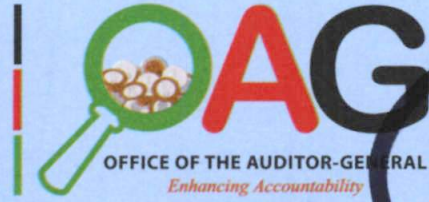


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REPORT

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THE AUDITOR-GENERAL

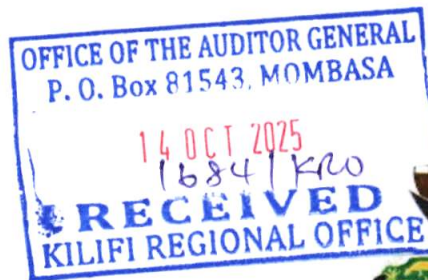
ON

COUNTY REVENUE FUND

**FOR THE YEAR ENDED
30 JUNE, 2025**

COUNTY GOVERNMENT OF LAMU





COUNTY REVENUE FUND

County Government of Lamu

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2025

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

County Government of Lamu
County Revenue Fund
Annual Report and Financial Statements For the financial year ended 30th June 2025

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1. Acronyms and Definition of Key Terms

a. Acronyms

<i>ADP</i>	<i>Annual Development Plan</i>
<i>AIE</i>	<i>Authority to Incur Expenditure</i>
<i>CA</i>	<i>County Assembly</i>
<i>CARA</i>	<i>County Allocation of Revenue Act</i>
<i>CBK</i>	<i>Central Bank of Kenya</i>
<i>CECM</i>	<i>County Executive Committee Member</i>
<i>CE</i>	<i>County Executive</i>
<i>CG</i>	<i>County Government</i>
<i>CIDP</i>	<i>County Integrated Development Plan</i>
<i>COG</i>	<i>Council of Governors</i>
<i>CRA</i>	<i>Commission on Revenue Allocation</i>
<i>CRF</i>	<i>County Revenue Fund</i>
<i>CT</i>	<i>County Treasury</i>
<i>IPSAS</i>	<i>International Public Sector Accounting Standards</i>
<i>MCA</i>	<i>Member of County Assembly</i>
<i>OAG</i>	<i>Office of the Auditor General</i>
<i>OCOB</i>	<i>Office of the Controller of Budget</i>
<i>OSR</i>	<i>Own Source Revenue</i>

<i>PFM</i>	<i>Public Finance Management</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>NT</i>	<i>National Treasury</i>
<i>WB</i>	<i>World Bank</i>
<i>KRB</i>	<i>Kenya Roads Board</i>
<i>Kshs</i>	<i>Kenya Shillings</i>
<i>FY</i>	<i>Financial Year</i>

b. Definition of Key Terms

Fiduciary Management: *The key management personnel who had financial responsibility*

2. Key Entity Information and Management

a) Background information

Article 207 of the Constitution of Kenya provides for the establishment of the County Revenue Fund, into which shall be paid all money raised or received by or on behalf of the County Government. As outlined under Section 109 of the Public Finance Management (PFM) Act, 2012, the County Treasury is responsible for the administration of the County Revenue Fund. The County Revenue Fund is maintained as the County Exchequer Account at the Central Bank of Kenya.

b) Key Management Team

The County Revenue Fund's day-to-day management is under the following key organs:

No.	Designation	Name
1.	CECM Finance, Budget, Strategy, and Economic Planning	Hon. Mohamed Mbwana Ali
2.	Chief Officer - Finance	CPA Salma Omar Ahmed
3.	Director Accounting Services/Finance	CPA Mohamed Abbas Abubakar

c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	CECM Finance, Budget, Strategy, and Economic Planning	Hon. Mohamed Mbwana Ali
2.	Chief Officer - Finance	CPA Salma Omar Ahmed
3.	Director Accounting Services/Finance	CPA Mohamed Abbas Abubakar

d) Fiduciary Oversight Arrangements

The County Executive's Fiduciary oversight arrangements are under the oversight of the relevant bodies.

S/No	Position	Responsibilities
1	Directorate of Accounting Service	The Director of Accounting Services heads the Directorate. It derives its mandate from the Constitution 2010 and the Public Finance Management Act 2012. The main responsibility of the directorate is monitoring expenditures and projects through vote controls, including program implementation on a periodic basis and ensuring that timely corrective action is taken.
2	Directorate of Internal Audit	The Ag. heads the Directorate. The Director of Internal Audit provides independent assurance, advice, and insight to enhance and protect organisational value, contribute towards evidence-based decision making, and promote organisational learning, transparency, integrity, and accountability.
3	County Internal Audit Committee	The committee is responsible for overseeing risk management, internal control, and governance in a county government through reviewing the county government's governance mechanisms, transparency, and accountability Conducting audits to strengthen internal control mechanisms; verifying the existence of county government assets and ensuring their protection; Ensuring the county government follows appropriate policies and procedures; Evaluating the reliability of information available to management; Overseeing the implementation of recommendations from internal and external auditors and recommending decisions to the Governing Body for approval

4	County Assembly Public Accounts Investment Committee	The committee is headed by the Chairperson with the primary mandate of overseeing the expenditure of public funds by Lamu County entities, to ensure value for money.
5	Parliamentary committee activities	Senate PAC & PIC, which oversees revenue allocated to the County Government, examines the report of the Office of the Auditor General on the annual accounts of the County Governments and exercises oversight of the County Public Funds.
6	Office of the Auditor General	The Office is mandated to audit and report on the use and management of public resources by public entities. Article 229 (6) of the Constitution requires the Auditor-General to confirm whether public money has been applied lawfully and effectively.
7	Office of the Controller of Budget	Overseeing the budget implementation of County Governments by authorizing withdrawals from public funds and reporting on their utilization. Ensuring that public funds are used in accordance with the law. Submit a report on the implementation of the budgets to each House of Parliament every four months.
8	Development partner oversight activities	Conditional grants conduct their oversight activities for the projects implemented in the County.

e) County Headquarters

P.O. Box 74-80500
 Mokowe Headquarter
 Lamu-Malindi Road
 Lamu, Mokowe

f) County Executive Contacts

Telephone: (+254) 715555111/758005005

E-mail: treasury@lamu.go.ke

Website: www.lamu.go.ke

g) County Executive Bankers

Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000

City Square 00200

NAIROBI, KENYA.

h) Independent Auditor

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

NAIROBI, KENYA

i) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O.BOX 40112

City Square 00200

NAIROBI, KENYA.

