

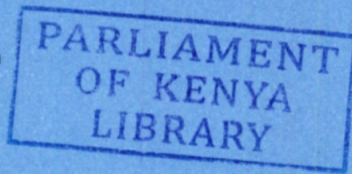
REPUBLIC OF KENYA



Enhancing Accountability

PAPERS LAID	
DATE	28/2/2024
TABLED BY	Maj. Leader
COMMITTEE	—
CLERK AT THE TABLE	Angela

REPORT



OF

THE AUDITOR-GENERAL

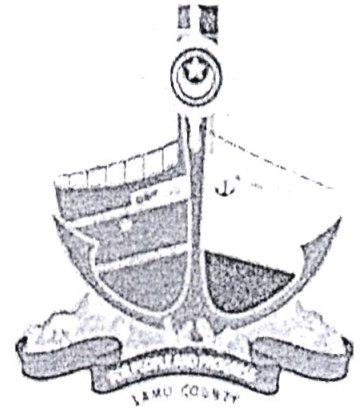
ON

**LAMU COUNTY YOUTH DEVELOPMENT
FUND**

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



OFFICE OF THE AUDITOR GENERAL
P.O. Box 81543, MOMBASA
01 DEC 2023
RECEIVED
NORTH COAST REGIONAL OFFICE



LAMU COUNTY YOUTH DEVELOPMENT FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023

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

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Table of Content

1. Acronyms and Glossary of Terms	iii
2. Key Information and Management	iv
3. Fund Administration Committee	vii
4. Management Team	ix
6. Report of The Fund Administrator	xii
7. Statement of Performance Against the County Fund's Predetermined Objectives	xiv
8. Corporate Governance Statement	xv
9. Management Discussion and Analysis	xvii
10. Environmental and Sustainability Reporting	xviii
11. Report of The Trustees	xix
12. Statement of Management's Responsibilities	xx
13. Report of The Independent Auditor on the Financial Statements for Lamu County Youth Development Fund	xxii
14. Statement of Financial Performance for the Year Ended 30 th June 2023	1
15. Statement of Financial Position as at 30 June 2023	2
16. Statement of Changes in Net Assets for the year ended 30 th June 2023	3
17. Statement of Cash Flows for The Year Ended 30 June 2023	4
18. Statement of Comparison of Budget and Actual Amounts for The Period	5
19. Notes to the Financial Statements	6
20. Annexes	28

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

1. Acronyms and Glossary of Terms

a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings

b) Glossary of Terms

Fiduciary Management	The key management personnel who had financial responsibility
----------------------	---

**Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

2. Key Information and Management

a) Background information

Lamu County Youth Development Fund is established by and derives its authority and accountability from Lamu County Youth Development Fund Act of 2018. The Fund is wholly owned by the County Government of Lamu and is domiciled in Kenya.

The fund's objective is to unlock the people living with disability potential for sustainable and wealth creation and development. The Fund's principal activity is to provide funds for economic empowerment to person living with disability.

b) Principal Activities

The fund principal activity is to: -

- (a) Providing access to capital and financial facilities to the medium and small enterprises.
- b) Providing access to capital and financial facilities to the youth groups and organizations.
- c) Spurring Socio - economic development for the youth.
- d) Supporting small enterprises and groups to develop linkages with larger enterprises and national and international funding organizations.
- e) Marketing products of small and medium enterprises for the youth.
- f) Supporting entrepreneurship training for micro and medium enterprise to groups benefitting from the Fund.
- g) Rehabilitating youths who are affected by HIV drug and substance abuse

c) Fund Administration Committee

Ref	Name	Position
1	Mrs. Hafswa Diffin	Chief Officer – Education, Youth, Gender, Sports Social Service and Vocational Training Centres – Fund Administrator
2	CPA Salma Omar	Chief Officer – Finance, Budget, Strategy and Economic Planning
3	Bwanamkuu Fumo	Chairman
4	Ismail Bute	Secretary
5	Kauthar Famau Abubakar	Member

**Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

d) Key Management Team

Ref	Name	Position
1	Mrs. Hafswa Diffin	Chief Officer – Education, Youth, Gender, Sports Social Service and Vocational Training Centres – Fund Administrator
2	CPA Salma Omar	Chief Officer – Finance, Budget, Strategy and Economic Planning
3	Bwanamkuu Fumo	Chairman

e) Fiduciary Oversight Arrangements

SN	Position	Name
1	Directorate of Accounting Services	CPA Mohamed Abbas Abubakar
2	Directorate Internal Audit	CPA David Njoroge
3	County Assembly of Lamu	Public Accounts Investment Committee
4.	Kenya Office of Auditor General	Office of Auditor General

f) Registered Offices

County Government of Lamu Headquarters
P.O. Box 74- 80500
Mokowe, Lamu.

