EAST AFRICAN COMMUNITY

AUDIT COMMISSION

AUDITED FINANCIAL STATEMENTS FOR THE LAKE VICTORIA ENVIRONMENTAL MANAGEMENT PROJECT II (LVEMP II) FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

DECEMBER 2018

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PROJECT INFORMATION

Physical address and Contacts

LAKE VICTORIA BASIN COMMISSION
LAKE VICTORIA ENVIRONMENT MANAGEMENT PROJECT II
13th Floor, New Nyanza Regional Headquarters
P.O. Box 1510-40100
Kisumu, Kenya
Tel: 254 57 2026344; Fax 254 57 2026324
Email: lvbcsec@lvbcsec.org
Website: www.lvbcom.org

BANKERS

EcoBank Kenya Ltd-Kisumu
NIC Bank (K) Ltd-Kisumu

EXECUTIVE SECRETARY

Dr. Ally - Said Matano
13th Floor New Nyanza Regional Headquarters
P.O. Box 1510 – 40100
Kisumu , Kenya

REGIONAL PROJECT COORDINATOR

Dr. Raymond Mngodo
13th Floor New Nyanza Regional Headquarter
P.O. Box 1510 – 40100
Kisumu, Kenya

PROJECT AUDITOR

Audit Commission as provided for by Article 134 of the Treaty for the Establishment of the East African Community or any other auditor approved by the World Bank.

1. REPORT OF THE EXECUTIVE SECRETARY

INTRODUCTION

The International Bank For Reconstruction and Development (World Bank) acting as the implementing agency of the Global Environment Facility (GEF) and acting as administrator of various funds made available by the Swedish International Development Agency (SIDA) and IDA Grant, extended to East African Community (EAC) grants amounting to US$ 7,000,000, US$ 11,083,089.74 and US$ 2,500,000 respectively for implementation of the Lake Victoria Environmental Management Project II (LVEMP II)

The project is supporting formulation of policies – under the Global Environment Facility (GEF) and specific activities of Cleaner Production Centers on Industrial effluent under the Swedish International Development Agency (SIDA) implemented by Kenya Cleaner Production Centre under the supervision of Lake Victoria Basin Commission (LVBC) and installation of Aids to Navigation equipment on Lake Victoria.

OBJECTIVES OF THE PROJECT

The objectives of Lake Victoria Environment Project II are to:

(i) improve collaborative management of the trans-boundary natural resources of LVB for the shared benefits of the EAC Partner States; and

(ii) Reduce environmental stress in targeted pollution hotspots and selected degraded sub-catchments to improve the livelihoods of communities dependent on the natural resources of the Lake Victoria Basin.

THE MANAGEMENT OF THE PROJECT

The regional institutional arrangements for LVEMP II are as follows:

i. The LVBC, through the Regional Project Coordination Team (RPCT) is responsible for coordination of the Project regionally among the EAC Partner States and for implementation of regional activities.

ii. The LVBC reports to the Sectoral Council of Ministers for LVBC.

iii. The Regional Policy Steering Committee (RPSC) assumes the overall responsibility for policy guidance for the Project at the regional level.

HUMAN RESOURCE OF THE PROJECT

As at 30th June 2018, the Regional Project Coordination Team was composed of 4 Professional Staff and 3 general Staff.

ACHIEVEMENTS DURING THE YEAR 2017/2018

The main achievements made in the implementation of the planned activities for the financial year 2017 – 2018 include:

Component 1: strengthening institutional capacity for managing shared water and fisheries resources

The following activities were implemented during the period under review under this component:

i) Supported the monitoring of fisheries resources and the finalization of the harmonization of fisheries and aquaculture policy for EAC;

ii) Initiated procurement for the consultancy to develop the Lake Victoria Basin pollution model and Prepare a strategic roadmap for water and fisheries resources management;

iii) Coordinated and facilitated Water Quality and Quantity Monitoring in LVB;

iv) Undertaken missions to collect & collate data and information and guide the production of the joint regional project lake basin video and photo stories and contract management

v) Preparation and Dissemination of LVBC Knowledge Products

vi) Convened one (1) joint communication/Knowledge Management and M&E thematic group meeting to standardize tools and approaches

Under this component, the planned activity to convene thematic group meeting for: (a) water; and (b) Environment and Natural Resources experts to synthesize and collate respective monitoring data; and Produce joint regional project lake basin video and photo stories were not implemented due to overlapping with World Banks Implementation support mission and delayed approval of the General Procurement Notice by World Bank respectively.