3. Statement by the CECM Finance

In our pursuit to improve on transparency and accountability in Public Financial Management, I present the County Revenue Fund Financial Statements for the financial year ended 2025 of the County Government of Lamu.

The County Government of Lamu continues to pursue its mandate of delivering quality services to its residents within the framework of prudent financial management and sustainable economic development. The financial year under review was marked by notable efforts to enhance revenue mobilization, improve public financial management systems, and align expenditures with development priorities.

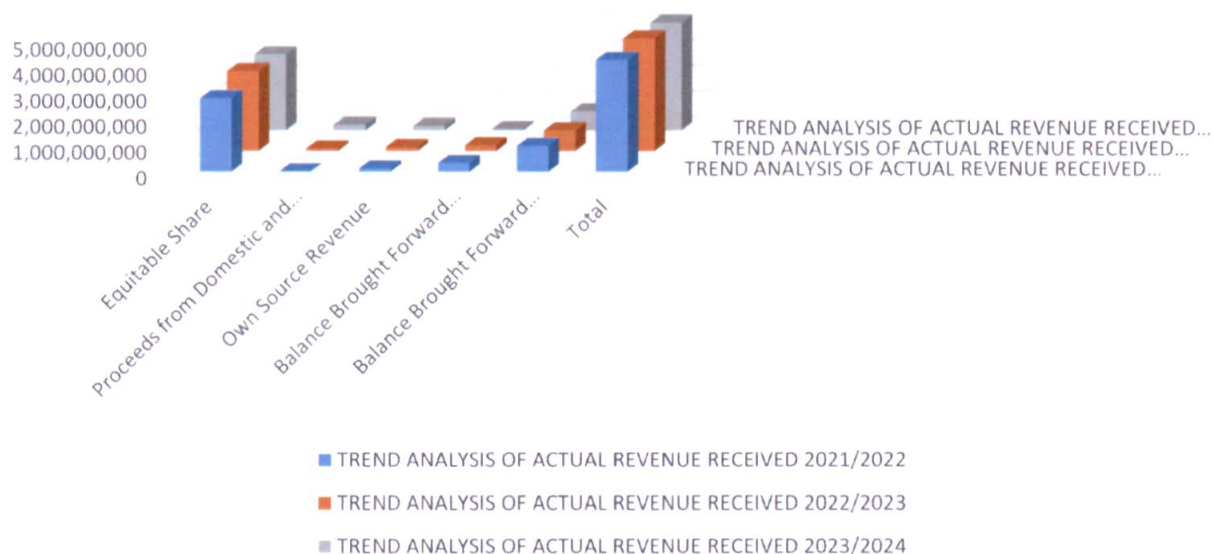
Article 202 of the Constitution of Kenya 2010 provides that revenue raised nationally shall be shared equitably among the National and County Governments. Each County Government's equitable share of revenue raised nationally is determined annually through the County Allocation of Revenue Act (CARA). The revenue-sharing formula is developed by the Commission on Revenue Allocation (CRA) and approved by parliament in accordance with Article 217 of the constitution.

Revenue Performance Analysis

Over the three years (FY 2021/2022 to FY 2023/2024), the County's revenue performance

TREND ANALYSIS OF ACTUAL REVENUE RECEIVED			
Revenue Classification	2021/2022	2022/2023	2023/2024
Equitable Share	2,857,197,673	3,105,649,643	2,978,362,651
Proceeds from Domestic and Foreign Grants	23,455,050	102,529,473	227,054,314
Own Source Revenue	126,996,806	156,484,041	181,968,817
Balance Brought Forward Conditional Grant	345,556,784	228,047,258	72,153,291
Balance Brought Forward Exchequer	1,000,348,097	800,408,298	755,656,015
Total	4,353,554,410	4,393,118,713	4,215,195,088

ACTUAL REVENUE RECEIVED TREND ANALYSIS



Anticipated Revenue and Actual Collections

The total anticipated revenue for the financial year was **Ksh 4,988,654,037**, comprising:

- Equitable Share from the National Government of **Ksh 3,254,430,723**
- Conditional Grants and Other Transfers, including balance brought forward of **Ksh 947,551,160**
- Balance Brought Forward for Exchequer of **Ksh 534,172,154**
- Own-Source Revenue of **Ksh 252,500,000**. Comprised of **Ksh 120,000,000** from general local sources, **Ksh 130,000,000** from hospital services (AIE), and **Ksh 2,500,000** from liquor licensing (AIE). However, pursuant to the Lamu County Health Facility Improvement Financing Act, 2023, and the Lamu County Alcoholic Drinks Control Act, 2020, a total of **Ksh 132,500,000** is earmarked for use at the source. These funds are ring-fenced to support specific statutory functions such as health service improvement and alcohol regulation and enforcement, and are implemented through respective special purpose accounts as per the Acts guiding them respectively.

The actual revenue collected under the County Revenue Fund from outside amounted to **Ksh 4,006,928,440** translating to 80% performance against the target. Breakdown is as follows:

- Equitable Share: **Ksh 3,513,418,983** including **ksh 258,988,260** for the previous financial year's Equitable Share
- Conditional Grants: **Ksh 384,065,691**
- Own-Source Revenue: **Ksh 91,996,754**
- Return to CRF from County Entities **Ksh 17,447,012**

Disbursements from the County Revenue Fund (CRF)

During the period under review, a total of **Ksh 3,829,463,558** was disbursed from the CRF to fund county operations. The expenditure breakdown is as follows:

- Recurrent Expenditure: **Ksh 2,333,654,871 (61%)** primarily for salaries, administration, utilities, and essential services.
- Development Expenditure: **Ksh 630,570,783 (16%)** directed towards key infrastructure projects, health services, water provision, agriculture, and early childhood education.
- Conditional Grant: **Ksh 441,259,814 (12%)** directly allocated towards the Special Purpose Account for different conditional
- County Assembly: **Ksh 423,978,090 (11%)** disbursement to County Assembly, which comprised **Ksh 419,480,090** for Recurrent and **Ksh 4,498,000** for Development.