g) Fund Contacts

Telephone: (254) 715555111
E-mail: treasury@lamu.go.ke
Website: www.lamu.go.ke

h) Fund Bankers

1. Cooperative Bank
Mpeketoni Branch
P.O. Box 191- 80500
Lamu – Kenya.

i) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya




Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

j) Principal Legal Adviser

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

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

3. Fund Administration Committee

Name	Details of qualifications and experience
 <p data-bbox="193 645 687 719">Mr. Bwanamkuu Fumo Bwanamkuu Chairman</p>	<p data-bbox="715 365 1378 613">Born in 09.04. 1984 Mr. Bwanamkuu Fumo has O Level Education. Currently he is the chairman of Witu Sports promotion group, Chairman Amani na Maendeleo Youth Association, Chairman Witu ward county bursary Committee.</p> <p data-bbox="715 629 1378 878">Through out his position he managed to rescue several victims of FGM and took them to school and manage to improve the welfare of the youth in the area through provision of start up capital to start their own business.</p>
 <p data-bbox="352 1218 555 1283">Ismail Ali Bute Secretary</p>	<p data-bbox="715 902 1362 987">Born in 13.12.1995. Mr. Ismail Ali Bute has O Level Education. Currently he is working a teacher</p>
 <p data-bbox="252 1592 671 1657">Ms. Kauthar Famau Abubakar Member</p>	<p data-bbox="730 1283 1394 1747">Born in 9.12.1997. Ms. Kauthar Famau is a graduate of diploma in procurement and materials management from technical university of Mombasa. She has been working experience in youth empowerment and peace building, environmental management ,ocean conservation ,community development ,governance in management of natural resources, advocacy on conversation policies at county level.</p>

**Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023**



**CPA Salma Omar
Chief Officer Finance, Budget,
Strategy and Economic Planning**

Born in 17.07.1985 Mrs. Salma Omar Ahmed is a Certified Public Accountant of Kenya and holds Bachelor's degree in Business Administration in Finance and Accounting from Moi University. She also holds certificate in Senior Management and Strategic Leadership from Kenya School of Government. She is a member of ICPAK. Prior to her appointment as Chief Officer, she was Ag. Director Accounting Service, Principal Finance Officer for the for the County Treasury and served. She is Redcross Lamu Branch Treasurer from year 2015 upto date. CPA Salma brings to the Board vast experience in technical and senior managerial skills having worked in both Private and Public Institutions






**Mrs. Hafswa Diffini
Chief Officer for Education
FUND ADMINISTRATOR**

Born in 12.10. 1968 Having worked as the First Chief officer for Education after devolution in 2013, Mrs Hafswa Diffini brings to the Management vast experience of over 30 years in public service. She holds bachelor's degree in education

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

4. Management Team

Name	Details of qualifications and experience
 <p data-bbox="268 658 579 763">Mr. Bwanamkuu Fumo Bwanamkuu Chairman</p>	<p data-bbox="667 376 1380 840">Born in 09.04. 1984 Mr. Bwanamkuu Fumo has O Level Education. Currently he is the chairman of Witu Sports promotion group, Chairman Amani na Maendeleo Youth Association, Chairman Witu ward county bursary Committee. Throughout his position he managed to rescue several victims of FGM and took them to school and manage to improve the welfare of the youth in the area through provision of start-up capital to start their own business.</p>
 <p data-bbox="217 1193 651 1323">CPA Salma Omar Chief Officer Finance, Budget, Strategy and Economic Planning</p>	<p data-bbox="675 857 1380 1585">Born in 17.07.1985 Mrs. Salma Omar Ahmed is a Certified Public Accountant of Kenya and holds Bachelor's degree in Business Administration in Finance and Accounting from Moi University. She also holds certificate in Senior Management and Strategic Leadership from Kenya School of Government. She is a member of ICPAK. Prior to her appointment as Chief Officer, she was Ag. Director Accounting Service, Principal Finance Officer for the for the County Treasury and served. She is Redcross Lamu Branch Treasurer from year 2015 upto date. CPA Salma brings to the Board vast experience in technical and senior managerial skills having worked in both Private and Public Institutions</p>
 <p data-bbox="280 1821 619 1928">Mrs. Hafswa Diffini Chief Officer for Education FUND ADMINISTRATOR</p>	<p data-bbox="691 1603 1380 1861">Born in 12.10. 1968 Having worked as the First Chief officer for Education after devolution in 2013, Mrs Hafswa Diffini brings to the Management vast experience of over 30 years in public service. She holds bachelor's degree in education</p>

**Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

5. Fund Chairperson's Report

On behalf of the board, it is my pleasure to present Lamu County Youth Development Fund annual report and financial statements which reflect financial performance of the fund for the period ended

Sustainability

In our pursuit to ensure sustainability of the Lamu County Youth Development Fund the Board in consultation with the CECM Education, Gender, Youth, Sports and Vocational Training will develop embarks to develop a bill to change the fund from grant to a revolving fund.

