodwar – Nadapal (327Km) Road at 98% completion rate, and stage upgrading of both Lamu – Ijara – Garissa (250Km) and Garissa – Isiolo (280Km) sections which are critical for the off-take of the Port of Lamu. These accomplishments have generated momentum, providing a robust framework for launching other projects.

### **PRIORITY ACTIVITIES**

Based on the progress achieved thus far, we have placed a high priority on specific activities for the Financial Year 2023/2024. Foremost among these is ensuring that stage upgrading of Lamu – Ijara – Garissa Road and Garissa – Isiolo is progressed and establish strategies for improving operations at the Port of Lamu.

Additionally, the Authority will continue with the Transaction Advisory Services for the Port of Lamu by undertaking Comparative and Demand Analysis Study, developing a Marketing Strategy, a Sequencing Plan for the LAPSSET Corridor and Utility Requirements for the Port of Lamu, and a Communication Strategy to ensure improved advocacy and visibility of the LAPSSET Corridor both at the national and regional level.

In addition, the Authority will prepare a Physical and Land Use Development Plan, undertake a Strategic Environment Assessment (SEA), and Inspection, Survey and Valuation of the land earmarked for the development of the Lamu Special Economic Zone.

In the Financial Year 2023/2024, the Authority also plans to undertake pre-feasibility study of Isiolo Special Economic Zone, and complete the public inquiries for remaining sections of the LAPSSET Corridor in Lamu and Samburu Counties. These necessary overarching activities will serve as models, replicated across the corridor to ensure we are well-prepared for future development needs and requirements.

### **PUBLIC PARTICIPATION**

During the period under review, the Board continued its active engagement with various stakeholders to ensure the sequential and participatory implementation of the projects. Considering the extensive scope, complexity, and multiple players involved, our role in delivering the LAPSSET Corridor Program remains highly significant. We eagerly anticipate deeper involvement with stakeholders to address all crucial Program concerns collaboratively and find resolutions for any potential challenges that could hinder progress. Emphasizing the importance of consensus building, we will focus on crucial matters like land acquisition, community participation, and awareness creation in the execution of the projects, expediting our efforts to ensure successful realization of the Program's goals.

### **CORPORATE SOCIAL RESPONSIBILITY**

As a nation, we insistently foster the progressive belief in enhancing the potential of our citizens, with a strong focus on engaging local communities in program execution. The Authority completed the development of three water pans under the Resilience Building

Program which is an initiative towards navigating the challenges of climate change and providing water for local communities of the Arid and Semi – Arid Lands traversed by the LAPSSET Corridor. Equally, elaborate steps towards the revival of the LAPSSET Presidential Scholarship Programme were put in place following the President’s decree made on 26th February, 2023 during a monitoring tour of the Port of Lamu. The Scholarship Programme is an ingenuity of re-tooling and equipping the youth of land with technical skills, competencies, and attitudes which enable them to secure businesses and other arising opportunities with implementation of the LAPSSET Corridor Program

#### **CHANGES TO THE BOARD**

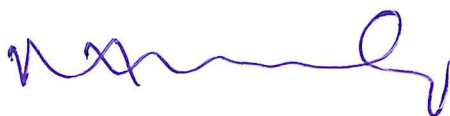
There were a number of changes to the membership of the Board during the Year under review. Mr. Titus Ibui and Hon. Fumo Hassim Mohammed left the Board having served their terms. We are delighted that they played a crucial role in engaging our stakeholders, and their valuable insights continue to shape interactions with stakeholders. We sincerely wish them success as a token of our appreciation for their dedicated service. In order to ensure strategic decision are made and the Authority is fully functional Mr. Jeremiah Apalia Lomari, Hon. Nasra Ibrahim Ibren, Arch. Shadrack Tulon, Hon, Anwar Loitiptip, Abdikahiya Noor Maalim and I were appointed to the Board on 10th March, 2023.

#### **APPRECIATION**

As the Board of Directors, we deeply appreciate the unwavering dedication of the LCDA Management and staff for their invaluable contributions to the next phase of our country's development. I therefore, extend my heartfelt thanks to all of them. The achievements we witness today are the result of collaborative efforts with various Ministries, Departments, Agencies and County Governments. Their commitment and dedication to this national aspiration are sincerely appreciated. Together, we have gained momentum and will exceed our limits. I also extend our gratitude to the numerous stakeholders who have partnered with us and taken part in this shared responsibility. Your participation in these accomplishments fills us with pride, and we invite you to consider them as your own. To my esteemed fellow Board Members, your effective leadership, unwavering support to management, and commitment to a genuine cause aimed at transforming our great country are commendable. I am truly grateful for your steadfast support and eagerly look forward to a more promising Financial Year 2023/2024.

Once again, on behalf of the Board of Directors, it brings me immense joy to present the Authority's Annual Report for the Financial Year 2022/2023.

May God bless you all.



**Hon. Ali Menza Mbogo**

**CHAIRMAN, LCDA BOARD OF DIRECTORS**



## 5. REPORT OF THE CHIEF EXECUTIVE OFFICER



**Mr. S. Ikua**  
**DIRECTOR GENERAL/CEO**

*“As an Authority, we acknowledge that the LAPSSSET project is opening up almost 70% of the country, hence significantly contributing to the implementation of the Government Bottom-Up Economic Transformational Agenda (BETA). The Authority continue to work closely with all stakeholders to ensure timely delivery of projects. We commit to ensure that the projects are implemented in an integrated and synergized manner that will be effective and efficient.”*

### INTRODUCTION

Lamu Port South Sudan Ethiopia Transport (LAPSSSET) Corridor Program stands as a pivotal catalyst in the pursuit of the Kenya Vision 2030 and the Bottom-Up Economic Transformation Agenda (BETA). In aligning with this imperative, the Authority has prepared its Annual Report and Financial Statements for the Financial Year 2022/2023. This report encapsulates a concise overview of various initiatives actualized by the Authority, each contributing to the realization of a transformative and integrated LAPSSSET Corridor.

### LAPSSSET CORRIDOR PROGRAM PROGRESS

Throughout the year, the Authority remained steadfast in fulfilling its designated mandate, in accordance with the vision outlined in its 2018/2019 – 2022/2023 Strategic Plan. As part of its commitment to bolster accessibility and capacity within the LAPSSSET Corridor, the Authority played a fundamental role in orchestrating the construction endeavours of ongoing projects.

#### **i. Port of Lamu**

During the financial year under review, the construction of auxiliary facilities for 1<sup>st</sup> three berths, including the port workshop, port gates, and tower were successfully finalized. The completion and operational readiness of these 1<sup>st</sup> three berths prompted the acquisition and installation of three 100-ton Harbor Mobile Cranes. Concurrently, groundwork commenced for the development of a Water Desalination Plant within the same year.



*H.E. the President Dr. William Samoei Ruto during an inspection tour at the Port of Lamu.*

Successful completion of the 1<sup>st</sup> three berths serves as a tangible demonstration of the unwavering dedication of the Government of Kenya to realize the objectives of the LAPSSET Corridor Program. This achievement stands as a potent incentive for private sector uptake of the remaining berths, facilitated through Public-Private Partnership (PPP) framework.

Furthermore, the Authority undertook the procurement of consultancy services, encompassing a Comparative and Demand Analysis Study, formulation of a Marketing Strategy, delineation of a precise Sequencing Plan, and identification of Utility Requirements for the Port of Lamu. Moreover, the development of a robust Communication Strategy was initiated under the Transaction Advisory Services.



*Herd of camels at the Port of Lamu awaiting shipping to the oversea markets.*

## **ii. LAPSSET Highways**

The LAPSSET highways have undergone significant development, with the Isiolo – Merille - Moyale (505Km) Road, Lamu Port Link Road, Lamu – Witu – Garsen Road, and Lamu – Witu – Mingila – Malindi Road 100% complete. In the period under review, the Authority continued to oversee, coordinate, and monitor and evaluate the construction of ongoing projects, including the Lokichar – Loingamatak Road, Kalobeyei – Nadapal Road, and stage upgrading of Lamu – Ijara – Garissa Road and Garissa – Isiolo Road. Robust resource mobilization efforts towards the



construction works of Isiolo – Maralal – Lokori – Lokichar (368Km) Road commenced in the year under review.

The completion of these road segments will establish a seamless and vital link, facilitating unimpeded connectivity from the Port of Lamu to the hinterland counties and countries of Ethiopia and South Sudan with a strategic aim of enhancing market accessibility, fostering trade, and optimizing logistics.

### **iii. Crude Oil Pipeline**

Preparatory activities for the Crude Oil Pipeline, such as feasibility studies, Front End Engineering Designs (FEED), and Environmental and Social Impact Assessment (ESIA), have been successfully finalized. During the period under review, the Authority actively engaged in land acquisition process, with the Inspection, Survey, and Valuation exercise nearing completion for the 821Km Corridor spanning from the Lokichar Oil Field to the Port of Lamu. Plans for inquiries into the remaining sections within Lamu and Samburu Counties have been scheduled for the Financial Year 2023/2024.

### **iv. Lamu Special Economic Zone**

Lamu Special Economic Zone (SEZ) is a momentous component in the promotion of competitiveness and use of the LAPSSET Corridor for goods and people as it embodies a comprehensive and systematic approach to economic transformation. In the period under review, the Authority together with relevant stakeholders undertook site identification and mapping of a 5,000-acre area for the Lamu Special Economic Zone. This exercise underscored a comprehensive foresight and strategic thinking which underpins the project's inception. A Draft Land Use Plan and Part Development Plan which underlines the Authority's dedication to not only economic growth but also thoughtful urban development was completed within the year.

Additionally, the Authority prepared the Lamu Special Economic Zone land acquisition plans and submitted to the National Land Commission (NLC) to initiate publication of intention to compulsorily acquire the land parcel. This signals an initiation of a transparent legal process which serves as a foundation for future progress and a participatory approach of all stakeholders.

### **v. LAPSSET Resilience Building Program**

The LAPSSET Resilience Building Programme emerges as a strategic response to the unique challenges posed by the Arid and Semi-Arid Lands (ASALs) that the LAPSSET Corridor traverses. A focal point of this Program is the establishment of strategically positioned water pans, which serve as a cornerstone of resilience in these environmentally demanding regions. During the period under review, the Authority completed the construction of three (3) water pans. First, Burka Water Pan has an impressive capacity of 70 million litres and remarkable ability to serve 40,000 people and livestock over a span of six (6) months. Second, Kubihalo Water Pan with a capacity of 80 million litres to offer sustenance to 5,000 people and livestock for equivalent timeframe. Third, Jiko Wachudima Water Pan with a substantial capacity of 100,000 cubic meters.