Despite revenue shortfalls, the County Government remained committed to ensuring that available resources were optimally utilized in alignment with the County Integrated Development Plan (CIDP) and Annual Development Plan (ADP).

Conclusion

The County Government of Lamu remains committed to strengthening its fiscal capacity, enhancing accountability in resource utilization, and delivering impactful development to its

residents. We shall continue to pursue reforms in revenue administration, expenditure efficiency, and public financial management to ensure sustainable growth and improved service delivery.



.....
HON. MOHAMED MBWANA ALI
COUNTY EXECUTIVE COMMITTEE MEMBER
FINANCE, BUDGET, STRATEGY AND ECONOMIC PLANNING

4. Management Discussion and Analysis

Overview

Over the past three years (FY 2021/2022 to FY 2023/2024) the County’s revenue performance has demonstrated steady growth in revenue collection and prudent expenditure management despite occasional macroeconomic challenges such as inflationary pressures and delayed national transfers.

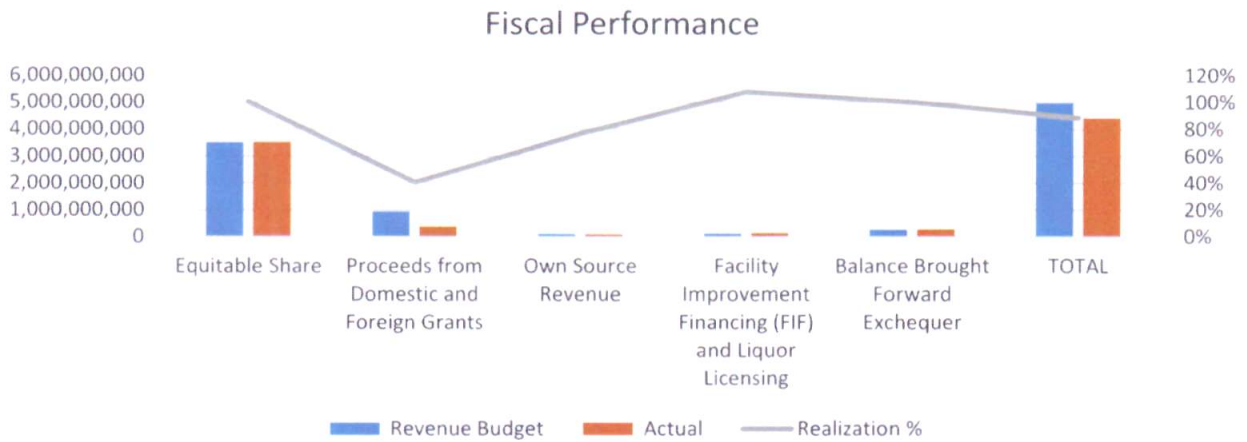
The Fund’s primary revenue sources are:

1. Equitable Share from National Government
2. Own Source Revenue (OSR) – fees, charges, licenses, rates etc
3. Conditional Grants and Donor Funds

In FY 2024/2025, the County Government of Lamu approved a Supplementary Budget amount of **Ksh 4,988,654,037**, comprising **Ksh 2,952,432,761 (59%)** for recurrent expenditure, **Ksh 1,903,721,276 (38%)** for development expenditure, and **Ksh 132,500,000 (3%)** for an AIE for Lamu County Health Facility Improvement Financing Act, 2023, and the Lamu County Alcoholic Drinks Control Act, 2020. To Finance the budget, the County expected to receive **Ksh 3,254,430,723 (65%)** as an equitable share of revenue raised nationally, **Ksh 947,551,160 (19%)** as Conditional Allocations from Loans and Grants from Development Partners, **Ksh 120,000,000 (2%)** as Own Source Revenue **Ksh 132,500,000 (3%)** for Facility Improvement Financing and Alcoholic Drinks Control, and **Ksh 275,382,060 (6%)** being unspent balances from the previous Financial Year (2023/2024) and **Ksh 258,988,260 (5%)** for Exchequer balance from the previous Financial Year (2023/2024).

The expected sources of budget financing are as shown in Figure 1.

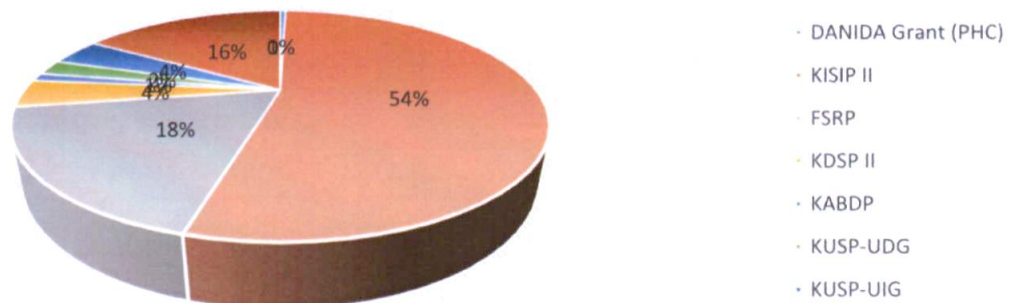
Revenue Classification	Revenue Budget	Actual	Realization %
Equitable Share	3,513,418,983	3,513,418,983	100%
Proceeds from Domestic and Foreign Grants	947,551,160	384,065,691	41%
Own Source Revenue	120,000,000	91,713,650	76%
Facility Improvement Financing (FIF) and Liquor Licensing	132,500,000	142,653,850	108%
Balance Brought Forward Exchequer	275,382,060	275,382,060	100%
TOTAL	4,988,852,203	4,407,234,234	88%