Component 2: Point sources pollution control and prevention

Supported promotion of cleaner Production Technologies and interventions: During the period under review, LVBC disbursed funds to the CPCs to finance implementation of several activities aimed at promoting cleaner production technologies in the basin. Further, the National

LVEMP II teams also availed funds to the CPCs to support these interventions. The interventions supported included: (i) sensitization and training of industry players in CPTs, (ii) generation of CP and energy options, and (iii) documentation and dissemination of lessons learnt. Other activities included; (iv) Awareness creation and dissemination workshops on RECP; (v) In-house industry trainings on RECP and options identification; (vi) Disbursement of funds to CPCs by national project teams in Tanzania and Uganda; (vii) Industry recruitment for detailed industry in-plant RECP assessments; (viii) collection of industry pollution and monitoring data; and (ix) Preparation of comprehensive Status Report on Cleaner Production.

Cumulatively, implementation these activities saw a total of 540 industries being trained of these technologies out of which 185 industries adopted and invested in such technologies on their respective plants.

The planned activity to undertake a mission to assess the status of implementation of the harmonized industrial and municipal effluent standard in the Partner States was not undertaken as planned due to overlap with the World Bank implementation support mission as well the 19th LVB-SECOM.

Component 3: Project Coordination and Management

To facilitate the smooth implementation of the project regionally, various project coordination and management related interventions were successfully implemented as follows:

i) Facilitated and participated in the 67th JRSC meeting (14th RPSC Meeting for LVEMP II and the 19th LVB-SECOM);

ii) Facilitated internal audit of LVEMP II;

iii) Supported the LVEMP II office supplies and communication costs;

iv) Facilitated LVEMP II procurement activities;

v) Facilitated the operations and maintenance of LVEMP II vehicles including insurance;

vi) Undertook project semi-annual and annual progress review meetings and monitoring missions; and

vii) Initiated & facilitated procurement process for a consultancy to undertake project completion evaluation including preparation of a completion report for APL1 and prepare project implementation Manual (PIM) for APL 3.

3. STATEMENT OF EXECUTIVE SECRETARY'S RESPONSIBILITIES

The Protocol for the Sustainable Development of the Lake Victoria Basin and the Financial Rules and Regulations of the East African Community require the Executive Secretary to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Lake Victoria Basin Commission Secretariat, its Programs and Projects as at the end of the financial year and its operating results for that year. It also requires the Executive Secretary to ensure that the Secretariat keeps proper accounting records, which disclose with reasonable accuracy the financial position of the Commission. The Executive Secretary is also responsible for safeguarding the assets of the Commission.

The Executive Secretary accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with International Public Sector Accounting Standards. The Executive Secretary is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Commission and its Projects and its operating results. The Executive Secretary further accepts responsibility for the maintenance of accounting records, which may be relied upon in the presentation of financial statements, as well as adequate system of internal financial control.

Dr Ally - Said Matano
EXECUTIVE SECRETARY
DATE11.12.2018

3. REPORT OF THE AUDIT COMMISSION ON THE AUDIT OF LAKE VICTORIA ENVIRONMENTAL MANAGEMENT PROJECT FOR THE YEAR ENDED 30TH JUNE 2018

To: Chairman,
Council of Ministers,
East African Community

REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Lake Victoria Environment Management Project II set out on pages 11 to 26 which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lake Victoria Environment Management Project II as at 30 June 2018, of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards, comply with the Treaty for Establishment of the East African Community, 1999 and comply with SIDA GRANT No. TF 095196 and IDA Grant D0560 dated 13th January 2010 and The Protocol for the Sustainable Development of the Lake Victoria Basin.

Basis for Opinion

The audit was conducted in accordance with International Standards of Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Project in accordance with the ethical requirements of International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants and Article 134(4) of the Treaty for Establishment of the East African Community, 1999 and we have fulfilled our ethical responsibilities in accordance with these requirements and the ISAs. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

The Executive Secretary of Lake Victoria Basin Commission is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management are responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management intends to cease operations of the Project, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

Audit Commission's Responsibilities for the Audit of the Financial Statements

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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are 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 our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Project to cease to continue as a going concern.

- 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 of the business activities within the Project to express an opinion on the financial statements. We are

responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

- We also provide those charged with governance with a statement that we 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 our independence, and where applicable, related safeguards.

- From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Article 134(2) of the Treaty for Establishment of the East African Community, 2009, we report based on the audit that any contributions received or revenue collected by the Commission have been allocated and distributed in accordance with this Treaty.