Board and Management Changes

There were changes in the Board and Management as shown below.

Ref	Name	Position	Replaced By	Position
1	Joseph Nganga	Chief Officer -Youth, Gender and Sports (Fund Administrator – upto November 2023)	Hafswa Diffin	Chief Officer - Education, Gender, Youth, Sports and Vocational Training (January 2023 to date)
2	Fadhil Maamun	Chief Officer – Finance (served upto February 2023)	Salma Omar	Chief Officer – Finance, Budget, Strategy and Economic Planning. (March 2023 upto date)

Review of performance

Revenue

The Fund has an approved budget of Ksh. 10,182,066 Which consist of transfers from county government amounting to Ksh. 7,000,000 and an opening bank balance of Ksh. 3,182,066 during this reporting period.

Expenditures

The total expenditures during the period amounted to Ksh 1,613,500 out of which are use of goods & services amounting to Ksh 833,500 and grant disbursements of Ksh. 780,000.

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Future outlook

The Board focuses to build a robust and sustainable fund with a motivated workforce and structures that enhances efficiency and effectiveness in the service delivery. The fund looking forward to continued support from the county government and development partners to the realization of its mandate.

Conclusion

On behalf of Board Members of the fund, may I register our utmost appreciation for the tireless effort and input offered by various stakeholders making our work easier. More specifically, may I appreciate His Excellency the Governor, CECM education, gender, youth, sports and vocational training, the County Treasury, Board Members, secretariat staff among others. It is their cooperation and contribution that has led us to the successful dispensation of our mandate.



.....
Bwanamkuu Fumo
Chairman
Lamu County Youth Development Fund.

**Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

6. Report of The Fund Administrator

On behalf of the board, it is my pleasure to present Lamu County Youth Development Fund annual report and financial statements which reflect financial performance of the fund for the period ended June 30, 2023.

Compliance with statutory laws

In our pursuit to improve on transparency and accountability in public financial management, the Lamu County Youth Development Fund has and will continue to manage its finances in accordance with the principles of fiscal responsibility as spelt out in the Public Finance Management Act (2012) and its regulations and any other applicable laws on public finance.

Board and Management Changes

There were changes in the Board and Management as shown below.

Ref	Name	Position	Replaced By	Position
1	Joseph Nganga	Chief Officer -Youth, Gender and Sports (Fund Administrator – upto November 2023)	Hafswa Diffin	Chief Officer - Education, Gender, Youth, Sports and Vocational Training (January 2023 to date)
2	Fadhil Maamun	Chief Officer – Finance (served upto February 2023)	Salma Omar	Chief Officer – Finance, Budget, Strategy and Economic Planning. (March 2023 upto date)

Review of performance

Revenue

The Fund has an approved budget of Ksh. 10,182,066 Which consist of transfers from county government amounting to Ksh. 7,000,000 and an opening bank balance of Ksh. 3,182,066 during this reporting period.

Expenditures

The total expenditures during the period amounted to Ksh 1,613,500 out of which are use of goods & services amounting to Ksh 833,500 and grant disbursements of Ksh. 780,000.

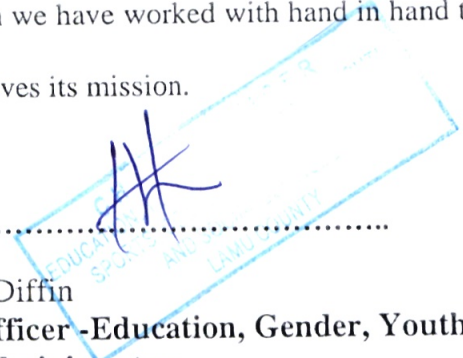
**Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

Future outlook

The Board focuses to build a robust and sustainable fund with a motivated workforce and structures that enhances efficiency and effectiveness in the service delivery. The fund looking forward to continued support from the county government and development partners to the realization of its mandate.

Conclusion

I take this opportunity to thank the board members for their support. I would also wish to thank all staff whom we have worked with hand in hand to ensure that Lamu County Youth Development Fund achieves its mission.