Conditional Allocation from Loans and Grants from the National Government and Development Partners. Figure 2

Revenue Classification	Revenue Budget	Actual	Realization %
DANIDA Grant (PHC)	4,094,684	3,997,500	98%
KISIP II	510,128,530	223,397,882	44%
FSRP	173,076,923	70,127,132	41%
KDSP II	37,500,000	-	0%
KABDP	10,918,919	-	0%
KUSP-UDG	20,587,243	-	0%
KUSP-UIG	37,547,736	32,309,300	86%
FLLoCA CCRI Grant	153,697,125	6,830,615	4%
RMLF	-	47,403,262	-
TOTAL	947,551,160	384,065,691	41%

Conditional Allocation from Loans and Grants from National Government and Development Partners



5. Overview of the County Revenue Fund Operations

a) Background

Article 207 of the Constitution of Kenya provides for the establishment of a County Revenue Fund into which shall be paid all money raised or received by or on behalf of the County Government. As outlined in Section 109 of the Public Finance Management (PFM) Act, 2012, the County Treasury is responsible for administering the County Revenue Fund.

The County Revenue Fund is maintained as the County Exchequer Account at the Central Bank of Kenya.

b) Receipts into the County Revenue Fund

County Government revenue is received through the appointed County Receiver of Revenue by the County Executive Committee Member for Finance to the County Treasury pursuant to Section 157 (1) of the PFM Act 2012. Revenue includes Exchequer releases, grants from development partners, proceeds from domestic and foreign borrowings, own-source revenue, and other miscellaneous deposits in the County Revenue Fund Account.

c) Transfers from the County Revenue Fund

The withdrawal of funds from the County Revenue Fund is authorized by the County appropriation Act. The County Treasury is required to seek the Controller of Budget's approval for withdrawal of funds from the County Revenue Fund to the County Executive and County Assembly bank accounts pursuant to Section 109 (6) of the PFM Act 2012. These entities are responsible for the administration of their respective approved budgets.

d) Financial Reporting requirements

The Accounting Officer for the County Revenue Fund is required to prepare and submit the financial statements to the Auditor-General and a copy to the Controller of Budget, and the Commission on Revenue Allocation.

County Government of Lamu

County Revenue Fund

Annual Report and Financial Statements For the financial year ended 30th June 2025

This statement therefore covers the operations of the County Exchequer Account for the financial year ended 30th June 2025.



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HON. MOHAMED MBWANA ALI

COUNTY EXECUTIVE COMMITTEE MEMBER

FINANCE, BUDGET, STRATEGY AND ECONOMIC PLANNING

6. Statement of Management Responsibility

Article 207 of the Constitution, Sections 109 and 167 of the Public Finance Management Act, 2012 requires a County Revenue Fund established by the Constitution, an Act of Parliament or county legislation to prepare financial statements for the Fund for each financial year in a form prescribed by the Public Sector Accounting Standards Board and submit to the Auditor General and a copy to the Commission on Revenue Allocation and the Controller of Budget.

The Accounting Officer at the County Treasury is responsible for the preparation and presentation of the County Revenue Fund financial statements, which give a true and fair view of the state of affairs of the Fund as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the County Revenue Fund; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the Financial Statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the County Revenue Fund; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Accounting Officer accepts responsibility for the County Revenue Fund's financial statements, which have been prepared on the Accrual Basis Method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the County Revenue Fund's financial statements give a true and fair view of the state of the County Revenue Fund's transactions during the financial year ended June 30, 2025, and of its financial position as at that date.

The Accounting Officer further confirms the completeness of the accounting records maintained for the County Revenue Fund, which have been relied upon in the preparation of its financial statements, as well as the adequacy of the systems of internal financial control. The Accounting Officer confirms that the County Revenue Fund has complied fully with applicable Government Regulations and the terms of external financing covenants. Further, the Accounting Officer

confirms that the County Revenue Fund's Financial Statements have been prepared in a form that complies with relevant Accounting Standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the Financial Statements

The County Revenue Fund's financial statements were approved and signed on 12th August 2025.



.....
SALMA OMAR AHMED
CHIEF OFFICER FINANCE
COUNTY GOVERNMENT OF LAMU

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON COUNTY REVENUE FUND FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF LAMU

PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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 County Revenue Fund - County Government of Lamu set out on pages 1 to 22, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of County Revenue Fund - County Government of Lamu as at 30 June, 2025, 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 County Government Act, 2012, and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccurate Expenditure

The statement of financial performance reflects total expenses amounting to Kshs.3,829,463,558 being transfers to County Executive and County Assembly as disclosed in Notes 12 and 13 to the financial statements. These transfers were based on approval from the Controller of Budget. However, the Integrated Financial Management Information System (IFMIS) vote book reflected cumulative expenditure and commitments totalling Kshs.4,240,923,710 resulting to a variance of Kshs.411,460,152 attributed by Management to commitments that had not yet been paid at year end and which do not form part of the actual expenses reported in the financial statements. However, the schedule provided did not reconcile the variance of Kshs.411,460,152.

In the circumstances, the accuracy and completeness of expenditure totalling Kshs.3,829,463,558 could not be confirmed.

2. Inaccurate Balance on Receivables from Exchange Transactions

The statement of financial position reflects a balance of Kshs.283,104 in respect of receivables from exchange transactions as disclosed in Note 17 to the financial statements. However, the statement of financial position for the receiver of revenue reflected a balance of Kshs.228,372,195 in respect of payables due to the CRF resulting to an unexplained variance of Kshs.228,089,091.

In the circumstances, the accuracy and completeness of receivables from exchange transactions balance of Kshs.283,104 could not be confirmed.