The Lake Victoria Environmental Management project has generally complied with the requirements of the Treaty.

Prof. Mussa J. Assad	**Ms. Générose Kiyago**	**Mr. John F. S. Muwanga**
Controller and Auditor General of The United Republic of Tanzania	State Inspector General of The Republic of Burundi	Auditor General of The Republic of Uganda
Date 11th Dec 2018	Date 11/12/2018	Date 11.12.2018
Mr. Edward R. O. Ouko	**Mr. Obadiah. R. Biraro**	**H.E Amb. Steven W. Kiliona**
Auditor General of The Republic of Kenya	Auditor General of The Republic of Rwanda	Auditor General of The Republic of South Sudan
Date 11.12.2018	Date 11/12/2018	Date 11/12/18

4. FINANCIAL STATEMENTS

4.1 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2018

ASSETS		**2017-18 LVEMP II**	**2016-17 LVEMP II**
CURRENT ASSETS	NOTES	**2017-18**	**2016-17**
Cash and Cash Equivalent	2.1	1,930	15,078
Account Receivables	3.1	4	134,602
VAT Claimable	3.2	92	-
INVENTORIES	4	2,813	3,468
TOTAL CURRENT ASSETS		**4,839**	**153,148**
NON CURRENT ASSETS:			
Property, Plants & Equipments	5.1	16,369	44,175
Intangible Asset	5.3	2	(1)
TOTAL NON CURRENT ASSETS		**16,371**	**44,174**
TOTAL ASSETS		**21,210**	**197,322**
LIABILITIES AND ACCUMULATED FUND			
CURRENT LIABILITIES			
Account Payables	6	21,701	60,958
Deferred income from Donors	7	(23,129)	7,758
TOTAL CURRENT LIABILITIES		**(1,428)**	**68,716**
NET ASSETS OR EQUITY			
Capital Reserve		761	761
Surplus or Deficit		21,879	127,848
TOTAL CAPITAL FUND		**22,640**	**128,609**
TOTAL LIABILITIES AND ACCUMULATED FUND		**21,212**	**197,325**

5.2 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2018

PARTICULARS		2017-18	2016-17
INCOME	**NOTES**	**2017-18**	**2016-17**
Miscellaneous Income	**8**	2,154	15,033
Funds from Development Partners'	**9**	575,322	1,356,655
TOTAL		**577,476**	**1,371,688**
LESS EXPENDITURE			
Staff Emoluments	**10**	190,524	392,190
Administrative Expenses	**11**	272,897	715,986
Finance & Other Special Charges	**12**	111,900	248,618
Depreciation and Amortization Exp.	**5**	27,804	36,283
TOTAL EXPENDITURE		**603,125**	**1,393,077**
SURPLUS/(DEFICIT) C/F.		**(25,649)**	**(21,389)**
TOTAL		**577,476**	**1,371,688**

Dr Ally Said Matano
EXECUTIVE SECRETARY
DATE.....11.12.2018.

4.3 STATEMENT OF CHANGES IN NET ASSET/EQUITY AS AT 30TH JUNE 2018

2016-17:	**Capital Contribution**	**Surplus or Deficit**	**Total**
As at 1st July 2016	761	123,218	123,979
Surplus/(Deficit) for the Year		(21,389)	(21,389)
Prior Year Adjustment		26,019	26,019
As at 30th June 2017	**761**	**127,848**	**128,609**
2017-18:			
As at 1st July 2017	761	47,528	48,289
Surplus/(Deficit) for the Year		(25,649)	(25,649)
As at 30th June 2018	**761**	**21,879**	**22,640**

4.4 STATEMENT OF CASH FLOW FOR THE YEAR 30TH JUNE 2018

PARTICULARS	2017-18	2016-17
Cash flow from operating activities	US$	US$
Net Surplus/(Deficit) for the Year	(25,649)	(21,389)
Adjustment for:		
Depreciation	27,805	36,283
Increase/(Decrease) in Asset Value	-	(6,098)
Prior Year Adjustment	-	26,019
Non-transaction Items (Other Income & Interest)	(2,155)	(15,033)
	1	**19,782**
Working Capital Changes		
Decrease/ (increase) in Account Receivables	134,506	106,061
Decrease/ (increase) in Inventories	655	(3,468)
Increase/ (decrease) in creditors	(39,257)	(569,233)
Increase/ (decrease) in Deferred Income	(111,207)	(121,939)
Decrease/ (increase) in FDR	-	-
Net Cash Outflow from operating activities	**(15,302)**	**(568,797)**
Cash flow from Investing Activities:		
Acquisition of fixed assets - Purchases	-	-
Non-transaction Items (Interest Receivable)	2,155	15,033
Net Cashflow generated from investing activities	**2,155**	**15,033**
Cash flow from Financing Activities:		
Net Cash Outflow in cash and cash equivalents	**(13,147)**	**(553,764)**
Cash and cash equivalents at beginning of period	**15,078**	**568,844**
Cash and cash equivalents at end of period	**1,931**	**15,078**