.....
Hafswa Diffin
**Chief Officer -Education, Gender, Youth, Sports and Vocational Training
Fund Administrator
Lamu County Youth Development Fund .**

**Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

7. Statement of Performance Against the County Fund's Predetermined Objectives

Introduction

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

The key development objectives of the Fund as per the strategic plan is to:

- a) To promote gender mainstreaming in all development aspects of Lamu County.
- b) To enhance the capacity of communities to identify, plan, and implement sustainable socio-economic activities.
- c) To promote women entrepreneurship through the provision of Women Empowerment Fund.
- d) To promote women entrepreneurship through empowerment programs such as training.
- e) To ensure that both men and women enjoy equal rights, opportunities, and high quality of life.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Lamu County Youth Development Fund	To economically empower the youth	Increased number of youth accessing grant in the county	Number of youth doing business and small micro enterprises	Increased funding access by 30 percent.

8. Corporate Governance Statement

The Lamu County Youth Development Act, 2018 established a Fund to be known as the Youth Development Fund to.

- a) To promote gender mainstreaming in all development aspects of Lamu County.
- b) To enhance the capacity of communities to identify, plan, and implement sustainable socio-economic activities.
- c) To promote youth entrepreneurship through the provision of Youth Development Fund.
- d) To promote Youth entrepreneurship through empowerment programs such as training.
- e) To ensure that both men and women enjoy equal rights, opportunities and high quality of life.

The Fund is wholly owned by the County Government of Lamu and is domiciled in Kenya

Fund Meetings

The board members are to meet at least three times a year in order to monitor the implementation of the funds strategic plan and achievement of the targets. However, as provided by the act the Chairman shall, upon requisition by members convene a special meeting of the board at any time. The members held 3 board meetings during the Financial year 2022/2023.

Risk Management

The Fund target to develop a risk management framework which will guide the fund in identifying, assessing and managing the risks and prescribe mitigating measures of all the risks both external and internal which is facing the fund.

Management Team

The management team headed by the Fund Administrator implements the committee decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the fund's objectives are achieved effectively and efficiently.

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Auditor

The Fund is audited by the Auditor-General.

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

9. Management Discussion and Analysis

Revenue

The Fund has an approved budget of Ksh. 10,182,066 Which consist of transfers from county government amounting to Ksh. 7,000,000 and an opening bank balance of Ksh. 3,182,066 during this reporting period.

Expenditures

The total expenditures during the period amounted to Ksh 1,613,500 out of which are use of goods & services amounting to Ksh 833,500 and grant disbursements of Ksh. 780,000.

Sustainability

In our pursuit to ensure sustainability of the Lamu County Youth Development Fund the Board in consultation with the CECM education, gender, youth, sports and vocational training will develop embarks to develop a bill to change the fund from grant to a revolving fund.

Future outlook

The Board focuses to build a robust and sustainable fund with a motivated workforce and structures that enhances efficiency and effectiveness in the service delivery. The fund looking forward to continued support from the county government and development partners to the realization of its mandate.

**Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

10. Environmental and Sustainability Reporting

Below is a brief highlight of our achievements in areas of environmental sustainability.

1. Sustainability strategy and profile -

The Fund administrator have put in place sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities.

2. Environmental performance

The Board ensures conserving of environment use of environmentally friendly products.

3. Employee welfare

The Board continues to capacity build its staff for efficient and effective service delivery.

4. Market place practices-

Due to the shortage of funds allocated to the board, the board uses much of its administration funds to play for sitting and travelling allowance to the board members as well as the ward committee members. The few items that require procurement include pens, printing papers as well as office stationaries. These ones are directly procured from some specific suppliers. Similarly, all the contracts signed by the respective suppliers are always honored.

5. Community Engagements-

On matters of community engagement, the Fund Administrator and Board Members engage with the community through public participation of the revolving fund and social protection policy.

Figure 1: Public participation for Fund Regulations



**Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

11. Report of The Trustees

The fund administration submits their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund to provide funds for economic empowerment to person living with disability.

Results

The results of the Fund for the year ended June 30, 2023 are set out on page 1- 25

Trustees

The members of the Board of Trustees who served during the year are shown on page iiv - ix.

The changes in the Board during the financial year are as shown below:

Ref	Name	Position	Replaced By	Position
1	Joseph Nganga	Chief Officer -Youth, Gender and Sports (Fund Administrator – upto November 2023)	Hafswa Diffin	Chief Officer - Education, Gender, Youth, Sports and Vocational Training (January 2023 to date)
2	Fadhil Maamun	Chief Officer – Finance (served upto February 2023)	Salma Omar	Chief Officer – Finance, Budget, Strategy and Economic Planning. (March 2023 upto date)

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board


.....

Bwanamkuu Fumo Bwanamkuu
Chairman
Lamu County Youth Development Fund .