The development of these water pans not only exemplify the Authority's commitment to ensuring access to a vital resource but also signify a profound step toward enhancing community resilience and self-sufficiency. By securing water availability for extended periods, the LAPSSET Resilience



Building Programme not only safeguards livelihoods but also catalyses economic growth and transforms these challenging landscapes into thriving and sustainable communities with a strategic objective of ensuring acceptance and ownership of the LAPSSET Corridor Program.

#### **vi. Stakeholder Consultations and Community Engagements**

Engaging in a dynamic process of stakeholder consultation lies at the heart of the Authority for support and ownership of the LAPSSET Corridor Program. The Authority fosters partnerships and open dialogue with its stakeholders such as National Government Administrative Officers (NGAO), Implementing MDAs, County Governments, Elected Leaders and Project Affected Persons (PAPs) through a series of public forums and workshops. During the period under review the Authority undertook stakeholder and community consultations on a number of thematic areas such land acquisition, and mitigation measures put in place to ensure an environmentally sustainable LAPSSET Corridor among other issues in Garissa, Isiolo and Turkana Counties.



*LAPSSET DG; the CEO of Mwani Qatar Port, Abdulla Mohamed Al Khanji, his delegation at the Port of Lamu*

The stakeholder consultations serve as a vital platform to not only to disseminate information but also to cultivate a deeper understanding of the LAPSSET Corridor Program's scope and impact. This interactive exchange aims to raise awareness and sensitization within local communities, enlightening them about the Program's far-reaching benefits. By actively involving stakeholders, the program ensures that the aspirations of both the locals and the broader nation are aligned, fostering a shared sense of ownership and investment. This collaborative approach transcends information-sharing, nurturing a sense of unity and empowerment as communities grasp the substantial contributions that the LAPSSET Corridor Program brings to them and Kenya as a whole.

#### **vii. Regional Coordination Framework**

The establishment of a Regional Coordination Framework emerges as a foundation for a seamless and integrated LAPSSET Corridor and serves as a collaborative mechanism to manage and



coordinate the cross-border components among the partner states of Ethiopia, Kenya, and South Sudan. So far three (3) Regional Ministerial Meetings has been convened which is a demonstration of commitment towards fostering collaboration in the implementation of the LAPSSET Corridor Program. The foundational groundwork has been laid, with the signing of Terms of Reference for the Steering Committee and the subsequent adoption of an Implementation Roadmap, signifying a shared vision for coordinated progress. This commitment to unity and coordination extends further with the establishment of the LAPSSET Business Council and LAPSSET Media Council, transcending borders to align shared objectives.



*The Cabinet Secretary for Transport, Hon. Kipchumba Murkomen and the LCDA Board Chairman, Hon. Ali Mbogo following proceedings during the third LAPSSET Inter-Ministerial meeting in Juba, South Sudan.*

In line with this collective momentum, the Authority actively participated in the third LAPSSET Regional Ministerial meeting in Juba, South Sudan, during the reviewed period. The third Regional Ministerial meeting committed to strategically integrate key LAPSSET Corridor projects into respective Development Plans for prioritization and budget consideration. Looking ahead, the proactive leadership of Kenya is poised to convene and host the 4<sup>th</sup> Regional Ministerial meeting in 2024. In essence, the Regional Coordination Framework resonates as a demonstration to the power of collective vision, bridging nations and driving the LAPSSET Corridor Program toward a future of shared prosperity.

### **viii. Regional Offices**

During the period under review, the Authority continued to strengthen its Regional Offices. These offices represent a strategic effort of paramount importance, embodying the Authority's commitment to localized empowerment, efficient service delivery, and meaningful community engagement. By decentralizing operations and situating offices in counties traversed by the LAPSSET Corridor, the Authority is bridging geographical and administrative gaps in order to ensure that development efforts resonate with the needs and aspirations of the local communities. The close proximity fosters synergies between Authority and the communities they serve for seamless communication, accurate needs assessment and responsive project implementation.

## **FINANCIAL PERFORMANCE**

During the period under review, the Authority received Kshs. 538.2 Million from The National Treasury. The funds were utilized in undertaking the operational activities of the Authority. These included the coordination of Inter-Agency Technical Meetings, Land Acquisition, Stakeholder Consultations and Stakeholder Engagements, Development of Jiko Water Pan, Monitoring and Evaluation of ongoing projects, Strengthening of Regional Offices as well as Promotion and Publicity of the LAPSSET Corridor Program.

## **APPRECIATION**

The current achievements we are witnessing are a result of the unwavering dedication and commitment shown by a diverse array of stakeholders. On behalf of myself and the management team, I extend my heartfelt gratitude to our stakeholders including clients, service providers, LAPSSET Corridor Communities, the National and County Governments, as well as the various Ministries, Departments, and Agencies involved in the implementation of the LAPSSET Corridor Program. I also express my profound appreciation to the entire staff community for their steadfast and resolute support throughout the year.

I wish to convey sincere thanks to our Development Partners for their invaluable contributions to the implementation of the LAPSSET Corridor Program. The strides we have taken thus far are undeniably remarkable, and the prospects for future achievements are boundless. We must uphold our unwavering belief in transformation, ensuring it remains resolute and enduring. This commitment is owed not only to the present but also to the well-being of future generations. Let us steadfastly dedicate ourselves to their fulfilment and progress.

As we continue our endeavours to reshape Kenya and the broader region, forging a destiny that will resonate across generations, I eagerly anticipate your sustained support. Together, we can propel the realization of our vision and create a legacy that will endure through time.



S. IKUA

**DIRECTOR GENERAL/CEO**



## 6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023

The LAPSSET Corridor Development Authority has 4 Strategic themes within the current Extended Strategic Plan for the FY 2022 - FY 2023. 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 2022-2023 period for its 3 Key Result Areas, as indicated in the diagram below:

Key Result Area	Objective	Key Performance Indicators	Activities	Achievements
LAPSSET Corridor Coordination	To Coordinate Implementation of the LAPSSET Corridor Components	LAPSSET Corridor Progress Status	Coordinate implementation of LAPSSET Corridor	<ul style="list-style-type: none"> <li>• Operationalization (sourcing of equipment) of the 1<sup>st</sup> 3 berths of Port of Lamu.</li> <li>• Completion of the Lokichar – Nadapal (328) Km Road.</li> <li>• Public Inquiries in regards to Land Acquisition for the 824Km Corridor from Lamu to Lokichar Oil Fields.</li> <li>• Stage Upgrading of the Lamu – Garissa – Isiolo (537Km) Road.</li> <li>• Transaction Advisory Services for both Lamu Port and Lamu Special Economic Zone</li> <li>• Completion of Burka Water Pan, Kubihalo Water Pan, and Jiko Wachidima Water Pan</li> </ul>

Key Result Area	Objective	Key Performance Indicators	Activities	Achievements
				under the LAPSSET Resilience Building Program.
	To Undertake Stakeholder Engagement and Collaboration	No. of Engagement Meetings	Engage all stakeholders	<ul style="list-style-type: none"> <li>• Convening quarterly Inter-Agency Technical Committee Meetings</li> <li>• Coordinating the establishment of the Regional Coordination Framework to operationalize an Umbrella Body.</li> <li>• Convening Public Consultations Forums with affected County Governments and Elected Leaders.</li> </ul>
Resource Mobilisation	To provide adequate financial resources for implementation of LAPSSET Corridor Program	Amount of funds mobilised for Program and operation of the Authority	<ul style="list-style-type: none"> <li>• Mapping of Development Partners.</li> <li>• Reviewing and appraising of Investment Proposals.</li> <li>• Promoting Investment Opportunities to prospecting Investors</li> </ul>	<ul style="list-style-type: none"> <li>• Mobilization of funds for the LAPSSET Resilience Building Programme.</li> <li>• Mobilization of funds for Stage Upgrading of Lamu – Garissa – Isiolo Road.</li> <li>• Support from the United Economic Commission for Africa to the establishment of LAPSSET Coordination Framework.</li> <li>• Mobilization of funds for the construction and sourcing of equipment for the Port of Lamu.</li> </ul>



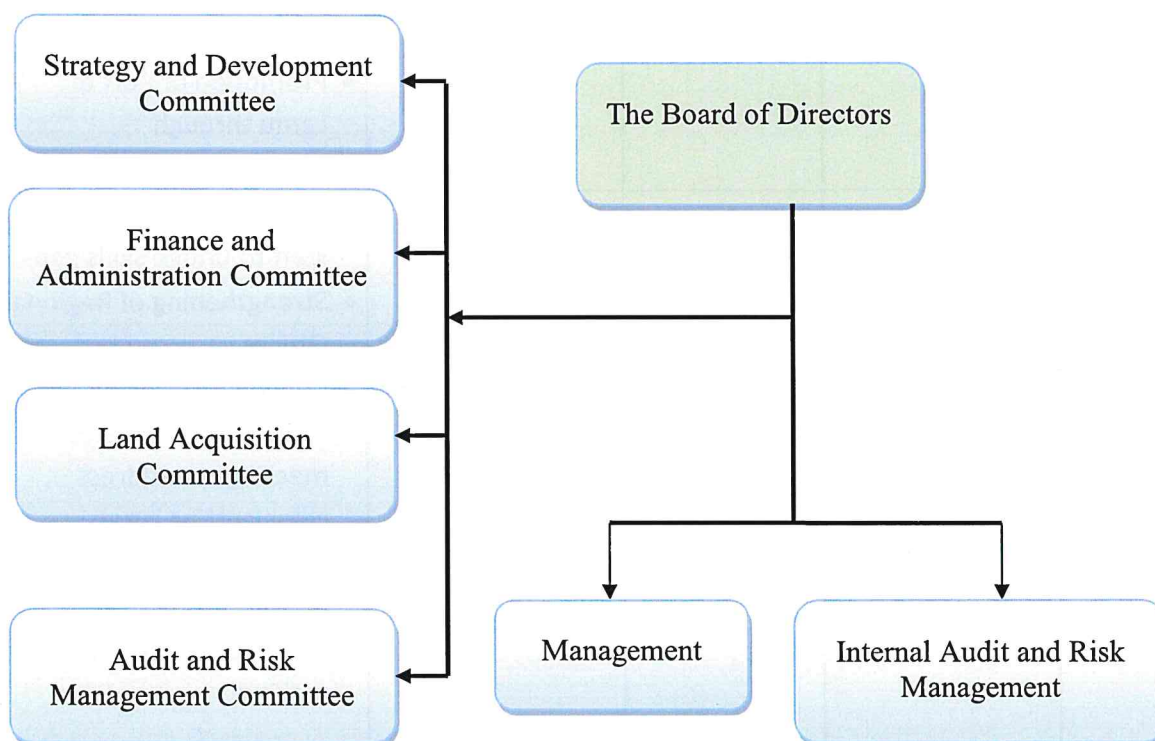
Key Result Area	Objective	Key Performance Indicators	Activities	Achievements
Promotion and Publicity of the LAPSSET Corridor	To develop LAPSSET as a Preferred Investment and Transport Corridor in the Region.	No. of Investments attracted along the Corridor	Implementing LAPSSET as a Development Corridor	<ul style="list-style-type: none"> <li>• Developing a Marketing Strategy for the Port of Lamu and Corridor.</li> <li>• Promoting LAPSSET Corridor Investment Opportunities in both Domestic and International Conferences.</li> <li>• Preparing a documentaries and infographics on scope and progress of LAPSSET Corridor Program</li> <li>• Promotion of Port of Lamu through promotional tariffs.</li> </ul>
Institutional Strengthening	To establish and efficient and motivated workforce	No. of Initiatives Implemented to improve productivity	<ul style="list-style-type: none"> <li>• Implementing Institutional Establishment to enhance capacity in the Authority.</li> <li>• Training and skills development</li> </ul>	<ul style="list-style-type: none"> <li>• Training and retaining staff to bridge skills gaps.</li> <li>• Strengthening of Regional Offices.</li> <li>• Convening Inter-Agency Technical Committee meetings to address cross-cutting issues.</li> <li>• Developing internal operational policies for consistent decision making.</li> </ul>