3. Unsupported Budget Carryovers Amount

The statement of comparison of budget and actual amounts reflects budget carryovers from the previous year totalling Kshs.275,382,060. However, the budget carryover statement provided reflected a balance of Kshs.407,666,964 resulting to an unexplained variance of Kshs.132,284,904. In addition, the budget carryover ledger provided under remarks indicated that the balance was from future years up to the year 2055 making the schedule unreliable. Further, two (2) letters addressed to the

Controller of Budget on refund of unspent balances from County operations accounts to CRF dated 17 July, 2025 and 31 July, 2025 indicated available CRF balance of Kshs.270,393,255 and Kshs.447,575,032 respectively. However, the variance in available balance disclosed by the two (2) letters was not explained.

In the circumstances, the accuracy and completeness of budget carryovers amount of Kshs.275,382,060 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted revenue and actual on comparable basis of Kshs.4,988,654,037 and Kshs.4,006,928,440 respectively resulting to a budget realization difference of Kshs.981,725,597 or 20% of the budget. Similarly, Management made transfers to the County Executive and County Assembly totalling Kshs.3,829,463,558 against actual receipt of Kshs.4,006,928,440 resulting to an under-utilization of Kshs.177,464,882.

The under-performance in revenue realization affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Information

The Management is responsible for the Other Information set out on page iv to xvii which comprise of Key Entity Information and Management, Statement by CECM Finance, Management Discussion and Analysis, Overview of the County Revenue Fund Operations and Statement of Management Responsibility. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have

performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis of Conclusion

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The Standards require 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 comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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 comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the 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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The Standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

04 December, 2025

8. Statement of Financial Performance for the year ended 30th June 2025


Description	Notes	2024-2025
		Kshs.
Revenue from non-exchange transactions		
Exchequer releases	6	3,513,418,983
Transfers from other government agencies	7	384,065,691
Other grants	8	-
Return to CRF from County Entities	9	17,447,012
Non-Exchange Own Source Revenue	10	71,671,138
Revenue from exchange transactions		
Exchange Own Source Revenue	11	20,325,616
Total Revenue		4,006,928,440
Expenses		
Transfers to County Executive	12	3,405,485,468
Transfers to the County Assembly	13	423,978,090
Other Transfers	14	-
Total Expenses		3,829,463,558
Surplus for the year		177,464,882


Chief Officer Finance
 Name: CPA Salma Omar Ahmed
 ICPAK Member No: 15009

Director Accounting Services
 Name: CPA Mohamed A. Abubakar
 ICPAK Member No: 23585

9. Statement of Financial Position as at 30th June 2025

Description	Note	2024-2025	1 st Position July 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	15	447,575,032	270,393,255
Receivables from Non-Exchange Transactions	16	-	-
Receivables from Exchange Transactions	17	283,104	-
Total Current Assets		447,858,137	270,393,255
Total Assets (A)		447,858,137	270,393,255
Liabilities			
Current Liabilities			
Accounts Payable	18	-	-
Total Current Liabilities		-	-
Total Liabilities (B)		-	-
Net Assets(A-B)		447,858,137	270,393,255
Represented by:			
Accumulated Surplus		447,858,137	270,393,255
Net Assets		447,858,137	270,393,255


 Chief Officer Finance
 Name: CPA Salma Omar Ahmed
 ICPAK Member No: 15009


 Director Accounting Services
 Name: CPA Mohamed A. Abubakar
 ICPAK Member No: 23585

10. Statement of Changes in Net Assets for the year ended 30th June 2025

Description	Accumulated Surplus
As at July 1, 2024	270,393,255
Surplus/Deficit for the Period	177,464,882
As at June 30, 2025	447,858,137

11. Statement of Cash Flows for the year ended 30th June 2025

Description	Notes	FY 2024/2025
		Kshs
Cash flows from operating activities		
Receipts		
Exchequer releases		3,513,418,983
Transfers from other government agencies		384,065,691
Other grants		-
Return to CRF from County Entities		17,447,012
Own Source Revenue		91,996,754
Total receipts		4,006,928,440
Payments		
Transfers to County Executive (operating activities)		(3,405,485,468)
Transfers to County Assembly (operating activities)		(423,978,090)
Other transfers		-
Total Payments		(3,829,463,558)
Net cash flows from/(used in) operating activities		177,464,882
Cash flows from investing activities		-
Net cash flows from/(used in) investing activities		-
Cash flows from financing activities		
Net cash flows from/(used in) financing Activities		-
Net increase/(decrease) in cash & Cash equivalents		177,464,882
Cash and cash equivalents at 1 July	15	270,393,255
Cash and cash equivalents at 30 June	15	447,858,136

12. Statement of Comparison of Budget Actual Amounts for the Year Ended 30th June, 2025.

Description	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Realization Difference	% of Realization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year*	71,075,483	204,324,577	275,382,060	275,382,060	-	100%
Receipts						
Exchequer releases	3,362,798,128	(108,367,405)	3,254,430,723	3,513,418,983	(258,988,260)	108%
Transfers from other government agencies	1,157,365,495	(209,814,335)	947,551,160	384,065,691	563,485,469	41%
Other grants	-	-	-	-	-	-
Return to CRF from County Entities	478,613,730	55,558,424	534,172,154	17,447,012	516,725,142	3%
Own Source Revenue	290,000,000	(37,500,000)	252,500,000	91,996,754	160,503,246	36%
Total Revenue	5,288,777,353	(300,123,316)	4,988,654,037	4,006,928,440	981,725,597	80%
Payments						
Transfers to County Executive	4,676,804,764	(259,515,457)	4,417,289,307	3,405,485,468	1,011,803,839	77%
Transfers to County Assembly	611,972,589	(40,607,859)	571,364,730	423,978,090	147,386,640	74%
Other transfers	-	-	-	-	-	0%
Total Payments	5,288,777,353	(300,123,316)	4,988,654,037	3,829,463,558	1,159,190,479	77%
Surplus	-	-	-	177,464,882	(177,464,882)	

Note: Budget carryovers This is for entities whose budget lapses at year-end, but the surpluses are not legally required to be remitted to the Exchequer. The reported actual amount for Exchequer releases includes Ksh 258,988,260 carried forward from the previous Financial Year, which was received during the reporting period.*