4.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE YEAR ENDED 30TH JUNE 2018

	Annual Budget()	Budget Consumed	Budget Available	Utilization %
	USD	USD	USD	
Undertake project semi-annual and annual progress	30,570	28,883	1,687	94%
Produce joint regional project lake basin video an	33,300	22,549	10,751	68%
To convene 2 Regional Policy Steering Committee me	39,400	37,934	1,466	96%
To provide LVEMP II office supplies and communication	8,200	1,535	6,665	19%
Undertake project completion evaluation including	30,495	30,391	104	100%
To Coordinate project implementation support mission	33,200	29,779	3,421	90%
To facilitate external audit of the LVEMP project	9,700	7,723	1,977	80%
To facilitate project participation in the Sectoral	19,665	17,555	2,110	89%
Knowledge networking	34,500	29,849	4,651	87%
To undertake maintenance of LVEMP II vehicles	10,320	7,071	3,249	69%
Basin wide monitoring output for water quality	49,900	42,514	7,386	85%
To facilitate LVEMP Procurement activities	28,805	0	28,805	0%
Preparation and Dissemination of LVBC Knowledge	16,000	0	16,000	0%
To undertake knowledge management and Learning	36,450	30,355	6,095	83%
Support CPC to implement cleaner prod activities		99,106	-99,106	
(WB) To pay LVEMP II staff monthly emoluments	208,562	190,524	18,038	91%
Total	589,067	575,768	13,299	98%

4.6 ACCOUNTING POLICIES

SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

These financial statements are for the Lake Victoria Environmental Management Project II (LVEMP II). The financial statements encompass the reporting entity as specified in The Protocol for Sustainable Development of Lake Victoria Basin.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Measurement Basis

These financial statements are prepared on an accrual basis of accounting in accordance with IPSAS and the EAC Financial Rules and Regulations. LVEMP II applies the historical cost principle unless otherwise stated. The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the year. The reporting period covered by the financial statements is from 1st July to 30th June.

b) Basis of Presentation

The financial statements comply with International Public Sector Accounting Standards for the accrual basis of accounting in as far as the IPSASs so far adopted are concerned; otherwise IASs/IFRSs are still applicable. For the Financial Year ended 30th June 2018, the following IPSAs, which are applicable to the LVEMP II have been adopted;

IPSAS 1	Presentation of Financial Statements
IPSAS 2	Cash flow Statements.
IPSAS 3	Accounting Policies, Changes in Accounting Estimates and Errors.
IPSAS 4	Effects of Foreign Exchange Rates
IPSAS 9	Revenue from Exchange Transactions.
IPSAS 12	Inventories.
IPSAS 14	Events after Reporting date
IPSAS 17	Property, Plant and Equipment.
IPSAS 19	Provisions, Contingent Liabilities and Contingent Assets.
IPSAS 20	Related Party Disclosures.
IPSAS 23	Revenue from Non-Exchange Transactions.
IPSAS 24	Presentation of Budget Information in Financial Statements
IPSAS 31	Intangible Assets

IPSAS 25 (Employee Benefits) has not been complied with in full because of the need to streamline the current policy on plan assets and obligations and the need to change the policy on the accounting treatment of interest earned on gratuity.

The measurement base applied is historical cost adjusted for revaluations of assets.

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

c) Disclosure of Date of Authorization for Issue

These financial statements are approved by the Executive Secretary of the Lake Victoria Basin Commission. In accordance with the EAC Financial rules and regulations, these financial statements are authorized for issue on the 30th of September.

d) Use of estimates

Preparing financial statements in accordance with IPSAS requires LVBC – LVEMP II to make estimates, judgments and assumptions in the selection and application of accounting policies and in the reported amounts of assets, liabilities, revenues and expenses. For this reason, actual results may differ from those estimates. Accounting estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include: selection of useful lives and the depreciation/amortization method for property, plant and equipment/intangible assets; impairment on assets; classification of financial instruments or assets; and contingent assets and liabilities.

e) Donations and Grants

The financial statements in conformity with IPSAS 23 –Restricted contributions from Development Partners are recognised when spent. When the stipulation is conditional then, donations of assets are recognised as a liability and the revenue recognised annually by the equal reduction of the carrying amount of the liability as provided by IPSAS 23.