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
Hon. Hashim Mohamed	✓			✓	✓
Arch Shadrack Tulon				✓	✓
Hon Anwar Loiptip	✓			✓	
Jeremiah Apalia		✓			✓
Hon Nasra Ibrahim	✓	✓			
Abdikahiya Maalim	✓			✓	
PS the National Treasury	✓	✓			✓
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		✓		✓	
PS State Department of Lands		✓		✓	✓
Eng. John M. Muiruri.PS State Department of Water	✓				
DG Vision 2030	✓	✓			✓
Inspectorate, State Corporation	✓	✓			✓
National Lands Commission				✓	
Office of the Auditor General				✓	
Head of Public Service		✓			

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.

NO.	NAME	DATE					
		22ND JULY 2022	9TH SEPT 2022	27TH OCT 2022	6TH FEB 2023	30TH MAY 2023	27th JUNE 2023
	Titus Ibui	✓	✓	✓	✓		
	Hon Ali Mbogo					✓	✓
	Hon. Hashim Mohamed	✓	✓	✓	✓		
	Arch Shadrack Tulon					✓	✓
	Hon Anwar Loitiptip					✓	✓
	Jeremiah Apalia					✓	✓



	Hon Nasra Ibrahim					✓	✓
	Abdikahiya Maalim						✓
	Stephen Ikua	✓	✓	✓	✓	✓	✓
	PS the National Treasury	✓	✓				✓
	Emilio Mugo, alternate to PS State Department for Regional and Northern Corridor Development	✓					
	PS State Department of Energy	✓	✓	✓	✓	✓	✓
	PS State Department of Tourism	✓	✓	✓	✓	✓	✓
	Rodgers Gacewa, alternate to PS State Department of Lands	✓	✓	✓	✓		
	PS State Department of Water	✓	✓		✓		
	Idi Masoud DG Vision 2030	✓	✓		✓	✓	
	PS Ministry of Transport	✓		✓	✓	✓	✓
	Inspectorate, State Corporation	✓	✓			✓	
	Head of Public Service	✓	✓	✓			
	State Corporation Advisory Committee	✓					
	Office of the Auditor General				✓	✓	✓
	National Land Commission					✓	✓
	SDIP						✓

### 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"> <li>• Provide Direction and Guidance in the implementation of the LAPSSET Corridor Program;</li> <li>• Provide Direction and Guidance in the development and implementation of the Strategic Plan of the Authority;</li> <li>• Provide Direction and Guidance in the development and implementation of the Board Charter;</li> </ul>

#	COMMITTEE	ROLES AND FUNCTIONS
		<ul style="list-style-type: none"> <li>• Review of technical and policy documents including cabinet papers, board papers, Authority manuals, and Memorandums of Understanding (MoUs) addressing issues of technical nature;</li> <li>• 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;</li> <li>• Review and approve the LCDA's Resource Mobilization Strategy;</li> <li>• Review the Quarterly Reports on the Implementation of Strategic Plan activities to be submitted to the Cabinet Secretary, Ministry of East Africa Community;</li> <li>• Review collaboration activities and partnerships with other agencies;</li> <li>• Undertake annual progress review of the Strategic Plan;</li> <li>• Oversee the preparation of LCDAs Performance Contract.</li> <li>• Identify for inclusion in the Performance Contract targets for the Financial Year.</li> <li>• Participate in the vetting of the Performance Contract.</li> <li>• Review quarterly and annual reports of the Performance Contract before submission to the Performance Contracting Division of the Ministry of Devolution and Planning.</li> <li>• Participate in the evaluation of the Performance Contract.</li> </ul>
2.	Finance and Administration Committee	<ul style="list-style-type: none"> <li>• Oversee the preparation of LCDAs budget.</li> <li>• Review the LCDA's annual budget before submission and after approval by the Treasury;</li> <li>• Review quarterly Financial Monitoring Reports (FMR);</li> <li>• Review periodic operational budgets and financial statements;</li> <li>• Monitor the continuing efficacy of accounting and internal control;</li> <li>• Comply with the Government financial management regulations;</li> <li>• Monitor the performance of key finance and accounts staff against approved performance contracts;</li> <li>• Oversee the annual procurement plans including the externally funded projects;</li> <li>• Recruit and develop staff of LCDA;</li> <li>• Monitor and appraise the performance of senior management, review human resource policies, determine the remuneration of senior management, and other staff.</li> </ul>



#	COMMITTEE	ROLES AND FUNCTIONS
3.	Land Acquisition Committee	<ul style="list-style-type: none"> <li>• Oversee the survey and mapping process for all the land falling within the LAPSSET Corridor</li> <li>• Oversee the Strategic Environmental Assessment process for the Corridor</li> <li>• Review and guide measures put in place to sensitize the public on Land Acquisition for the Corridor and the compensation process.</li> <li>• Develop a policy framework for compulsory land acquisition by engaging counties and other stakeholders.</li> <li>• Ensure that any land disputes arising from the acquisition of land along the Corridor are effectively addressed.</li> <li>• Guide the process of allocating land to the Authority</li> <li>• 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.</li> <li>• Review the Administration of ground rent and demand notices</li> </ul>
4.	Audit and Risk Management Committee	<ul style="list-style-type: none"> <li>• Monitor the implementation of the risk management policy framework;</li> <li>• 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;</li> <li>• Oversee continuing efficacy of accounting and internal control standards, policies and practices;</li> <li>• Ensure compliance with legal covenants of Development Partners funding agreement on projects by them; and</li> <li>• Monitor performance of key internal audit staff against approved performance contracts.</li> </ul>

### 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 with Hon. Mohammed Hashim contract being revoked and replaced by Hon. Anwar Loitiptip, Mr. Abdikahiya Maalim, Hon. Nasra Ibrahim, Mr. Jeremiah Apalia and Mr Shadrack Tulon. Hon. Ali Mbogo joined the Authority in the capacity of Chairman of the Board replacing Mr. Titus Ibui 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

In the Current Financial Year (2022/2023), the Authority was allocated **KES.433.8Million** to cater for recurrent expenditures. However, the allocation was reduced to **KES. 419.18Million** after a **budget-cut** of **KES. 14.62Million** in line with the presidential directive to save KES. 300Billion from the budget of the year under review. This was regularized in the context of Supplementary No. 1 of FY 2022/23.

During the second supplementary budget review, the Authority received **KES. 118Million** allocation. This allocation facilitated settlement of pending bills and implementation of other planned core-mandate activities.

The Authority also received **KES. 60Million** meant for development activities. The disbursement was utilized under LAPSSET Resilience Building Programme. The allocation facilitated construction of Jiko Water Pan 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.

In addition, the Authority budgeted for KES 75.00 Million from the African Development Bank (AfDB) to facilitate the Transaction Advisory Services. This is Grant under the NEPAD Infrastructure Project Preparation Facility (IPPF) Fund for Technical Assistance towards the development of the Port of Lamu and Lamu Special Economic Zone. However, these funds were not utilized owing to the unresolved contractual disputes.

In total, the Authority received **KES. 537.16Million** for Recurrent and **KES. 60Million** for Development.

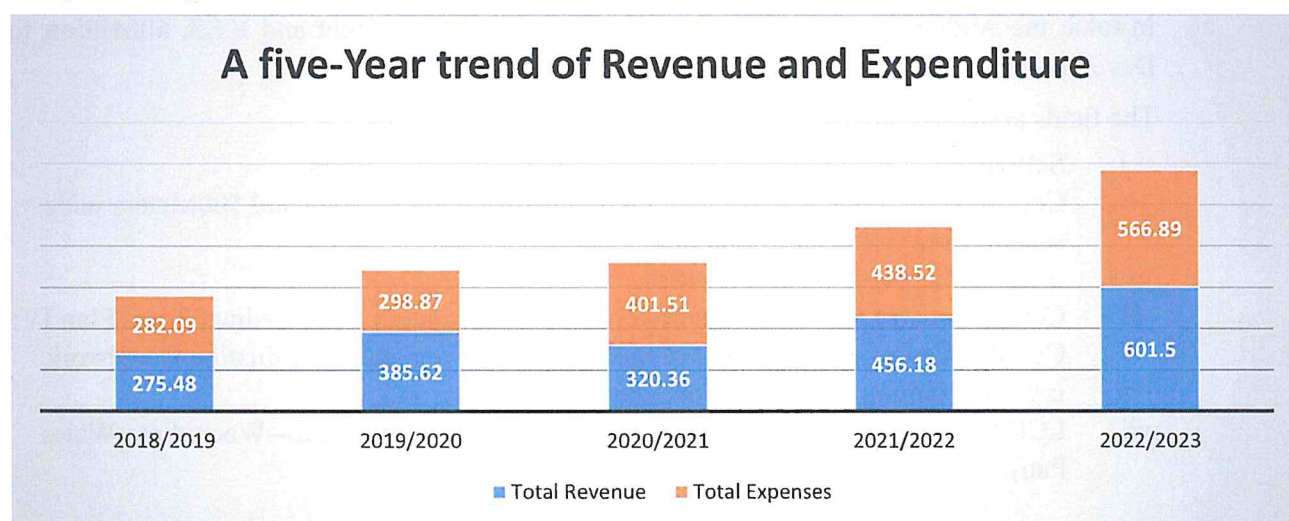
The funds above facilitated:

- i. Settlement of Pending Bills that have accumulated over years.
- ii. Coordination of the land acquisition process for 834Kms long and 500Meters wide section from Lokichar to Lamu;
- iii. Stakeholder engagement activities;
- iv. Comprehensive Strategic Plan review purposely to align with Medium Term Plan IV;
- v. Coordination of establishment of the institutional regional coordination framework.
- vi. Investor priming and Fund Mobilization Activities; and
- vii. LCDA Resilience Building Programme – (Construction of Jiko--Wachidima Water Pan).