Budget Notes

1. Commentary on Significant Underutilization and Overutilization (IPSAS 24.14)

Revenue

- **Exchequer Releases** recorded **108% realization** (Kshs 3.51 billion against a final budget of Kshs 3.25 billion), mainly due to the inclusion of **previous year balances carried forward and released in the current year** in addition to current year disbursements from the National Treasury.
- **Transfers from Other Government Agencies** were significantly under-realized at **41%** (Kshs 384.07 million actual against Kshs 947.55 million budgeted), primarily due to delays or non-disbursement of earmarked funds from partner agencies.
- **Return to CRF from County Entities** realized only **3%** (Kshs 17.45 million against Kshs 534.17 million budgeted). The budgeted amount largely comprised **balances from the previous year already held in the County Revenue Fund**, and the low realization reflects that no significant additional amounts were received during the current year.
- **Own Source Revenue** performance was **36%** (Kshs 91.99 million against Kshs 252.50 million). The reported amount represents only collections **remitted to the CRF**. **Actual collections were higher** because **AIE revenues retained directly by Facility Improvement Financing (FIF) and the Alcoholic Drinks Control Fund** are not reflected in the CRF receipts.
- **Total Revenue** stood at **80%** of the budget (Kshs 4.01 billion actual against Kshs 4.99 billion), reflecting the combined effect of underperformance in CRF-reported own-source revenues and transfers from other government agencies.

Expenditure

- **Transfers to County Executive** achieved **77% utilization** (Kshs 3.40 billion actual against Kshs 4.41 billion budget), indicating significant underutilization due to delayed procurement processes and pending project rollouts.

- **Transfers to County Assembly** utilization were 74% (Kshs 423.9 million actual against Kshs 571.36 million budget), mainly due to lower-than-anticipated operational and development expenditures.

- **Total Payments** utilization was 77% (Kshs 3.83 billion against a budget of Kshs 4.99 billion), resulting in a surplus of Kshs 177.18 million at year-end.

2. Explanation of Changes Between Original and Final Budget (IPSAS 24.29)

Overall Budget Adjustment: The total original budget of Kshs 5,288,777,353 was reduced by Kshs 300,123,316 to a final budget of Kshs 4,988,654,037. The above changes were **a result of a supplementary budget** approved during the year to align the county's expenditure priorities with updated revenue projections and available funding.

13. Notes to the Financial Statements

1. General Information

The County Revenue Fund is established by and derives its authority and accountability from Article 207 of the Constitution of Kenya 2010. The Fund is wholly owned by the Lamu County Government and is domiciled in Kenya.

2. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with the Accrual-Basis IPSAS financial reporting under the Accrual-Basis of accounting, as prescribed by the PSASB and Section 167 of the PFM Act 2012. The Financial Statements are presented in Kenya Shillings, which is the functional and reporting currency of the Fund; all values are rounded off to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented. The financial statements are prepared on an accrual basis, while the cash flow statement is prepared using the direct method.

These Financial Statements were authorized for issue by the Chief Officer Finance.

Basis of preparation

Reporting entity

This report relates to the financial operations of the County Revenue Fund, which is domiciled at the County Treasury and has a bank account maintained at the Central Bank of Kenya.

Revenues

Revenues include funds deposited in the County Revenue Fund pursuant to Article 207 of the Constitution of Kenya and Section 109 of the PFM Act 2012.

Expense

Expenses are based on the County Government Appropriation Act. The exchequer requests are received by County Treasury, which rationalizes the requests based on the available balance,

consolidates the requests and forwards them to Controller of Budget (COB) for approval. Once the approval of COB is obtained, the funds are released to the County Assembly and County Executive operational accounts appropriately.

3. Adoption of New and Revised Standards

i) *New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

There were no new and amended standards issued in the financial year.

ii) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025*

Standard	Effective date and impact:
IPSAS 46 Measurement	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 47- Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue</p>

Standard	Effective date and impact:
	<p>from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 49: Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
<p>IPSAS 50: Exploration For & Evaluation of Mineral Resources</p>	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.

Standard	Effective date and impact:
	iii. Disclosures that identify and explain the amounts in the entity’s financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

iii) Early adoption of standards

The Entity did not early adopt any new or amended standards in the financial year.

4. Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Revenue Transfers

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

ii. Revenue from exchange transactions

Own Source Revenue

b) Budget information

The original budget for FY 2024/2025 was approved by the County Assembly on 30th June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Entity recorded additional appropriations of one on the

2024/2025 budget following the governing body's approval. The Entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements.

c) Financial instruments

IPSAS 41 addresses the classification, measurement, and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting, and a new impairment model for financial assets. The 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 entity 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 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 fund'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 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 an irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity 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 the 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 derecognized 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 the 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 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 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. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in the note.

Financial liabilities

Classification

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

d) 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

e) Events after the reporting period

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

f) Currency

The financial statements are presented in Kenya Shillings (Kshs) are rounded off to the nearest shilling.

5. Significant judgments and sources of estimation uncertainty

The preparation of the 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.

6. Exchequer releases

The following is an analysis by revenue type of the receipts collected in the County Revenue Fund:

Description	2024-2025
	Kshs.
Equitable Share	3,513,418,983
Total	3,513,418,983

The reported actual amount for Exchequer releases includes Ksh 258,988,056 carried forward from the previous Financial Year, which was received during the reporting period.

7. Transfers from other government agencies**

Description	2024-2025
	Kshs.
Road Maintenance Levy	47,403,262
Lamu County Food Systems Resilience Project	70,127,132
KUSP	32,309,300
DANIDA Grant -Primary Health care in a devolved context -Ministry of Health	3,997,500
KISIP	223,397,882
(IDA) World Bank Credit - Financing Locally Led Climate Programme (FLLoCA)	6,830,615
Total	384,065,691

** These include other government grants released through other government entities such as the National Government MDAs.