Most of the assistance given to the Community by the Development Partners is in relation to specific projects or programmes. Hence, they are treated as restricted contributions.

Restricted contributions are recognized as Revenue over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis. In-kind contributions of goods provided are recognized as assets and revenue once it is probable that future economic benefits or service potential will flow to LVEMP II and the fair value of those assets can be measured reliably.

Grants related to assets are presented in the statement of financial position as deferred revenue which is recognized as revenue on a systematic and rational basis over the useful life of the asset. Where the funds are paid directly and not channeled to the Secretariat, the revenue recognition is limited to the amount accounted for by the administrator of the grant.

f) Foreign Exchange rates

The financial statements are prepared in conformity with IPSAS 4 – The Effects of Changes in Foreign Exchange Rates which requires management to disclose effects of foreign currency transactions in their financial statements.

The presentation and functional currency of LVBC is the US Dollar as stipulated in Regulation 77 of the EAC Financial Rules and Regulations (2006). LVEMP II also transacts in Kenya shillings.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the reporting date and are recognized in net assets/equity.
Non-monetary items in foreign currencies measured at historical cost are translated at the exchange rate in effect at the date of the transaction.
Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognized in the Statement of financial performance.
The exchange rates used for the following financial years are as follow:

Currency	Year 2017/18	Year 2016/17
1 USD/KSh (Kenya Shillings)	101.05	103.7

g) Interest earned

The financial statements are prepared in conformity with IPSAS 9 – Revenue from Exchange Transactions, requires management to treat such revenue as revenue for the year. Such interest comprises mainly interest from banks, treasury bills and other short term and long-term deposits.

h) Property, Plant and Equipment

All property, plant and equipment are stated at historical cost, less accumulated depreciation and accumulated impairment losses. This includes costs that are directly attributable to the acquisition of the asset and the initial estimate of dismantling and site restoration costs. Where an asset is acquired for nil or nominal consideration, the fair value at the date of acquisition is deemed to be its cost. The threshold for recognition of property, plant and equipment as an asset is $250 or more per unit
LVBC elected to apply the cost model to measurement after recognition instead of the revaluation model. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to LVBC and the cost of the item can be measured reliably. Repairs and maintenance are charged to surplus or deficit in the Statement of financial performance in the year in which they are incurred.
Assets acquired through a non-exchange transaction are measured at fair value as at the date of acquisition consistent with IPSAS 17.

In addition, the gain or loss arising from the derecognition of an item of property, plant, and equipment shall be included in surplus or deficit when the item is derecognized.

i) Impairment of non-cash generating assets

Property, plant and equipment, intangible and other non-cash generating assets are reviewed for impairment at each reporting date. For property, plant and equipment, LVBC reviews for impairment during the annual physical verification process. An impairment loss is recognized in

surplus or deficit in the Statement of financial performance when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of an asset's fair value, less costs to sell, and its value in use.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the impairment of value has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment deficit had been recognized.

j) Depreciation

The financial statements in conformity with IPSAS 1 – Presentation of Financial Statement and IPSAS 17 – Property, Plant and Equipment recognize depreciation in the Statement of Financial Performance. Management charges depreciation to the Statement of Financial Performance on a straight-line basis to write off the cost of property, plant and equipment to their residual values over their expected useful lives.

No depreciation is provided on the land. Depreciation for Property, Plant and Equipment purchased during the year is apportioned proportionately to the remaining period of the year and cease to be depreciated at earlier of the date that the asset is derecognized. Depreciation related to donated assets is charged from deferred income related to Non-Current Assets.

Annual depreciation rates applied during the financial year 2017/18 are as follows:

Buildings	2.50%
Motor vehicles	25.00%
Computer equipment	33.33%
Telecommunication equipment	33.33%
Office equipment	25.00%
Office fixtures and fittings	12.50%
Office furniture	12.50%
Residential assets	12.50%
Marine Equipment	20.00%

k) Taxation

Article IV Section (4) subsection of the Headquarters Agreement between East African Community and the Republic of Kenya states that: "The Commission shall be exempt from VAT and Customs duties on goods and equipment imported for its official use. Provided that such goods and equipment shall not be sold within the Republic of Kenya except in accordance with conditions agreed with the Government".