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

Figures in 'Millions'

Financial Year	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
<b>Revenue</b>					
Government Transfers	248.31	330.60	307.00	452.3	541.5
Donor Receipts	23.36	50.13	10.70	-	-
Amortized Capital Grants	3.74	4.59	2.68	2.68	-
Conditional Grant - GOK	-	-	-	1.14	60
Other Income	0.07	0.30	0.48	0.07	-
<b>Total Revenue</b>	<b>275.48</b>	<b>385.62</b>	<b>320.36</b>	<b>456.18</b>	<b>601.50</b>
<b>Expenses</b>					
Personnel Emoluments	86.09	116.18	235.59	283.21	315.85
Board Costs	18.64	10.00	20.33	11.42	13.18
Grants and Subsidies	13.01	15.01	0.24	-	0
Depreciation	8.78	9.37	18.27	21.14	20.93
Operating expenses	155.57	148.31	124.68	122.75	216.93
<b>Total Expenses</b>	<b>282.09</b>	<b>298.87</b>	<b>401.51</b>	<b>438.52</b>	<b>566.89</b>
<b>Deficit/ Surplus</b>	<b>(6.61)</b>	<b>86.75</b>	<b>(81.15)</b>	<b>17.66</b>	<b>34.61</b>

**Graphical Representation of 5-Year Financial Performance**

Financial Year	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
<b>Total Revenue</b>	<b>275.48</b>	<b>385.62</b>	<b>320.36</b>	<b>456.18</b>	<b>601.50</b>
<b>Total Expenses</b>	<b>282.09</b>	<b>298.87</b>	<b>401.51</b>	<b>438.52</b>	<b>566.89</b>



## **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 LAPSSET Presidential Scholarship program intakes began in May 2014 and has had two intakes; 2014 and 2015 where 220 and 200 students were selected respectively in to the Scholarship program. Out of the selected students, 194 reported for the 2014 intake and 182 for the 2015 intake bringing to total 376 students enrolled in to the Scholarship program.

As of January 2021, a total of 367 students have successfully completed their Certificate, Diploma and Degree courses under the scholarship program, 4 students are currently in session and 9 students dropped from the scholarship program.

### Impacts

Several impacts because of the LAPSSET Presidential Scholarship Program have been realized, these include; -

- 1. Employment opportunities:** some of graduated students under the scholarship program have been absorbed in to the job market, enabling them to earn a living and support their families
- 2. Acquisition of skills:** as a result of training under the scholarship program, a few beneficiaries have been able to acquire skills in electrical wiring, news reporting, motor vehicle mechanics, welding etc. these skills have enabled the students to be industrious, solving problems and earning a living.
- 3. Women empowerment:** in many instances, the only option left for the young women after secondary studies was marriage and attending to house duties. However, the scholarship program brought in it an alternative, empowering women through education and they are better placed to participate more in nation building.

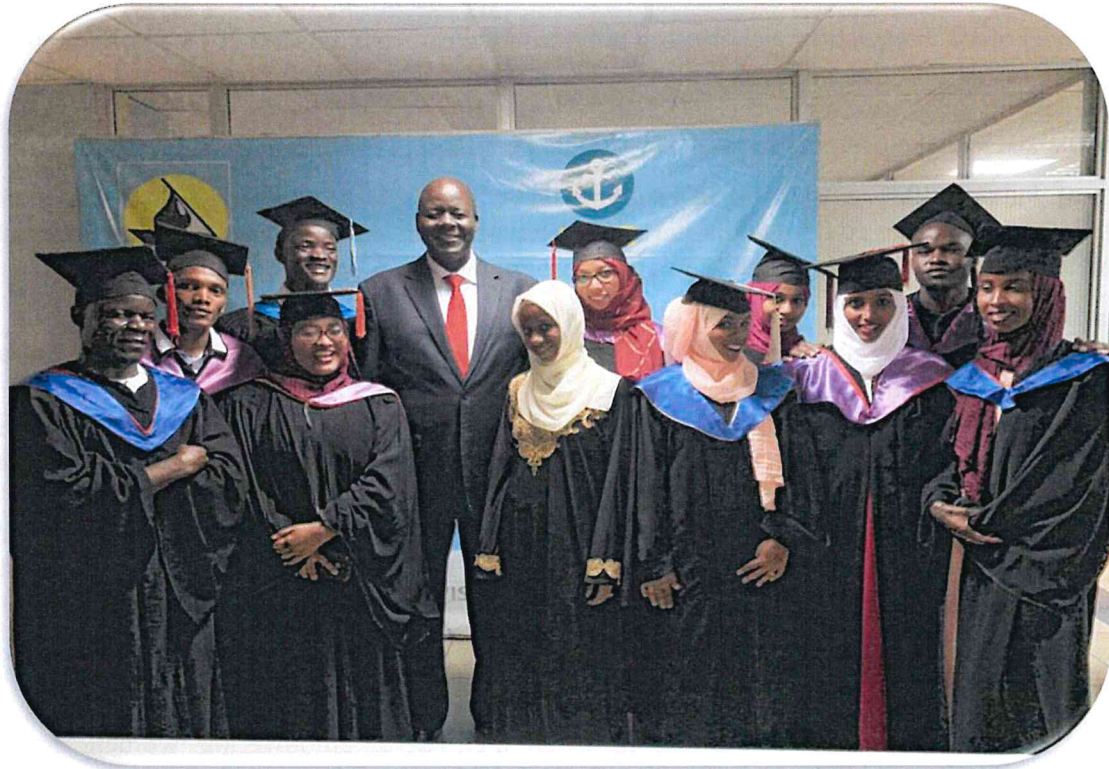
The LAPSSET Corridor Presidential Scholarship is facing funding challenges. The National treasury has not allocated funds for the Scholarship Program for two financial years (FY 2015/16 & 2016/17), disrupting two selection exercise for the years 2016, 2017 and payment of tuition fees and allowances.

The LAPSSET Presidential Scholarship Program is a sure way of ensuring that the future of the Lamu youth is well secured by positioning them for the numerous economic and job opportunities being realized due to the implementation of the LAPSSET Corridor Program. It is an effective deliberate attempt to safeguard employment and business opportunities for the local community who are usually at risk of being left out in favour of the skills and qualifications of people in more developed cities.

Given the similarities of the living conditions (unfavourable weather, marginalization, poverty, illiteracy among others) along the LAPSSET Corridor Counties in the North and North-Eastern parts, popularly known as Arid and Semi-arid lands and the major transformative LAPSSET Corridor projects envisaged, the Authority intends to extend scholarship opportunities towards these areas. This nature of Corporate Social Investment will see the local community pick up employment opportunities having specialized skills such as Oil pipeline construction and maintenance, rail operations among numerous opportunities on the rise.

The Authority seeks to leverage on the Technical Vocational Education and Training Courses and take advantage of the capitation given to students enrolled for the TVET Program. This will greatly reduce the cost of the scholarship and provide the much-needed technical skills required by the market, enabling the youth to be more engaged in economic building of the

Nation.



*Figure 16: Beneficiaries of the LAPSSET Presidential Youth Scholarship Programme graduating at the Technical University Mombasa.*

#### **i) Sustainability strategy and profile**

LAPSSET Corridor Development Authority key achievements towards environmental sustainability are:

- Ensure suppliers and partners procure environmentally-friendly supplies and services, to reduce consumption and, where possible, purchase goods and services which may be manufactured, used and disposed of in an environmentally-responsible way.
- Raise awareness of the LAPSSET Corridor natural environment and promote biodiversity across the Northern Corridor, act as stewards to safeguard and conserve natural ecosystems, and where possible, ensure construction or refurbishment work undertaken by the LCDA, implementing agencies and contractors has a net positive impact on biodiversity.
- Provided oversight, direction and focus to the LCDA actions on sustainability and climate change. This was done by creating a shared vision for sustainability; building capacity; empowering and inspiring staff, facilitating change within the organization at all levels and demonstrating leadership by example. decision making across the organization has been influenced so that every aspect of the LCDA work is compatible with the Sustainability Strategy.
- Establish a climate change unit in which the Director General is the patron and members of the unit are Drawn from different department within the organization, this has in turn enhanced sustainability and climate change research, helping societies to become healthier,



smarter and more resilient. This is also a requirement as stipulated in National climate change act 2016.

- operational activities will be informed by our world-leading research and international best practices LCDA works collaboratively with our local communities and the wider public to develop appropriate actions addressing sustainability challenges through public engagement opportunities related to sustainability locally, nationally and globally. LCDA ensures all policies and regulation regarding biodiversity conservation are adhered to.

LCDA management is committed to environmental sustainability through;

- ❖ Strengthening and building on existing evaluation processes, and ensure that annual reports are developed to assist in monitoring progress and decision-making.
- ❖ Ensure that sustainability is an integral part of decision-making at all levels, including long-term environmental and financial planning.
- ❖ Empower staff and community to engage widely in actions on climate change and sustainability, working in partnership with each other and with senior leadership and benchmarking our sustainability performance against national and international organization.
- ❖ Focus on the science, technology and policy solutions needed for a just and equitable transition to a sustainable net zero carbon society. We will empower our external stakeholders and the wider public to find and implement sustainable solutions together.