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

12. Statement of Management's Responsibilities

Sections 163,164 and 165 of the Public Finance Management Act, 2012 requires that, at the Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Lamu County Youth Development Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023. This responsibility includes:

- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund;
- (iii) (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) (iv) safeguarding the assets of the Fund;
- (v) (v) selecting and applying appropriate accounting policies;
- (vi) (vi) making accounting estimates that are reasonable in the circumstances.

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

The Administrator of the Lamu County Youth Development Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the Lamu County Youth Development Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund 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 Fund's financial statements were approved by the Board on 27th November 2023 and signed on its behalf by:



.....
Hafswa Diffin
Chief Officer Education, Gender, Youth, Sports and Vocational Training
Fund Administrator
Lamu County Youth Development Fund .

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON LAMU COUNTY YOUTH DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE, 2023

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 Lamu County Youth Development Fund set out on pages 1 to 30, which comprise the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget

Report of the Auditor-General on Lamu County Youth Development Fund for the year ended 30 June, 2023

and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Lamu County Youth Development Fund 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 Lamu County Youth Development Act, 2018 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unsupported Lamu County Youth Development Fund Balance

The statement of financial position reflects a balance of Kshs.5,000,000 in respect of Lamu County Youth Development Fund. However, the balance has not been supported with a ledger.

In the circumstances, the accuracy and completeness of the balance of Kshs.5,000,000 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

During the year under review, the statement of comparison of budget and actual amounts for the Fund reflects an approved budget of Kshs.10,182,066 while actual expenditure was Kshs.1,613,500 resulting to under expenditure of Kshs.8,568,568 or 15%.

The under absorption is an indication of non-implementation of activities and projects in the annual work plan which is likely to have negative impact on delivery of services.

My opinion is however, not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Failure to Utilize Appropriated Funds

The statement of financial position reflects cash and cash equivalents balance of Kshs.8,568,566. Included in this amount was Kshs.7,000,000 received on 24 May, 2023. The funds appropriated were therefore not utilized during the year under review. Management did not provide an explanation for the failure to utilize the funds appropriated by the County Assembly for the operations of the Fund.

In the circumstances, the residents of Lamu did not get the intended benefit from the funds appropriated.

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. Incomplete Board Composition

Review of Board information revealed that the Fund had five (5) Board members instead of eight (8) thus contravening Section 11 of the Lamu County Youth Development Fund Act, 2018.

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

2. Lack of Need Assessments, Monitoring and Evaluation

The statement of financial performance reflected an amount of Kshs.780,000 disbursed as grants to various youth groups. However, it was noted that need assessment was not carried out contrary to Section 12 of the Lamu County Youth Development Act, 2018. Further, no follow ups or monitoring and evaluations were done or planned to ensure that the monies were spent as intended and that the objectives of the Fund were being met contrary to Section 14 Part VI of the Lamu County Youth Development Act, 2018 which contains the penalties and regulations.

In the circumstances, the Management was in breach of the 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 overall 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 Fund Administration Committee

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 Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund 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 Fund Administration Committee is responsible for overseeing the Fund'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 governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

exists related to events or conditions that may cast significant doubt on the ability of the Fund 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 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 Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and 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 Gathunga, CBS
AUDITOR-GENERAL

Nairobi

17 January, 2024


Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

14. Statement of Financial Performance for the Year Ended 30th June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Transfers From the County Government	1	7,000,000	2,000,000
Total Revenue		7,000,000	2,000,000
Expenses			
Use of goods and services	2	833,500	5,325,298
Grant Disbursement	3	780,000	-
Total Expenses		1,613,500	5,325,298
Other Gains/Losses			
Surplus/(Deficit) for the Period		5,386,500	(3,325,298)

The notes set out on pages 6 to 29 form an integral part of these Financial Statements

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Lamu County Youth Development Fund financial statements were approved on 29 November 2023 and signed by:

.....

 Hafswa Diffini
 Chief Officer Education
 Administrator of the Fund

.....