8. Other grants**

Description	2024-2025
	Kshs.
Total	-

9. Return to CRF from County Entities

Description	2024-2025
	Ksh
Recurrent Account (County Executive)	4,315,108
Development Account (County Executive)	1,005

County Government of Lamu

County Revenue Fund

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Recurrent Account (County Assembly)	1,656,879
Covid -19	2,839,717
Development of Youth Polytechnics-State Department of TVETS	2
Road Maintenance Levy	8,631,794
Kenya Devolution Support Program	2,506
Total	17,447,012

These unspent balances from the previous Financial Year were transferred back to the County Revenue Fund (CRF) account from the operational account. The amount also includes transfers from conditional grants whose respective programs had concluded, and the related accounts were closed.

10. Non-Exchange Own Source Revenue

Description	2024-2025
	Kshs.
Business Permit	23,131,841
Fruits & Vegetables/Produce Cess	1,426,205
Livestock Cess	83,790
Fish Cess	5,671,175
Sales Of Flowers, Miraa, Etc	8,745,000
Wheat & Maize Cess	3,320
Veterinary	350
Forest Cess	853,920
Metal Scrap	417,100
Physical Planning	6,178,522
Sand, Gravel, And Ballast Extraction Fees	12,127,043
Fisheries License	98,000
Land Rates	11,271,244
Public Health	1,657,428
Hides And Skins Fee	6,200
Total	71,671,138

11. Exchange Own Source Revenue

Description	2024-2025
	Kshs.
Training/Learning Centers (ATC)	505,450
Market Stalls Rent	1,504,221

County Government of Lamu

County Revenue Fund

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Meat Inspection Fees	604,230
Agriculture Vehicles Hire (AMS)	2,097,215
Open Air Market Fee	1,597,245
Slaughtering Fee	193,440
Street Parking Fee	5,029,964
Sign Boards & Advertisement Fee	4,162,600
Water Desalination Plant	101,150
Salary Commission	2,618,750
Others Miscellaneous	1,911,351
Total	20,325,616

The declared Own Source Revenue represents the amounts collected and transferred to the County Revenue Fund (CRF). A portion of revenue is, however, collected and retained at source under the Facility Improvement Fund (FIF) and Alcoholic Drinks Control Fund, and is spent directly by the respective entities without being transferred to the CRF.

12. Transfers to County Executive

Description	2024-2025
	Kshs.
Recurrent Account	2,333,654,871
Development Account	630,570,783
County Climate Change Fund	84,000,000
Primary Healthcare Fund-DANIDA	8,425,500
Kenya Devolution Support Program (KDSP II)	3,000,000
Lamu County Food Systems Resilience Project	75,127,132
Kenya Informal Settlement Improvement Project	238,397,882
Kenya Urban Support Program	32,309,300
Total	3,405,485,468

Note:

Recurrent Account – KSh 2,333,654,871: This represents funding for the County Executive's day-to-day operations, including personnel emoluments, utilities, operations, and maintenance costs, in line with the approved recurrent expenditure budget.

Development Account – KSh 630,570,783: Funds earmarked for capital investments and development projects aimed at improving service delivery and infrastructure across the county, in accordance with the approved development budget.

County Climate Change Fund – KSh 84,000,000: Allocated to climate resilience and adaptation initiatives under the County Climate Change framework, supporting environmental sustainability.

Primary Healthcare Fund – DANIDA – KSh 8,425,500: Conditional grant from DANIDA to strengthen primary healthcare systems and improve health service delivery.

Kenya Devolution Support Program (KDSP II) – KSh 3,000,000: Earmarked for capacity building, governance strengthening, and service delivery improvements under the KDSP II framework.

Lamu County Food Systems Resilience Project – KSh 75,127,132: Funding aimed at enhancing food security, value chain development, and resilience of local food systems.

Kenya Informal Settlement Improvement Project – KSh 238,397,882: Resources dedicated to upgrading informal settlements through infrastructure improvements, housing development, and access to services.

Kenya Urban Support Program – KSh 32,309,300: Conditional funding for urban infrastructure and institutional strengthening in county urban areas.

Total Transfers: KSh 3,405,485,468. These amounts match the receipts by the County Executive as recorded in the County Revenue Fund, ensuring compliance with the County Appropriation Act 2024/2025. Disbursements are made in line with approved budget estimates and are monitored to ensure proper utilization in accordance with the Public Finance Management (PFM) Act requirements.

13. Transfers to County Assembly

Description	2024-2025
	Kshs.
Recurrent Account	419,480,090
Development Account	4,498,000
Total	423,978,090

Note:

Recurrent Expenditure – Kshs. 419,480,090: This amount covers operational and administrative expenses necessary for the Assembly’s legislative, oversight, and representation functions. Key cost components include members’ allowances, staff salaries, committee operations, utilities, maintenance, and other day-to-day operations of the Assembly.

Development Expenditure – Kshs. 4,498,000: This allocation is earmarked for capital projects and institutional development initiatives within the Assembly. It includes spending on infrastructure improvements, ICT systems, and other long-term investments to enhance legislative service delivery.

The above allocations are consistent with the approved budget as per the County Appropriation Act and tally with the corresponding receipts recorded in the County Assembly’s financial statements for the year. This ensures compliance with the Public Finance Management (PFM) Act, 2012, and adherence to the principle of transparent and accountable public spending.

14. Other Transfers

Description	2024-2025
	Kshs.
Total	-

15. Cash and Cash Equivalents

Description	2024-2025	1 st July 2024
	Kshs.	Kshs.
Lamu County Revenue Fund Account (CBK Account Number 1000171588)	447,575,032	270,393,255
Total	447,575,032	270,393,255

16. Receivables from Non-Exchange Transactions

Description	2024-2025	1 st July 2024
	Kshs	Kshs
Net receivables	-	-

17. Receivables from Exchange Transactions

Description	2024-2025	1st July 2025
	Kshs	Kshs
Miscellaneous	283,104	-
Total	283,104	-

18. Accounts Payable

Description	2024-2025	1st July 2025
	Kshs	Kshs
Total Accounts Payable	-	-

19. Disclosure of Balances in Revenue Collection Accounts

The County Government's own-source revenue is recognized in the financial statements when it has been transferred to the CRF. Revenue collection account balances are disclosed as at the end of the reporting period as below.