## **ii) Environmental performance**

The LAPSSET Corridor Program (LCP) traverses majorly through an arid and semi-arid Counties in Kenya. The LAPSSET has adopted these guiding principles towards achievement of environmental sustainability.

### **1. Cooperation with the public and disclosure of information**

We listen to the customer(public) feedback and work with them on environmental protection, and then inspect, document and disclose the results to all our other customers and employees.

### **2. Cooperation with local communities and social contribution**

We consider environmental issues in corporation with communities and implement continuous social contribution activities in the environmental field to fulfill our role as a government entity.

### **3. Employee responsibility and awareness**

We ensure that all our employees act, based on these environmental guidelines, with an awareness of their own roles in regard to environmental issues in their respective positions within the company and within society. Ensure all employees are educated on effective use of resource.

### **4. Setting and reviewing environmental targets**

We enhance our efforts each year, comply with environment-related laws and regulations, and set and annually review voluntary targets in each area of our corporate activities.

### **5. water management.**

To ensure the responsible management of water resources, reducing our consumption and preventing pollution of the natural environment.

### **5. Biodiversity considerations integral to planning**

Increase green spaces along the LAPSSSET Corridor by planting of trees that are drought resistant, increase grass cover, afforestation and reafforestation programme plants to create a greener environment and improve wellbeing of communities and environment

LAPSSSET Corridor has cumulatively made efforts to manage Biodiversity along the Corridor.

- I. Development of human wildlife conflict management plan. Human wildlife conflict is a major concern along the corridor development of Human wildlife conflict plan will enable LCDA to work collaboratively with other key stakeholder to conserve biodiversity along the LAPSSSET Corridor.
- II. Establishment of tree nurseries in Isiolo county. This to kickstart the presidential directive of tree planting exercise to be carried by all government organization and also to help in mitigating climate change.
- III. Partnership establishment with like-minded organization that deals with biodiversity loss this includes: Grevy's Zebra Trust, Ewaso Lion and CETRAD.
- IV. Establishment of Climate change unit members. LCDA recognizes that the issue of climate change exerts a negative impact on the stable society that is essential for the sustainable development We would like to contribute in achieving the greenhouse gas reduction targets set forth in the Paris Agreement. In the "GREEN CHALLENGE 2050" environmental declaration formulated in May 2019; we identified the decarbonized society as the ideal that we should be aiming for. We are promoting energy conservation and the expanded use of renewable energy, with the goal of reducing CO<sub>2</sub> emissions generated from operations by 50% down to net-zero by 2050.
- V. Establishment of climate change resilient initiative. LCDA recognizes the issues of climate change globally, The Corridor traverses an ASAL area highly affected adverse weather conditions "*LAPSSSET Green Corridor initiative*" has several components that seeks to address the adverse effects of climate change. Also where possible, the initiative seeks to increase the number of green spaces to maximize benefit from biodiversity conservation, continue to enhance the ecology, conservation and environmental work carried by conservation stakeholders along the LAPSSSET Corridor.

Among the success along the LAPSSSET Corridor include;

- A. Realignment of the LAPSSSET Corridor route along Isiolo -Samburu which is Grevy's Zebra breeding site. This ensured that the natural habitat of Grevy's Zebra was conserved.
- B. Establishment of Tree nursery in Isiolo county. 1150 trees were planted awaiting re-planting during the rainy season.
- C. Draft plan of human wildlife conflict has been developed which seeks to address the issue of human wildlife conflict across the LAPSSSET Corridor.
- D. Establishment of climate change unit in which its members are drawn from various departments across the organization has given members of staff opportunity to understand issues of climate change and environmental conservation.

For responsible management of resources all waste streams arising from our activities we:

- Use innovative solutions to reduce our consumption of single-use items, to reuse materials and recycle waste produced as much as possible number of various wastes sent for recycling compared to waste going to general landfill. Increase in number of equipment and furniture reuse, hence emissions saved
- Ensure responsible management of resources, reducing consumption and preventing pollution of the natural environment along the LAPSSSET Corridor.



LCDA activities are carried out under various environmental laws and regulation which include:

- Environmental Management and Coordination Act (1999)
- EMCA Waste Management Regulations (2006)
- Government of Kenya (GoK) 2008, Kenya Vision 2030
- Kenya Constitution (2010)
- National Environment Policy (2013)
- National E-Waste Strategy (2019)
- Ministry of Environment and Forestry (MoEF) 2021 National Sustainable Waste Management Policy
- NEMA 2015 National Solid Waste Management Strategy.

### iii) Corporate Social Responsibility / Community Engagements

#### LAPSSET CORRIDOR RESILIENCE BUILDING PROGRAM

##### Description

This is a program that involves construction of high-capacity water pan in ASAL areas especially where drought impacts, and resource-based conflicts are high (Mandera and Wajir). This program is aimed at promoting the competitiveness and use of the LAPSSET Corridor by addressing the prevalent drought impacts and uplifting the communities along the LAPSSET Corridor.

Implementation Progress	Status	Project cost (USD)
Desilting and expansion of the 70,000 cubic meters Burka water pan in Wajir County commenced in March 2022.	<b>Completed</b> Construction of the project was completed in October 2022	\$ 329,218 (GOK)
Construction of the Kubihalo (100,000 cubic meters) and Wachidima (100,000 cubic meters) commenced in October 2022.	<b>Completed</b> Construction of the project was completed in March 2023	\$ 987,654 (GOK)



**Photo 1. Community members observe the excavation works.**



**Photo 2: Clearing and deepening of the water pan bed.**

## **10. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30<sup>th</sup>, 2023 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 30<sup>th</sup>, 2023 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 one Board members, Hon. Hashim Fumo expired. The Chairperson and other Board Members of the LAPSSET Corridor Development Authority Board appointed with effect from 10<sup>th</sup> March, 2023.



**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**

## 9. STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

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


The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30<sup>th</sup>, 2023. 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 30<sup>th</sup>, 2023, 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 by 30<sup>th</sup> September, 2023 and signed on its behalf by:

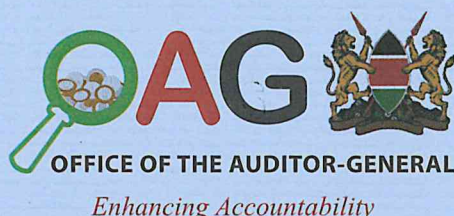
Signature   
Date 30/04/2024  
Name: **Hon. Ali Menza Mbogo**  
**Chairperson of the Board**

Signature   
Date 30.4.24  
Name: **S. Ikua**  
**Accounting officer**



# REPUBLIC OF KENYA

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## **REPORT OF THE AUDITOR-GENERAL ON LAPSSET CORRIDOR DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2023**

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### PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that 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 the 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

#### **Qualified Opinion**

I have audited the accompanying financial statements of LAPSSET Corridor Development Authority set out on pages 1 to 32, which comprise of the statement of financial position as at 30 June, 2023, statement of financial performance, statement

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*Report of the Auditor-General on LAPSSET Corridor Development Authority for the year ended 30 June, 2023*



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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, I confirm that the financial statements present fairly, in all material respects, the financial position of the LAPSSET Corridor Development Authority as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Kenya Roads Act, 2007.

### **Basis for Qualified Opinion**

#### **1. Inaccuracies of Property, Plant and Equipment**

The statement of financial position reflects a balance of Kshs.17,561,386,742 in respect of property, plant and equipment as disclosed in Note 16 to the financial statements. Included in this amount is the value for a parcel of land in Lamu valued at Kshs.17,539,000,700 whose title deed was not provided for audit review. Physical verification conducted in the month of February, 2024 revealed that the land is developed with a three storey office block, a police station and residential blocks whose values were not incorporated in the financial statements.

Further, the office space is occupied by public and private institutions but no rental income has been recognized in the books of the Authority.

In the circumstances, ownership and accuracy of property plant and equipment balance of Kshs.17,561,386,742 could not be confirmed.

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

### **Emphasis of Matter**

#### **Lack of Clear Ownership Status**

I draw your attention to paragraph 1(a) and (b) on Background Information and Principal Activities, respectively under the Key Management Information at page (v) of the non-financial information. The Authority was established through a Legal Notice No. 58 of 22 March, 2013 to coördinate the construction of Lamu Port, Standard gauge



railways and highways from Lamu to South Sudan and Ethiopia, Crude oil pipeline from Lamu to South Sudan and Addis Ababa, International airport as well as resort cities in Lamu, Isiolo and Turkana. Physical field inspection of the facility at Lamu revealed that the Authority has a vast land in Lamu, part of which is developed. The developments include residential flats, three storey office block and a police station. The office block was occupied by public and private institutions and some spaces were vacant. The Administration Block was held by institutional offices for the LAPSSET Regional office, the Kenya Ports Authority, Kenya Maritime Authority, Express Shipping and Logistics, Coast Guards and Seaforth Ship Agency Expert East Africa.

The budgetary allocation for the infrastructural projects was provided to the respective implementing agencies, for instance, for all roads and highways, allocation is given to KeNHA while port construction funds was given to Kenya Ports Authority among others. However, there were no arrangements or agreements on who would control such facilities erected on the Authority's land.

My opinion is not modified in respect of this matter.

### **Key Audit Matter**

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

### **Other Matters**

### **Unresolved Prior Year Issues**

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 issues remain unresolved.

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

### **Conclusion**

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

## **Basis for Conclusion**

### **1. Non-Compliance with the One Third Rule on Basic Salary**

Review of the Payroll summaries for the year under review revealed that in ten (10) months an average of eighteen (18) members of staff were earning below a third of their basic salary contrary to Section 19 (3) of the Employment Act, 2007. Further, review of the payroll summaries revealed that some staff were paid leave allowance totalling to Kshs.4,392,620 outside payroll and no PAYE was deducted or remitted to the Kenya Revenue Authority. No satisfactory explanation was provided for failure to deduct remit PAYE.

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

### **2. Delayed Implementation of the Authority's Mandate**

Reviewed records revealed that the 1<sup>st</sup> three berths at the port of Lamu Port had been completed. However, cargo evacuation through the project intended route is facing serious challenges in that construction of key highways is either not completed or are yet to start, these includes Lamu-Ijara-Garisa-Isiolo and Isiolo-Maralal-Lokori-Lokichar. This confirms that project sequencing as indicated in the legal notice has not been effected.