The Commission shall also be exempt from any obligation relating to payments, withholding or collection of any tax or duty.

l) Inventories

The financial statements in conformity with IPSAS 12 – Inventories, requires management to determine the amount of cost to be recognized as an asset and carried forward until the related revenues are recognized in the Statement of Financial Performance.
The Commission values inventories at the lower of cost and current replacement cost. Cost is determined on a weighted average cost basis. Net realizable value refers to the net amount that an entity expects to realize from the sale of inventory in the ordinary course of operations. Any write-down or inventory losses are recognized as an expense in the period they occur. Any reversal of write-down should be recognized as a reduction of the inventories recognized as an expense in the Statement of Financial Performance in the period in which the reversal occurs [IPSAS 12.44]. Provision for impairment is made for slow moving and obsolete stocks.

m) Presentation of Budget Information

The financial statements in conformity with IPSAS 24 requires management of a public sector entity to show comparison of budget amounts arising from execution of the budget to be included in the financial statements of the entity which are required to, or elect to, make publicly available their approved budget for which they are, therefore, held publicly accountable. The Standard also requires disclosure of an explanation of the reasons for material differences between budget and actual amounts.

The Commission prepares its financial statements clearly indicating the actual expenditure in comparison with the approved budgetary provisions and in so doing fully complies with this Standard.

The statement of comparison of budgeted and actual amounts has been presented using cash basis of accounting.

The budget is prepared and approved on a cash basis. The classification of budget is by project and covers the fiscal period from 1st July to 30th June. The budget was approved by East African Legislative Assembly and the budget objectives and policies are illustrated in the foreword to these financial statements. The budget and the accounting bases differ. The financial statements for the commission are prepared on the accrual basis whereas the budget is prepared on a cash basis

n) Related Parties

IPSAS 20 requires the disclosure of the existence of related party relationships where control exists, and the disclosure of information about transactions between the entity and its related parties in certain circumstances.
The financial statements in conformity with IPSAS 20 requires the entity to show the aggregate remuneration of key management personnel and the number of individuals, determined on full time equivalent basis, receiving remuneration within this category, showing separately major classes of key management personnel and including a description of each class and the total amount of all other remuneration and compensation provided to key management personnel and close family members itemized separately.

During the period under review, the key management personnel of the entity included the Project Coordinator of LVEMP II. The remuneration of the key management personnel is as per the EAC Staff Rules and Regulations 2006 and amounted to USD 69,249.27.

o) Intangible Assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.
Intangible assets with a finite life are amortized at 20% per annum on a straight-line basis.

Intangible assets with a finite useful life are assessed for impairment whenever there is an indication that the asset may be impaired.

The amortization period and the amortization method, for an intangible asset with a finite useful life, are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on an intangible asset with a finite life is recognized in surplus or deficit as the expense category that is consistent with the nature of the intangible asset.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the surplus or deficit when the asset is derecognized.

p) Contingencies

Contingent assets

A contingent asset is disclosed when an inflow of economic benefits or service potential is probable. If it has become virtually certain that an asset is no longer contingent and that its value can be measured reliably, the asset and the related revenue are recognized in the year in which the change occurs. The Commission had no contingent assets as at 30th June 2018.

Contingent liabilities

A contingent liability is disclosed unless the possibility that it will be realized is remote. If it becomes probable that a contingent liability will be realized, a provision is recognized in the year in which the change of probability occurs. The Commission had no contingent liabilities as at 30th June 2018.

4.7 NOTES TO THE FINANCIAL STATEMENTS

Notes	Particulars	2017-18	2016-17
Note 2.1	**Cash and Cash Equivalent**	2017-18	2016-17
2.1.1	WB GEF - LVEMP II USD - 1411000009 (Ecobank - KSM)	528	-
2.1.2	WB SIDA - LVEMP II USD - 1000022515 NIC Kisumu	241	9,738
2.1.3	WB SIDA - LVEMP II KSHS - 1000012919 NIC Kisumu	-	1,286
2.1.4	LVEMP11/WBAF-ECOBANK USD A/C 5008015348	1,036	-
2.1.5	LVEMP II/WBAF-ECBANK-KSH	125	4,054
	Sub-Total	**1,930**	**15,078**