 CPA Salma Omar
 Chief Officer Finance
 ICPAK Member Number:15009

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

15. Statement of Financial Position as at 30 June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	4	8,568,566	3,182,066
Total current assets		8,568,566	3,182,066
Non-Current Assets		-	-
Total Assets		8,568,566	3,182,066
Total Liabilities		-	-
Net Assets		8,568,566	3,182,066
Lamu County Youth Development Fund		5,000,000	6,507,364
Accumulated Surplus		3,568,566	(3,325,298)
Total Net Assets and Liabilities		8,568,566	3,182,066

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Lamu County Youth Development Fund financial statements were approved on 27th November 2023 and signed by:

.....
Hafswa Diffini
Chief Officer Education
Administrator of the Fund

.....
CPA Salma Omar
Chief Officer Finance
ICPAK Member Number:15009

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

16. Statement of Changes in Net Assets for the year ended 30th June 2023

Description	Note	Lamu County Youth Development Fund	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1st July 2021		7,000,000	492,364	6,507,636
Surplus/(Deficit) For the Period		-	(5,325,298)	(5,325,298)
Funds Received During the Year		2,000,000	-	2,000,000
Balance As At 30 June 2022		9,000,000	(5,817,662)	3,182,338
Balance As At 1 July 2022		9,000,000	(5,817,662)	3,182,338
Prior year adjustments	6	(4,000,000)	3,999,728	(272)
Surplus/(Deficit) For the Period		-	5,386,500	5,386,500
Balance As At 30 June 2023		5,000,000	3,568,566	8,568,566

CHIEF OFFICER
EDUCATION, TECHNOLOGY, SPORTS, YOUTH,
SOCIAL SERVICES
LAMU COUNTY

Hafswa Diffini

Chief Officer Education
Administrator of the Fund

COUNTY GOVERNMENT OF LAMU
27 NOV 2023
CHIEF OFFICER - FINANCE

CPA Salma Omar


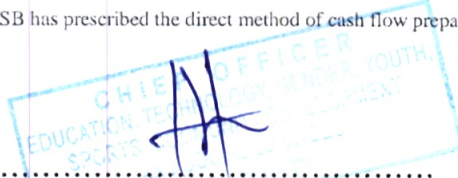
Chief Officer Finance
ICPAK Member Number:15009



Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

17. Statement of Cash Flows for The Year Ended 30 June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers From the County Government	1	7,000,000	2,000,000
Total receipts		7,000,000	2,000,000
Payments			
Use of goods and services	3	833,500	285,298
Grant Disbursement	4	780,000	5,040,000
Total payments		1,613,500	5,325,298
Net cash flows from operating activities	5	5,386,500	(3,325,298)
Cash flows from investing activities		-	-
Cash flows from financing activities		-	-
Net increase/(decrease) in cash & cash equivalents		5,386,500	(3,325,298)
Cash and cash equivalents at 1 July		3,182,066	6,507,364
Cash and cash equivalents at 30 June		8,568,566	3,182,066

(PSASB has prescribed the direct method of cash flow preparation/ presentation for all entities under the IPSAS accrual basis of accounting.)



 Hafswa Diffini
 Chief Officer Education
 Administrator of the Fund



 CPA Salma Ombi
 Chief Officer Finance
 ICPAK Member Number:15009

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

18. Statement of Comparison of Budget and Actual Amounts for The Period

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilisation
	2023	2023	2023	2023	2023	2023
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue						
Transfers From County Govt.	7,000,000	-	7,000,000	7,000,000	-	100
balance b/d	3,182,066	-	3,182,500	3,182,066	-	
Total Income	10,182,066	-	10,182,066	10,182,066		100
Expenses						
Employee Costs						
Use of goods and services	1,018,206	-	1,018,206	833,500	184,706	81.86
Grant disbursements	9,163,859	-	9,163,859	780,000	8,383,859	8.51
Total Expenditure	10,182,066	-	10,182,066	1,613,500	8,568,566	15.85
Surplus For The Period	-	-	-	8,568,566		
Capital Expenditure	-	-	-	-	-	

19. Notes to the Financial Statements

1. General Information

Lamu County Youth Development Fund is established by and derives its authority and accountability from Lamu County Youth Development Fund Act, 2018. The Fund is wholly owned by the County Government of Lamu and is domiciled in Kenya.

The fund's objective is to unlock the Youth potential for sustainable and wealth creation and development. The Fund's principal activity is to provide funds for economic empowerment to the Youth.

2. Statement of compliance and basis of preparation

The Lamu County Youth Development Fund'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 Fund. 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 but not yet effective in the year ended 30 June 2023

Standard	Effective date and impact
IPSAS 41: Financial Instruments	Applicable: 1st January 2023 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

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Standard	Effective date and impact
	<p>of the amounts, timing and uncertainty of entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • 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.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</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"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity 's financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.

**Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

Standard	Effective date and impact
	<p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<p><i>Applicable 1st January 2023</i></p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess</p>

**Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

Standard	Effective date and impact:
	<p>the effect that leases have on the financial position, financial performance and cashflows of an entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

(iii) Early adoption of standards

The Lamu County Youth Development Fund did not early – adopt any new or amended standards in the financial year 30, June 2019.