Delayed implementation of LAPSSET corridor projects denied the public benefits that could have accrued from completed projects.

### **3. Enterprise Resource Planning (ERP) System**

The Authority awarded a contract to supply, install, configure, test, train on documentation and implementation of an Integrated Enterprise Resource Planning (ERP) system at a cost of Kshs.6,994,057 in the year 2020. Review, of the contract revealed that the contractor was to install financial, supply chain management and human resource management modules. However, at the time of the audit, only human resource management module was partially in operation since the Authority had failed to renew the annual operating licenses. In the previous years the finance department was fully under ERP, this has since stop and the Authority had reverted to manual accounting system. The nature and volume of transactions required an electronic system to enhance accurate records and timely reporting.

In the circumstances, value for money expended on ERP system of Kshs.6,994,057 has not been achieved.

### **4. Irregular Board Composition**

Review of records provided for audit revealed that the Authority has a Board membership of thirteen (13) members with representation from Departments which are not provided for in the guidelines. These State Department are Department for Water, trade and Attorney general. This was contravention to the Kenya Gazette Supplement



No.51, Legal Notice No.58 of 22 March 2013 part II paragraph 5 that clearly outlines the composition of the Board which shall include a Chairperson appointed by the president, Principal Secretary for Treasury, Tourism, Office of the president, Energy and Transport and five other independent members.

In the circumstances, Management was in breach of law.

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management, and governance were not effective.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and 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 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 controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the



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

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**19 April, 2024**



**II. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2023**

	Note	Audited	
		FY 2022/2023	FY 2021/2022
		Shs	Shs
Revenue from non-exchange transactions			
Transfers from other governments (Grant -AfDB)	6a	-	21,702,564
Transfer from Ministries, Depts. & Agencies	6b	597,154,625	452,300,000
Transfer from Ministries, Depts. & Agencies- Conditional Grant -GOK		88,790,397	1,135,600
Amortized capital grant	6c	-	2,675,343
		685,945,022	477,813,507
Revenue from exchange transactions			-
Other incomes	6d	7,131	71,673
<b>Total revenue</b>		<b>685,952,153</b>	<b>477,885,180</b>
Expenses			-
Use of goods and services	7	313,264,013	141,259,869
Employee costs	8	324,445,002	282,996,762
Board Expenses	9	14,132,880	11,637,570
Depreciation and amortization expense	10	20,992,684	21,136,825
Repairs and Maintenance	11	2,734,995	3,194,743
Grants and subsidies	12	-	-
<b>Total expenses</b>		<b>675,569,574</b>	<b>460,225,769</b>
<b>Surplus/Deficit for the period</b>		<b>10,382,579</b>	<b>17,659,411</b>

The notes set out on pages 6 to 25 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

Head of Finance

Bernard Oluoch

Chairman of the Board

Hon. Ali Menza Mbogo

ICPAK Member Number:


Signature :

Date :

  
30.4.24


Signature :

Date:

24302  
  
30<sup>th</sup> APRIL 2024

Signature

Date:

  
30/04/2024

**12. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>th</sup> JUNE 2023**

	Note	FY 2022/2023 Shs	Audited FY 2021/2022 Shs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	33,675,848	126,868,942
Receivables from exchange transactions	15	3,782,412	527,750
<b>Total Current Assets</b>		<b>37,458,260</b>	<b>127,396,692</b>
<b>Non-current assets</b>			
Property, plant and equipment	16	17,561,386,742	17,582,067,609
Intangible assets	17	157,430	2,488,551
<b>Total non - current assets</b>		<b>17,561,544,172</b>	<b>17,584,556,160</b>
<b>Total assets</b>		<b>17,599,002,432</b>	<b>17,711,952,851</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other Payables	18	18,248,044	39,224,374
Employee benefit obligation	19	7,983,290	22,859,531
Deferred Income		-	88,790,397
<b>Total current liabilities</b>		<b>26,231,333</b>	<b>150,874,301</b>
<b>Total liabilities</b>		<b>26,231,333</b>	<b>150,874,301</b>
<b>Net assets</b>		<b>17,572,771,099</b>	<b>17,561,078,550</b>
Capital grants		17,552,156,796	17,552,156,796
Revaluation Reserves		5,525,856	5,525,856
Accumulated surplus		13,778,477	3,395,898
<b>Total net assets</b>		<b>17,572,771,099</b>	<b>17,561,078,550</b>
<b>Total net assets and liabilities</b>		<b>17,599,002,432</b>	<b>17,711,952,851</b>

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

Accounting Officer

S. Ikua

Head of Finance

Bernard Oluoch


Chairman of the Board

Hon. Ali Menza Mbogo

ICPAK Member Number:


Signature :

Date:

  
30.4.24

Signature :

Date:

24302:   
30<sup>th</sup> APRIL 2024

Signature

Date:

  
30/04/2024



### 13. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2023

	Revenue Reserve 2022/2023 Kshs	Capital Grants 2022/2023 Kshs	Revaluation Reserve 2022/2023 Kshs	Total 2022/2023 Kshs
Reserves as at 1st July 2021	(14,263,513)	5,757,436	5,525,856	(2,980,221)
Capital grants		17,546,399,360		17,546,399,360
Revaluation gain				
Surplus for the year	17,659,411		-	17,659,411
30th June 2022	3,395,898	17,552,156,796	5,525,856	17,561,078,550
As at 1 <sup>st</sup> July 2022	3,395,898	17,552,156,796	5,525,856	17,561,078,550
Revaluation gain during the year				
Capital grants				
Surplus for the year	10,382,579			10,382,579
As at 30th, June 2023	13,778,477	17,552,156,796	5,525,856	17,572,771,099

**14. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>th</sup>, JUNE 2023**

	Note	FY 2022/2023 Shs	Audited FY 2021/2022 Shs
Cash and cash equivalents at the beginning of the year		126,868,942	4,409,439
Cash flows from operating activities			
Receipts			
Transfers from other governments (Grant -AfDB)		537,154,625	21,702,564
Transfer from Ministries, Depts. & Agencies		-	452,300,000
Transfer from Ministries, Depts. & Agencies-Conditional Grant -GOK		60,000,000	1,135,600
Other Incomes		7,131	71,673
		597,161,756	475,209,837
Payments			
Use of goods and services		340,941,326	131,940,072
Employees Costs		332,768,294	293,566,451
Board Expenses		13,177,880	12,297,570
Repairs and Maintenance		2,901,571	3,736,637
Grants and subsidies		-	-
		689,789,071	441,540,730
Net cash flows from operating activities	20	(92,627,315)	33,669,106
Cash flows from investing activities			
Receipts			
Direct receipts -AfDB		4,340,513	-
Conditional Grant - GOK		-	98,864,400
		4,340,513	98,864,400
Payments			
Transaction advisory services		-	-
Purchase of Fixed assets		4,906,292	10,074,003
Resilience program		-	-
		4,906,292	10,074,003
Net cash flows used in investing activities		(565,779)	88,790,397
Net increase/(decrease) in cash and cash equivalents		(93,193,094)	122,459,503
Cash and cash equivalents as at the beginning of the period		126,868,942	4,409,439
Cash and cash equivalents at end of the year	13	33,675,848	126,868,942

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

Accounting Officer

Head of Finance

Chairman of the Board

S. Ikua

Bernard Oluoch

Hon. Ali Menza Mbogo

ICPAK Member Number:

Date: 30/4/24

Date: 30<sup>th</sup> APRIL 2024

Date: 30/04/2024



**15. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2023**

	Original Budget		Adjustments		Final Budget		Actual	Variance	% of utilisation
	Kshs		Kshs		Kshs				
<b>Revenue</b>									
Transfers from Other Governments entities - Recurrent	433,800,000		103,360,000		537,160,000		537,154,625.00		
Other income					7,131		7,130.95		
<b>Sub-Total Recurrent</b>	<b>433,800,000.00</b>		<b>103,360,000.00</b>		<b>537,167,130.95</b>		<b>537,161,755.95</b>		
African Development Bank - Capital Grant					-				
Transfers from Other Governments entities - Capital	135,000,000		13,790,397		148,790,397		148,790,397.00		
<b>Sub-Total Capital</b>	<b>135,000,000</b>		<b>13,790,397</b>		<b>148,790,397</b>		<b>148,790,397</b>		
<b>Total income</b>	<b>568,800,000</b>		<b>117,150,397</b>		<b>685,957,528</b>		<b>685,952,153</b>		
<b>Expenses</b>									
Use of Goods and Services	199,150,000		110,807,528		308,757,528		323,640,347.49	(14,882,819.54)	1.04
Employee costs	335,650,000		3,350,000		339,000,000		315,023,668.16	23,976,331.84	0.93
Remuneration of Directors	10,000,000		3,200,000		13,200,000		13,177,880.00	22,120.00	1.00
Depreciation & Amortization	21,000,000		-		21,000,000		20,992,683.68	7,316.32	1.00
Repairs and Maintenance	3,000,000		(200,000)		2,800,000		2,734,994.90	65,005.10	0.98
<b>Total expenditure</b>	<b>568,800,000</b>		<b>117,157,528</b>		<b>685,957,527.95</b>		<b>675,569,574</b>	<b>10,387,953.72</b>	
<b>Surplus for the period</b>							<b>10,382,578.72</b>		
<b>Capital Expenditure</b>									
Purchase of assets	-		1,200,000		1,200,000		1,011,239.11	188,760.89	0.84
Transaction Advisory	75,000,000		(75,000,000)		-		-	-	-
Resilience Program	-		-		-		-	-	-
<b>Total expenditure</b>	<b>75,000,000</b>		<b>(73,800,000)</b>		<b>1,200,000</b>		<b>1,011,239</b>	<b>188,760.89</b>	

## 16. 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 2023.**

Standard	Effective date and impact:
<b>IPSAS 41: Financial Instruments</b>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></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"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> </ul>



Standard	Effective date and impact:
	<ul style="list-style-type: none"> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity.</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</li> </ul>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> </ul>

Standard	Effective date and impact:
	<p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) 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	<p><b><i>Applicable 1<sup>st</sup> January 2023</i></b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008).</li> <li>• <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</li> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement.</b> Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul>

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

The Authority did not early – adopt any new or amended standards in year 2022/2023.