Note 3.1	Account Receivables and Prepayments (debtors)	2017-18	2016-17
3.1.1	Salary Advances	-	6,117
3.1.2	Housing Advances	-	4,350
3.1.3	Staff Imprest (EAC Activities)	-	16,610
3.1.4	Staff Imprest (DSA)	-	8,417
3.1.5	KENYA NATIONAL CLEANER PRODUCTION CENTRE	-	24,065
3.1.6	BURUNDI CLEANER PRODUCTION CENTRE	-	170
3.1.7	RWANDA CLEANER PRODUCTION CENTRE	-	52,552
3.1.8	TANZANIA CLEANER PRODUCTION CENTRE	-	795
3.1.9	ADVANCE TO LVFO-UGANDA	-	11,236
3.1.10	UGANDA CLEANER PRODUCTION CENTRE	-	10,288
3.1.11	African Development Bank	-	2
3.1.12	PAN AFRICA EXPRESS COURIER	3	-
3.1.13	SALARY PAYABLE	-	-
	Sub-Total	**3**	**134,602**

Note 3.2	Account Receivables	2017-18	2016-17
3.2.1	VAT Receivables	92	-
	Sub-Total	92	-
	TOTAL ACCOUNTS RECEIVABLE	**95**	**134,602**

Note 4	INVENTORIES	2017-18	2016-17
4.1	Consumables (Computer Accessories, Tonners etc)	2,813	3,468
	Sub-Total	**2,813**	**3,468**

NOTE 5.1: PROPERTY, PLANT AND EQUIPMENT	Computer Equipments	Telcom Equip	Office Equip	Marine Equipment	Office Furniture	Motor Vehicle	Total
COST: '2017-18	**2017-18 (US$)**	**2017-18 (US$)**	**2017-18 (US$)**	**2017-18 (US$)**	**2017-18 (US$)**	**2017-18 (US$)**	**2017-18 (US$)**
As at 1st July 2017	37,829	882	23,681	254,489	68,145	164,932	549,958
Additions/Transfer	-	-	-	-	-	-	-
Disposal						-	-
As at 30th June 2018	**37,829**	**882**	**23,681**	**254,489**	**68,145**	**164,932**	**549,958**
Accumulated depreciation:							
As at 1st July 2017	36,330	880	23,676	233,714	46,255	164,929	505,784
Depreciation for the year	1,113	-	-	20,774	5,918	-	27,805
As at 30th June 2018	37,443	880	23,676	254,488	52,173	164,929	533,589
Net Carrying Amount:							
As at 30th June 2018	**386**	**2**	**5**	**1**	**15,972**	**3**	**16,369**
COST: '2016-17	**2016-17(US$)**	**2016-17(US$)**	**2016-17(US$)**	**2016-17(US$)**	**2016-17(US$)**	**2016-17(US$)**	**2016-17(US$)**
As at 1st July 2016	37,829	882	23,681	254,489	68,145	164,932	549,958
Additions	-	-	-	-	-	-	-
Disposal	-						-
As at 30th June 2017	**37,829**	**882**	**23,681**	**254,489**	**68,145**	**164,932**	**549,958**
Accumulated depreciation:							
As at 1st July 2016	41,482	880	23,676	206,014	39,720	164,929	476,701
Depreciation for the year	1,127	-	-	27,699	6,535	-	35,361
Depreciation write-off on disposal	(6,279)	-	-	-	-	-	(6,279)
As at 30th June 2017	**36,330**	**880**	**23,676**	**233,713**	**46,255**	**164,929**	**505,783**
Net Carrying Amount:							
As at 30th June 2017	**1,499**	**2**	**5**	**20,776**	**21,890**	**3**	**44,175**

NOTE 5.3: PROPERTY, PLANT AND EQUIPMENT (INTANGIBLE ASSETS)	Computer Software	Total
2017-18	**2017-18**	**2017-18**
COST:		
As at 1st July 2017	46,062	46,062
Additions	-	-
As at 30th June 2018	**46,062**	**46,062**
Accumulated depreciation:		
As at 1st July 2017	46,060	46,060
Depreciation for the year	-	-
As at 30th June 2018	46,060	46,060
Net Carrying Amount:		
As at 30th June 2018	**2**	**2**
2016-17	**2016-17**	**2016-17**
COST:		
As at 1st July 2016	46,062	46,062
Additions	-	-
Disposal		
As at 30th June 2017	**46,062**	**46,062**
Accumulated depreciation:		
As at 1st July 2016	45,141	45,141
Depreciation for the year	922	922
As at 30th June 2017	**46,063**	**46,063**
Net Carrying Amount:		
As at 30th June 2017	**(1)**	**(1)**