Name Of Bank, Account No. & Currency	Amount in bank account currency*	Ex. rate (if in foreign currency)	Period Ended
			30 th June 2025
			Kshs
KCB Transition Auth-Lamu County Revenue Account 1140750615	Ksh	-	264,524
Cash in Hand	Ksh	-	18,580
Total			283,104

14. Appendices

Appendix 1: Progress on follow-up of 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)
	Budgetary Control and Performance	Delays in releasing exchequer funds and conditional grants have hindered project execution and performance	Resolved	2024/2025
	Unresolved Prior Year Matters	Delays in releasing exchequer funds and conditional grants have caused underfunding, slowed the execution of planned projects, and hindered the achievement of performance targets. Addressing these delays is critical to improving budgetary control, ensuring timely implementation, and meeting desired outcomes.	Resolved	2024/2025



**CPA Salma Omar Ahmed
 CHIEF OFFICER FINANCE
 COUNTY GOVERNMENT OF LAMU**

Appendix 2. Analysis of Receipts from The National Treasury Exchequer Releases

Period 2024/2025	Quarter 1 (kshs.)	Quarter 2 (kshs.)	Quarter 3 (kshs.)	Quarter 4 (kshs.)	Total (kshs.)
Equitable Share	534,162,866	1,075,414,025	536,981,103	1,366,860,989	3,513,418,983
Road Maintenance Levy	-	-	-	47,403,262	47,403,262
Lamu County Food Systems Resilience Project	-	-	-	70,127,131	70,127,131
Kenya Urban Support Program	-	-	-	32,309,300	32,309,300
DANIDA Grant -Primary Health care in a devolved context -Ministry of Health	-	-	-	3,997,500	3,997,500
Kenya Informal Settlement Improvement Project	-	-	-	223,397,882	223,397,882
FLLoCA	-	-	-	6,830,615	6,830,615
TOTAL	534,162,866	1,075,414,025	536,981,103	1,750,926,679	3,897,484,674

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Appendix 3. Analysis of Receipts from Own Source Revenue per Quarter

(a) Non-Exchange Own Source Revenue

Period 2024/25	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Business Permit Current Year	1,728,000	1,299,800	10,801,600	9,302,441	23,131,841
Fruits & Vegetables/Produce Cess	477,760	231,180	118,300	598,965	1,426,205
Livestock Cess	26,350	34,310	10,730	12,400	83,790
Fish Cess	1,468,680	1,438,130	1,353,883	1,410,482	5,671,175
Sales of Flowers, Miraa, Etc	1,230,000	2,685,000	2,170,000	2,660,000	8,745,000
Wheat & Maize Cess	-	-	1,660	1,660	3,320
Veterinary	-	-	350	-	350
Forest Cess	284,350	213,260	230,910	125,400	853,920
Metal Scrap	120,900	50,200	204,000	42,000	417,100
Physical Planning	1,297,275	841,190	2,215,755	1,824,302	6,178,522
Sand, Gravel, And Ballast Extraction Fees	2,592,775	3,152,135	3,328,715	3,053,418	12,127,043
Fisheries License	71,400	9,100	14,500	3,000	98,000
Land Rates	488,750	390,689	5,928,170	4,463,635	11,271,244
Public Health	263,100	304,400	769,922	320,006	1,657,428
Hides And Skins Fee	3,000	2,200	1,000	-	6,200
Total	10,052,340	10,651,594	27,149,495	23,817,709	71,671,138

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(b) Exchange Own Source Revenue

Period 2024/25	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Training/Learning Centers (ATC)	142,000	121,450	80,000	162,000	505,450
Market Stalls Rent	176,500	485,800	473,161	368,760	1,504,221
Meat Inspection Fees	133,530	138,310	166,430	165,960	604,230
Agriculture Vehicles Hire (AMS Tractors)	-	543,826	43,315	1,510,074	2,097,215
Open Air Market Fee	228,990	216,810	549,945	601,500	1,597,245
Slaughtering Fee	65,520	58,620	48,000	21,300	193,440
Street Parking Fee	1,105,070	1,172,840	1,830,601	921,453	5,029,964
Sign Boards & Advertisement Fee	185,050	278,500	3,209,050	490,000	4,162,600
Water Desalination Plant	-	101,150	-	-	101,150
Salary Commission	383,609	644,804	925,617	664,720	2,618,750
Others Miscellaneous	4,000	-	3,003	1,904,348	1,911,351
Total	2,424,269	3,762,110	7,329,122	6,810,115	20,325,616

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Appendix 4: Analysis of Transfers from the County Revenue Fund

Period -2024/25	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total (Ksh)
	(Kshs.)	(Kshs.)	(Kshs.)	(Kshs.)	
County Executive – Recurrent	501,255,135	422,451,092	682,075,056	727,873,588	2,333,654,871
County Executive – Development	-	29,152,673	172,950,881	428,467,229	630,570,783
County Assembly – Recurrent	66,828,400	98,825,200	145,774,310	108,052,180	419,480,090
County Assembly – Development	-	-	4,498,000	-	4,498,000
County Climate Change Fund	11,000,000	73,000,000	-	-	84,000,000
DANIDA Grant - Primary Health care in a devolved context - Ministry of Health	-	4,428,000	-	3,997,500	8,425,500
Kenya Devolution Support Program (KDSP II)	-	-	3,000,000	-	3,000,000
Lamu County Food Systems Resilience Project	-	-	5,000,000	70,127,132	75,127,132
Kenya Informal Settlement Improvement Project	-	7,500,000.00	-	230,897,882	238,397,882
Kenya Urban Support Program	-	-	-	32,309,300	32,309,300
Total	579,083,535	635,356,965	1,013,298,247	1,601,724,811	3,829,463,558