#### **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 2022/2023 was approved by the board on 9<sup>th</sup> September, 2022. 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 office of the Deputy President, Lake Basin Development Authority, Coast Dev. Authority and Ewaso Nyiro North Dev. Authority. These assets were initially recognized at fair value when they were donated and subsequently depreciated at the applicable depreciation rates. Income is recognized annually under the amortized capital grant over the useful life of the asset.

TYPE	NO	DONOR	PURPOSE
Motor Vehicles	5	Office of the Deputy President	For use by the Authority
Furniture	Assorted	Lake Basin Dev. Authority, Coast Dev. Authority, Ewaso Nyiro North Dev. Authority	For use by the Authority
Partitions	Assorted	Lake Basin Dev. Authority, Coast Dev. Authority, Ewaso Nyiro North Dev. Authority	For use by the Authority
Land	27,440 HA	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 no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30<sup>th</sup>, 2023.



## **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**

	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Grant-African Development Bank	-	21,702,564
<b>Total</b>	<b>-</b>	<b>21,702,564</b>

**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 2022/2023 Kshs	Total Transfers 2021/2022
State Department of Northern Corridor Development	325,325,392	88,790,397	-	325,325,392	452,300,000
State Department of Transport	211,829,233	-	-	211,829,233	-
State Department of Northern Corridor Development			60,000,000	60,000,000	100,000,000
<b>Total</b>	<b>537,154,625</b>	<b>88,790,397</b>	<b>60,000,000</b>	<b>685,945,022</b>	<b>552,300,000</b>

**c). Amortized Capital Grant**

	2022/2023	2021/2022
<b>Amortized Capital Grant</b>	<b>0</b>	<b>2,675,343</b>
	<b>0</b>	<b>2,675,343</b>

**d). Other Income**

	2022/2023	2021/2022
<b>Interest Income earned</b>	<b>7,131</b>	<b>71,673</b>
<b>Refund</b>	<b>4,340,513</b>	<b>-</b>



**7. USE OF GOODS AND SERVICES/OPERATING COSTS**

	<b>FY 2022/2023</b>	<b>FY 2021/2022</b>
Telephone, Postage and Courier	3,316,206	1,436,182
Field Coordination Activities	18,779,327	10,875,839
	18,114,209	
Fund Mobilization Meetings		3,180,750
	5,451,900	
Monitoring		2,108,988
Project Counties & Stakeholders	8,735,500	
Consultative meetings/Air Transport		7,574,762
	155,584,996	
Resilient Programme		1,135,600
International Project Investors Engagement	37,293,187	
meetings(Foreign travel)		34,433,643
Printing, advertising and information	4,354,365	
supplies & services		1,757,257
	21,554,969	
Rent expenses		29,033,207
	934,000	
Training expenses		3,209,999
Project Coordination Assignments	4,327,932	3,737,080
Strategic planning costs	33,200	678,800
Office and Project operation stationeries	2,083,855	435,459
Project Planning and preparation activities	4,948,246	5,725,070
Project Vehicles operation cost-Fuel	5,944,138	3,046,141
Insurance	1,267,356	1,368,183
Consultancy	802,000	27,235,977
	19,738,630	
General Office Expenses		4,286,932
<b>Total Operating Cost</b>	<b>313,264,013</b>	<b>141,259,869</b>

**8. EMPLOYEE COST**

	2022/2023	2021/2022
	Shs.	Shs.
Basic Salaries and wages	278,807,717	234,046,069
Employer Contribution to Health Insurance Schemes	19,097,345	20,708,981
Employer Contribution to Pension Schemes	17,163,143	23,347,310
Housing Benefit and Allowances	-	-
Commuter Allowance	-	-
Hardship Allowance	-	-
Gratuity	4,696,420	4,701,851
Other employee related costs –Leave Allowance	3,865,293	28,000
NSSF-Employer Contribution	673,300	129,000
Other employee related costs: NITA- Employer Contribution	141,784	35,000
<b>Total</b>	<b>323,445,002</b>	<b>282,996,211</b>

**9. BOARD EXPENSES**

	2022/2023	2021/2022
	Shs.	Shs.
Travelling and Accommodation	4,916,780	4,522,848
Induction and Training	2,056,800	1,052,586
Sitting Allowances	5,140,800	4,538,000
Board Insurance	930,000	741,136
Chairman's Honoraria	1,088,500	783,000
<b>Total</b>	<b>14,132,880</b>	<b>11,637,570</b>



**10. DEPRECIATION AND AMORTIZATION**

	2022/2023 Shs.	2021/2022 Shs.
Motor Vehicles	12,535,155	12,535,155
Computer and Accessories	4,121,994	4,962,908
Furniture and Fittings	2,004,414	1,307,641
Partitions	-	-
Amortized ERP	2,331,120	2,331,120
<b>Total depreciation and amortization</b>	<b>20,992,684</b>	<b>21,136,825</b>

**11. REPAIRS AND MAINTENANCE**

	2021/2022 Shs.	2020/2021 Shs.
Vehicles	2,682,995	3,194,743
Furniture and fittings	-	
Computers and accessories	52,000	
<b>Total repairs and maintenance</b>	<b>2,734,995</b>	<b>3,194,743</b>

**12. GRANTS AND SUBSIDIES**

	2022/2023 Shs.	2021/2022 Shs.
Presidential Youth Scholarship Programme	-	-
Social development and support	-	-
<b>Total grants and subsidies</b>	<b>-</b>	<b>-</b>

**13. CASH AND CASH EQUIVALENTS**

Description	2022-2023	2021-2022
	Kshs	Kshs
Current Account	32,722,582	124,858,211
Others (Cash in Hand)	38,470	38,267
Others (Imprests/Advances (KCB))	914,796	1,972,464
<b>Total Cash And Cash Equivalents</b>	<b>33,675,848</b>	<b>126,868,942</b>

**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**

Financial Institution	Account Number	2022/2023 Kshs	2021/2022 Kshs
<b>(a) Current Accounts</b>			
Kenya Commercial Bank	1142485498	31,554,663	80,499,957
NCBA Bank	1001309354	1,051,103	4,331,032
CFC Stanbic-Bank	0100004036397	116,816	40,027,222
Co Operative Bank	0114121990000	-	
<b>Sub-Total</b>		<b>32,722,582</b>	
<b>Cash In hand</b>		<b>38,470</b>	<b>38,267</b>
<b>(b) Imprests /Advances (KCB)</b>			
		<b>914,796</b>	<b>1,972,464</b>
<b>Sub-Total</b>		<b>953,266</b>	<b>2,010,731</b>
<b>Total</b>		<b>33,675,848</b>	<b>126,868,942</b>



**15. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	<b>2022/2023</b>	<b>2021/2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Motor vehicle insurance	191,605	383,209
Post Office	4,725	7,875
Medical Insurance	3,305,422	-
Salary Advance	280,661	136,666
<b>Total current receivables</b>	<b>3,782,412</b>	<b>527,750</b>

**16. PROPERTY, PLANT AND EQUIPMENT**

Cost	Freehold Land	Motor vehicles	Furniture and fittings	Partitions	Computers	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As At 1 July 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
Transfers/Adjustments	17,539,000,700	-	-	-	-	17,539,000,700
As at 30 <sup>th</sup> June 2022	17,539,000,700	82,840,439	17,034,361	22,366,358	21,436,865	17,682,678,722
Additions	-	-	932,980	-	-	932,980
Transfer/Adjustments	-	-	(951,498)	-	(2,385,129)	(3,336,627)
As at 30 <sup>th</sup> June 2023	17,539,000,700	82,840,439	17,015,843	22,366,358	19,051,735	17,680,275,074
Depreciation and Impairment	-	-	-	-	-	-
At 1 July 2021	-	(48,481,900)	(2,469,761)	(22,366,358)	(8,487,389)	(81,805,409)
Depreciation	-	(12,535,155)	(1,307,641)	-	(4,962,908)	(18,805,704)
As at 30 <sup>th</sup> June 2022	-	(61,017,055)	(3,777,402)	(22,366,358)	(13,450,297)	(100,611,113)
Depreciation	-	(12,535,155)	(2,004,414)	-	(4,121,994)	(18,661,563)
Transfer/Adjustment	-	-	4,056	-	380,288	-
As at 30 <sup>th</sup> June 2023	-	(73,552,211)	(5,777,761)	(22,366,358)	(17,192,003)	(118,888,332)
Net Book Values	-	-	-	-	-	-
As at 30 <sup>th</sup> June 2022	17,539,000,700	21,823,384	13,256,958	-	7,986,568	17,582,067,609
As at 30 <sup>th</sup> June 2023	17,539,000,700	9,288,228	11,238,082	-	1,859,732	17,561,386,742



## Notes to PPE Analysis

COMPUTERS				
ASSET	PURCHASE YEAR	COST FY 2021/2022	COST FY 2022/2023	REASON FOR CHANGE
Iphone	2021/2022	1,547,000	-	Authority not in possession of the Phones
Ipads	2021/2022	1,520,327	1,547,000	Error of original entry
Telephone handsets	2021/2022	2,838,056	1,973,254	Error of original entry
TOTAL		5,905,383	3,520,254	
NET CHANGE IN COST				(2,385,129)

FURNITURE AND FITTINGS				
ASSET	PURCHASE YEAR	COST FY 2021/2022	COST FY 2022/2023	REASON FOR CHANGE
Furniture	2021/2022	886,000	-	Error of duplication
Furniture	2021/2022	1,233,711	1,255,355	Error of original entry
Furniture	2021/2022	119,880	-	Data entry error
Furniture	2021/2022	1,866,092	1,898,830	Error of original entry
TOTAL		4,105,683	3,154,185	
NET CHANGE IN COST				(951,498)

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	17,539,000,700	0	17,539,000,700
Motor Vehicles	82,840,439	73,552,211	9,288,228
Computers And Related Equipment	19,051,735	17,192,003	1,859,732
Office partitions	22,366,358	22,366,358	-
Office Equipment, Furniture, And Fittings	17,015,843	5,777,761	11,238,082
<b>Total</b>	<b>17,680,275,074</b>	<b>118,888,332</b>	<b>17,561,386,342</b>

Property plant and Equipment includes the following assets that are fully depreciated:

Description	Cost or valuation	Normal annual depreciation charge
Motor Vehicles including Motorcycles	39,375,961	25%
Computers and Related Equipment	11,501,078	33.33%
Office partitions	22,366,358	16.70%
Office Equipment, Furniture and Fittings	718,885	12.50%
<b>Total</b>	<b>73,962,282</b>	<b>-</b>