1. 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 Lamu County Youth Development Fund and can be measured reliably.

ii. Revenue from exchange transactions

Interest income

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

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Lamu County Youth Development Fund's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

The original budget for FY 2022/2023 was approved by the County Assembly on 10th May, 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Lamu County Youth Development Fund upon receiving the respective approvals in order to conclude the final budget.

The Lamu County Youth Development Fund's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 18 of these financial statements.

c) 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

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

intervals, the Lamu County Youth Development Fund 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.

d) 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.

e) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Summary of Significant Accounting Policies (Continued)

f) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The Lamu County Youth Development Fund does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements.* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the Lamu County Youth Development Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

The Lamu County Youth Development Fund classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the Lamu County Youth Development Fund classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The Lamu County Youth Development Fund assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date.

Financial liabilities

Classification

The Lamu County Youth Development Fund classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

g) Inventories

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

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

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the entity.

h) Provisions

Provisions are recognized when the Lamu County Youth Development Fund 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

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

obligation and a reliable estimate can be made of the amount of the obligation. The Lamu County Youth Development Fund made no provisions.

i) **Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The Lamu County Youth Development Fund recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the Lamu County Youth Development Fund will incur in fulfilling the present obligations represented by the liability.

Summary of Significant Accounting Policies (Continued)

j) Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

The Lamu County Youth Development Fund does not create and maintains reserves

l) Changes in accounting policies and estimates

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

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

n) Foreign currency transactions

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

o) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

p) Related parties

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

q) Cash and cash equivalents

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

r) Comparative figures

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

5. Significant judgments and sources of estimation uncertainty

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

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

a) 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 Lamu County Youth Development Fund 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.

b) Useful lives and residual values

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

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

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

- The nature of the asset, its susceptibility and adaptability to changes in technology and processes

- The nature of the processes in which the asset is deployed

- Availability of funding to replace the asset

- Changes in the market in relation to the asset

c) Provisions

No Provisions were raised.

**Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

6. Notes To The Financial Statements

1. Transfers from County Government

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers From County Govt. –Operations	7,000,000	2,000,000
Total	7,000,000	2,000,000

2. Use of Goods and Services

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Domestic Travel And Subsistence And Other Transp	499,500	-
Hire Transport & Venue	50,000	-
Hospitality	284,000	273,567
Bank Charges	-	11,731
Total	833,500	285,298

3. Grant disbursements

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Grant disbursements	780,000	5,040,000
Total	780,000	5,040,000

4. Cash and cash equivalents

Description	2022-2023	2021-2022
	Kshs	Kshs
Current Account	8,568,566	3,182,066
Total Cash And Cash Equivalents	8,568,566	3,182,066

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

Financial Institution	Account number	2022-2023	2021-2022
		Kshs	Kshs
A) Current Account			
Cooperative Bank	01141562517800	8,568,566	3,182,066
Grand Total		8,568,566	3,182,066

Lamu County Women Empowerment Fund
Annual Report and Financial Statements for the year ended June 30, 2023

5. Cash generated from operations

Description	2022-2023	2021-2022
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	5,386,500	(3,325,298)
Adjusted For:		
Depreciation	-	-
Amortisation	-	-
Gains/ Losses On Disposal Of Assets	-	-
Interest Income	-	-
Finance Cost	-	-
Working Capital Adjustments		
Increase In Inventory	-	-
Increase In Receivables	-	-
Increase In Payables	-	-
Net Cash Flow From Operating Activities	5,386,500	(3,325,298)

6. Prior Year Adjustments

A prior year adjustment really applies to the correction of an error in the financial statements of prior period. The errors were between the balances disclosed in the statement of changes in equity and the statement of financial position

Description of the Error	2022-2023	2021-2022
To correct error in Lamu County Women Grant due to posting of the transfer from county Government-Operation	4,000,000	-
Error on Accumulated Surplus	(3,999,728)	-
Total	(272)	-

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements (Continued)

1. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions.

Related parties include management personnel, their associates and close family members.

The fund/scheme is related to the following entities:

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;

d) Related party transactions

Description	2022-2023	2022-2023
	Kshs	Kshs
Transfers From county government	7,000,000	2,000,000
Total	7,000,000	2,000,000

e) Key management remuneration

Description	2022-2023	2021-2022
	Kshs	Kshs
Board Committee allowances	94,000	-
Key Management Compensation	-	-
Total	94,000	-

2. Financial risk management

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

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

a) Credit risk

The Fund has no 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. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors.