Note 6	Account Payables and Accrued Expenses	2017-18	2016-17
6.1	WB SIDA - LVEMP II KSHS - 1000012919 NIC Kisumu	143	-
6.2	LVEMP11/WBAF-ECOBANK USD A/C 5008015348	-	29,805
6.3	Lake Victoria Basin Commission	14,247	-
6.4	Clearing Account	528	-
6.5	ILANGA SYSTEMS EAST AFRICA	-	1,250
6.6	JASEL ENTERPRISESF LTD	527	133
6.7	KINGSWAY TYRES LIMITED	-	1,935
6.8	LAKE PRINTERS &STATIONERS LTD	-	864
6.7	MAJESTY TECHNOLOGIES	-	612
6.8	MFI OFFICE SOLUTIONS	2,824	4,655
6.9	METRO CLEANERS & RENOVATORS	2,551	2,551
6.10	Malaika Beach Resort Limited	-	17,850
6.11	PAN AFRICA EXPRESS COURIER	-	166
6.12	PROTEA HOTEL ENTEBBE	-	1,137
6.13	RAPHAEL OKETCH KABWAO	158	-
6.14	RESOLUTION INSURANCE	723	-
	Sub-Total	**21,701**	**60,958**

Note 7	Deferred Income	2017-18	2016-17
7.1	Deferred Income LVEMP II	702,557	681,660
7.2	LVEMP II Sida Funds	(487,625)	(413,211)
7.3	LVEMP II WBAF	(238,061)	(260,691)
	Sub-Total	**(23,129)**	**7,758**

S/No.	Particulars	2017-18	2016-17
Note 8	**Miscellaneous and Other Income**	**2017-18**	**2016-17**
8.1	Interest Received-Bank (Operating Accounts)	23	415
8.2	Foreign Exchange Gains	449	549
8.3	Sundry/Other Miscellaneous Income	1,682	14,069
	Sub-Total	**2,154**	**15,033**

Note 9	Development Partners' Income	2017-18	2016-17
9.1	LVEMP II Sida Income	-	172
9.2	LVEMPII WBAF INCOME	575,322	1,356,483
	Sub-Total	**575,322**	**1,356,655**

Note 10	Staff Emoluments	2017-18	2016-17
10.1	Basic Salaries- Non-Established Professionals	85,988	178,781
10.2	Basic Salaries- Non-Established General Staff	15,264	35,304
10.3	Housing Allowance-Professional Staff	26,400	52,800
10.4	Housing Allowance-General Staff	6,000	9,800
10.5	Transport Allowance-Professional Staff	6,000	12,800
10.6	Transport Allowance-General Staff	2,100	6,150
10.7	Overtime- Non-established General Staff	3,280	6,340
10.8	Medical Cover-Professional Staff	8,543	-
10.9	Medical Cover-General Staff	6,266	25,331

10.10	Life Assurance-Professional Staff	4,509	14,495
10.11	Life Assurance-General Staff	879	-
10.12	Gratuity- Professionals	21,479	33,562
10.13	Gratuity- General Staff	3,816	4,180
10.14	Gratuity-Non-established Staff	-	12,647
	Sub-Total	**190,524**	**392,190**

Note 11	**Administration Expenses**	**2017-18**	**2016-17**
11.1	Printing and Publishing Services	4,251	31,409
11.2	Conference/Workshop Participation Fees	-	1,700
11.3	Hiring of Conference Facilities	19,093	94,218
11.4	Insurance of Motor Vehicles	3,158	3,779
11.5	Stationery (i.e Paper, Pencils, Pens etc)	337	1,470
11.6	Office Maintenance Materials & Supplies	79	1,972
11.7	Consumables (Computer Accessories, Tonners etc)	655	7,816
11.8	Other Office Supplies (e.g Refreshments, toiletari	-	4,422
11.9	Refined Fuel & Lubricants for Motor Vehicle/Motorc	4,165	12,746
11.10	Motor Vehicle Maintenance (i.e Routine Service)	3,466	5,923
11.11	Air Transport (Flight Tickets)-Staff	40,482	93,427
11.12	Daily Subsistence Allowance (DSA)-Staff	189,731	408,034
11.13	Daily Subsistence Allowance (DSA)-Delegates	3,500	35,500
11.14	Audit Fees	3,980	13,570
	Sub-Total	**272,897**	**715,986**

Note 12	**Financial Expenses**	**2017-18**	**2016-17**
12.1	Contracted Professional Services-Consultancy Fees	12,330	18,262
12.2	Bank Service Charges (e.g Interest, commissions/ I	464	667
12.3	Other Financial Charges	-	177
12.4	Relief/Grants & Transfers	99,106	19,415
12.5	Current Transfers to Other Organisations	-	210,096
	Sub-Total	**111,900**	**248,617**