**17. INTANGIBLE ASSET – ERP SOFTWARE**

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>Cost</b>		
<b>At beginning of the year</b>	6,994,060.80	6,994,060.80
Additions	-	-
<b>At end of the year</b>	6,994,060.80	6,994,060.80
Additions–internal development	-	-
<b>At end of the year</b>	6,994,060.80	6,994,060.80
<b>Amortization and impairment</b>		
<b>At beginning of the year</b>	(4,505,510.27)	(2,174,389.81)
Amortization	(2,331,120.46)	(2,331,120.46)
<b>At end of the year</b>	(6,836,630.73)	(4,505,510.27)
Impairment loss	-	-
<b>At end of the year</b>	(6,836,630.73)	(4,505,510.27)
<b>NBV</b>	<b>157,430.07</b>	<b>2,488,550.53</b>

**18. TRADE AND OTHER PAYABLES**

	<b>FY2022-2023 KShs</b>	<b>FY2021-2022 KShs</b>
Grants and subsidies	5,016,240	5,016,240
Rent		9,643,066
Provision for Audit fees		600,000
Repairs and Maintenance		166,576
Medical Insurance	12,990,140	-
Other salary arrears		3,792,430
Other merchants	241,664	16,111,010
Assets		3,895,053
<b>Total trade and other payables</b>	<b>18,248,044</b>	<b>39,224,374</b>

**19. EMPLOYEE BENEFIT OBLIGATIONS**

<b>Description</b>	<b>FY 2022-2023 KShs</b>	<b>FY 2021-2022 KShs</b>
Pension Contribution	7,983,290	22,859,531
<b>Total employee benefits obligation</b>	<b>7,983,290</b>	<b>22,859,531</b>



**20. CASH GENERATED FROM OPERATIONS**

	<b>FY 2022/2023</b>	<b>FY 2021/2022</b>
<b>Surplus for the Period</b>	<b>10,382,579</b>	<b>17,659,411</b>
<b>Adjusted for:</b>		
Depreciation	20,992,684	21,136,825
Amortized capital grant	-	(2,675,343)
<b>Working Capital changes</b>		
Increase in Prepayments	(3,254,662)	22,450
Increase in provisions and payables	(31,957,518)	(2,774,237)
Increase in grants receivable	(88,790,397)	-
<b>Net cash flow from operating activities</b>	<b>(92,627,315)</b>	<b>33,669,106</b>

## 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.

	<b>Total Amount Kshs</b>	<b>Fully Performing Kshs</b>	<b>Past Due Kshs</b>	<b>Impaired Kshs</b>
<b>At 30<sup>th</sup> June 2022</b>				
Receivable from exchange transactions	N/A	N/A	N/A	N/A
Receivable from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2021</b>				
Receivable from exchange transactions	N/A	N/A	N/A	N/A
Receivable from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-



**(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
<b>At 30<sup>th</sup>, June, 2023</b>				
Provisions (Scholarship)	-	-	5,016,240	5,016,240
Employee benefit obligation (Gratuity)	-	-	196,445	196,445
Other accrued expenses	-	-	13,231,804	13,231,803
<b>Total</b>	-	-		<b>18,444,488</b>
<b>At 30<sup>th</sup>, June, 2021</b>				
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
<b>Total</b>	-	-	-	<b>60,963,089</b>

**(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 2022/2023	FY 2021/2022
	Kshs	Kshs
<b>Cash in Hand</b>	326,441	38,267
<b>Cash at Bank</b>	32,521,376	124,858,210
<b>Salary Advance</b>	280,661	136,666
<b>Imprests</b>	547,370	1,835,798
<b>Total</b>	<b>33,675,848</b>	<b>126,868,941</b>

#### **(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 2022/2023 Kshs	FY 2021/2022 Kshs
<b>a) Grant from the Government</b>		
Grant from National Government	597,154,625	552,300,000
Development partner (Grant) - African Development Bank	-	21,702,564
<b>Total</b>	<b>597,154,625</b>	<b>574,002,564</b>
<b>b) Key management compensation</b>		
Directors' emoluments	13,177,880.00	9,886,573
Compensation to the CEO	5,550,000	5,550,000
Compensation to key management	28,276,000	28,276,000
<b>Total</b>	<b>47,003,880</b>	<b>43,712,573</b>

**23. CONTINGENT LIABILITIES**

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

**24. EVENTS AFTER THE REPORTING PERIOD**

There were no events after the reporting period.

**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. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Reference No. on the External Audit Report	Issues/Observations from Auditors	Management Comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Budgetary control and performance	Late disbursement of the Supplementary 002 funds resulted in delayed payments	Resolved	
2.	Unresolved Prior Year Matters	The matters were resolved	Resolved	

Accounting Officer



S. Ikua

Director General/C.E. O

Date.....**30.4.24**



**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: INTER-ENTITY TRANSFERS**



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MINISTRY OF EAST AFRICAN COMMUNITY (EAC),  
REGIONAL DEVELOPMENT

STATE DEPARTMENT FOR THE ASALS AND  
REGIONAL DEVELOPMENT

*Finance*

OFFICE OF THE PRINCIPAL SECRETARY

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Ref: RNC/D/ACC/RDA/Z/ Vol.1 (31)

18<sup>th</sup> July, 2023

Managing Director  
 LAPSSET Corridor Development Authority  
 P.O BOX 45008-00100  
 NAIROBI

**CONFIRMATION OF INTER ENTITY TRANSFER FOR FY 2022/2023**

The State Department for Regional and Northern Corridor Development wishes to confirm the amounts disbursed to you as at 30<sup>th</sup> June, 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you have received and populate to column D in the table below please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by LAPSSET Corridor Development Authority as at 30 <sup>th</sup> June 2023						
Reference Number	Date Disbursed	Amounts Disbursed to LAPSSET Corridor Development Authority as 30 <sup>th</sup> June, 2023			Amt Received by LAPSSET as at 30 <sup>th</sup> June 2022 (D)	Diff (E)=(D)-(C)
		Recurrent (A)	Development (B)	Total (C)=(A)+(B)		
FT22271D1FJY	28.09.2022	-	45,000,000.00	45,000,000.00		
FT22271GNSW8	28.09.2022		15,000,000.00	15,000,000.00		
FT222495KD07	06.09.2022	36,150,000		36,150,000.00		
FT2220XR39X	08.08.2022	36,150,000		36,150,000.00		
FT22277YX3J3	04.10.2022	36,150,000		36,150,000.00		



LAPSSET Corridor Development Authority

Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2023

FT22306Z0QVB	02.11.2022	34,525,470.40	-	34,525,470.40
FT223403M76D	06.12.2022	34,525,470.30	-	34,525,470.30
FT230040CP6K	04.01.2023	34,525,470.30	-	34,525,470.30
FT23030ZQ11H	30.01.2023	35,066,980.10	-	35,066,980.10
FT23065CTZN6	06.03.2023	35,066,980.10	-	35,066,980.10
FT231078RP9P	17.04.2023	35,066,980.10	-	35,066,980.10
FT23128W1JCK	08.05.2023	8,098,041.00	-	8,098,041.00
<b>TOTALS</b>		<b>325,325,392.30</b>	<b>60,000,000.00</b>	<b>385,325,392.30</b>

I confirm the amounts shown above are correct as of the date indicated and are included in the financial statements

Head of Accounting Unit  
LAPSSET Corridor Development Authority

Name: CPA Bernard Oluoch Juma Sign: [Signature] Date: 2/08/2023

[Signature]  
Clara Mbatia  
FOR: PRINCIPAL SECRETARY



**MINISTRY OF ROADS AND TRANSPORT**

**STATE DEPARTMENT FOR TRANSPORT**

Telegrams: "TRANSCOMS". Nairobi  
 Telephone: 2729200  
 E-mail: info@transport.go.ke  
 When replying please quote

NGONG ROAD  
 P. O. Box 52692-00200  
 NAIROBI, KENYA

REF: MOT&I/ACCTS/062 Vol. I (69)

8<sup>th</sup> August, 2023

The Managing Director  
 Lapsset Corridor  
 NAIROBI

(Attn: Head of Finance/Accounts)

RE: CONFIRMATION OF GRANTS/DISBURSEMENT TO SAGAS FINANCIAL YEAR 2022/2023

The State Department for Transport wishes to confirm the amounts *disbursed to you* as at 30 June 2023 as indicated in the table below. Please compare the amounts *disbursed to you* with the amounts *you received* and populate them in column E in the table below. Then please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by (LAPSSET) as at 30 June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by State Department for Transport as at 30 June 2023				Amount Received by (LAPSSET) as at 30 June 2023 (Kshs) (E)	Differences (Kshs) (F)=(D-E)
		Recurrent (Kshs) (A)	Development (Kshs) (B)	Inter-Ministerial (Kshs) (C)	Total (Kshs) (D)=(A+B+C)		
LAPSSET	30/05/23	93,829,233.00					
LAPSSET	15/06/23	118,000,000.00					
<b>Total</b>		<b>211,829,233.00</b>			<b>211,829,233.00</b>	<b>211,829,233.00</b>	

I certify that the amounts shown above are correct as of the date indicated.

Head of Accounting Unit - State Department for Transport

Name: Delanyo Karanja Signature: \_\_\_\_\_

Date: 15/08/2023 Stamp: \_\_\_\_\_

Head of Accounts Department - LAPSSET

Name: \_\_\_\_\_ Signature: \_\_\_\_\_

Date: \_\_\_\_\_ Stamp: \_\_\_\_\_




**APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent Development Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - statement of cash flow	
None	None	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Total</b>									



# CONTACT US


 (020) 2218968

 @lapsset

 [www.lapsset.go.ke](http://www.lapsset.go.ke)

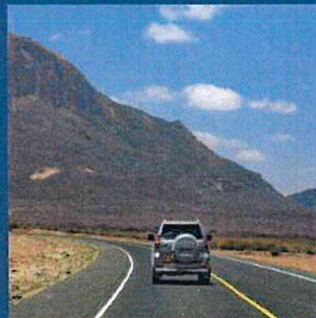
 LAPSSET Corridor  
Development Authority

 [dg@lapsset.go.ke](mailto:dg@lapsset.go.ke)

 P.O BOX 45008-00100  
Chester House, Koinange  
Street



**Lamu Port**



**Highways**



**Oil Pipeline**



**Airports**



**Railway**



**Resort Cities**