The fund administration committee sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

b) Liquidity risk management

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

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Lamu County Youth Development Fund 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 Lamu County Youth Development Fund's income or the value of its holding of financial instruments. The objective of market

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

There has been no change to the Lamu County Youth Development Fund's exposure to market risks or the manner in which it manages and measures the risk.

i. Foreign currency risk

The Lamu County Youth Development Fund has no 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 after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

ii. Interest rate risk

Interest rate risk is the risk that the Lamu County Youth Development Fund's financial condition may be adversely affected because of changes in interest rate levels. The Lamu County Youth Development Fund's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant.

d) Capital risk management.

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern. The Lamu County Youth Development Fund capital structure comprises of the following funds:

Description	2022 -2023	2021 -2022
	Kshs	Kshs
Revaluation reserve	-	-
Lamu County Youth Development Fund	5,000,000	6,507,364
Accumulated surplus	3,568,566	(3,325,298)
Total funds	8,568,566	3,182,066
Total borrowings	-	-
Less: cash and bank balances	(8,568,566)	(3,182,066)
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

3. Events after the reporting period

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

4. Ultimate and Holding entity.

Lamu County Youth Development Fund is established by and derives its authority and accountability from Lamu County Youth Development Act,2018 under the Ministry of Education. Its ultimate parent is the County Government of Lamu.

5. Currency

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

**Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

20. Annexes

Annex I: Progress on Follow Up Of Prior Year Auditor's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Inaccuracies in the Statements of Changes in Net Assets	The action has been taken	Resolved	30/06/2023
2.	Late Disbursement of Funds	The Funds were made available almost the end of the Financial Year and it would have been impossible to go through the process of application vetting and disbursement in time.	Not Resolved	30/06/2024
1.	Presentation Issues in the Financial Statements	The action has been taken	Resolved	30/06/2023
2.	Incomplete Board Composition	The funds management is in the process of constituting the Boards afresh as per the Funds Act.	Not Resolved	30/06/2024

.....
Hafswa Diffin
**Chief Officer - Education, Gender, Youth, Sports and Vocational Training
Fund Administrator
Lamu County Youth Development Fund .**

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Annex II: Inter-Fund Confirmation Letter



THE COUNTY GOVERNMENT OF LAMU
Finance, Strategy & Economic Planning
COUNTY TREASURY



Telephone: +254-715555111/772576122
E-mail: treasury@lamu.go.ke

LAMU COUNTY
P.O. Box 74-80500
LAMU

LAMU COUNTY YOUTH DEVELOPMENT FUND
P.O Box 74 – 80500,
Lamu County, Mokowe.

The Lamu County Treasury wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by LAMU COUNTY YOUTH DEVELOPMENT FUND as at 30 th June 2023					Amount Received by Lamu County Youth Development Fund (Ksh) as at 30 th June 2023 (E)	Differences (Ksh) (F)=(D-E)
Ref. Number	Date Disbursed	Amounts Disbursed Lamu County Treasury (Kshs) as at 30 th June 2023				
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)	
Total		7,000,000			7,000,000	-

In confirm that the amounts shown above are correct as of the date indicated:
Fund Administrator:
Name: Hafswa Diffini **Sign** **Date** 30/6/2023

OFFICER
FINANCIAL SERVICES
LAMU COUNTY

Lamu County Youth Development Fund
 Annual Report and Financial Statements for the year ended June 30, 2023

Annex III: Reporting of Climate Relevant Expenditures
 There were no climate change relevant expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

Lamu County Youth Development Fund
 Annual Report and Financial Statements for the year ended June 30, 2023

Annex IV: Reporting on Disaster Management Expenditure

There were no disaster management relevant expenditures

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

Lamu County Youth Development Fund
 Annual Report and Financial Statements for the year ended June 30, 2023
 Annex V: Bank Reconciliation Statement F.O 30

LAMU COUNTY YOUTH DEVELOPMENT FUND- AC NO. 01141562517800

F. O. 30

REPUBLIC OF KENYA

BANK RECONCILIATION

AS AT 30TH JUN 2022

STATION: LAMU COUNTY

	Sh	Sh	Sh
Balance as per bank statement			8,568,566.00
Less:-			
1 Payments in cash book not in bank statement (Unrepresented Cheques) :			-
2 Receipts in bank statement not recorded in cash book :			-
Add:-			
3 Payments in bank statement not in cash book :			-
4 Receipts in cash book not recorded in bank statement :			-
Balance as per Cash book			<u>8,568,566.00</u>

I certify that I have verified the Bank Balance in the Cash Book with the Bank Statement and the above reconciliation is correct.

Prepared by:



 Signature




 Designation




 Date

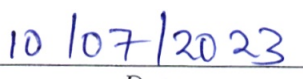
Checked by:



 Signature




 Designation



 Date

Approved by:



 Signature



 Designation



 Date