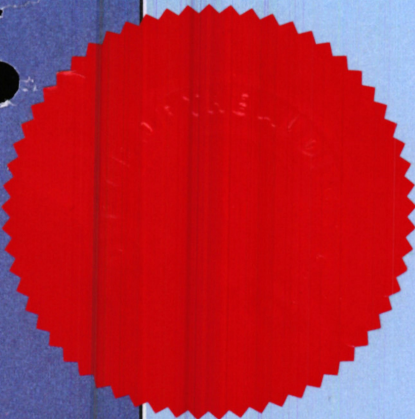
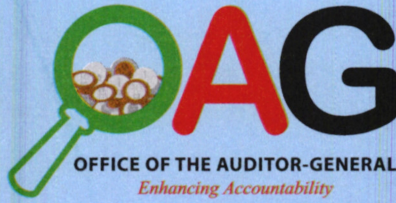
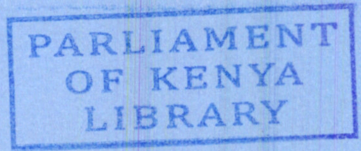


REPUBLIC OF KENYA



**REPORT**



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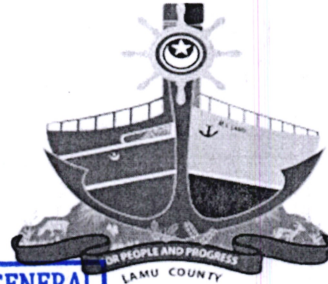
**THE AUDITOR-GENERAL**

**ON**

**LAMU COUNTY CLIMATE CHANGE FUND**

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

PAPERS LAID	
DATE	4/12/2025
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COMMITTEE	—
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OFFICE OF THE AUDITOR GENERAL  
P. O. Box 81543, MOMBASA

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**COUNTY GOVERNMENT OF LAMU  
LAMU COUNTY CLIMATE CHANGE FUND**

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

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

*Lamu County Climate Change Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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*Lamu County Climate Change Fund*  
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**2. Acronyms and Definition of Key Terms**

**A. Acronyms**

<i>ADP</i>	<i>Annual Development Plan</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>CIDP</i>	<i>County Integrated Development Plan</i>
<i>CPAK</i>	<i>Certified Public Accountant of Kenya</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>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IPSAS</i>	<i>International Public Sector Accounting Standards</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>Kshs</i>	<i>Kenya Shillings</i>
<i>FY</i>	<i>Financial Year</i>
<i>BOM</i>	<i>Board of Management</i>
<i>IPSAS</i>	<i>International Public Sector Accounting Standards</i>
<i>PFM</i>	<i>Public Finance Management</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>LCCCF</i>	<i>Lamu County Climate Change Fund</i>
<i>LCCCU</i>	<i>Lamu County Climate Change Year</i>

**B. Definition of Key Terms**

**Fiduciary Management-** Members of Management directly entrusted with the responsibility

**Climate change** : Means a change in the climate system which is caused by significant changes in the concentration of greenhouse gases, as a consequence of human activities, and which, in addition to natural drivers, has been observed over a considerable period of time.

### **3. Key Entity Information and Management**

#### **a) Background information**

The Lamu County Climate Change Fund (LCCCCF) is established by and derives its authority and accountability from the Lamu County Climate Change Act of 2022. The Fund is wholly owned by the County Government of Lamu and is domiciled in Kenya.

The objective of the Fund is to provide a predictable, transparent, and accountable financing mechanism to support climate change adaptation and mitigation interventions at both county and community levels. It seeks to strengthen resilience, promote sustainable livelihoods, and mainstream climate change actions into county development planning.

The principal activities of the Fund include financing community-driven climate change adaptation and mitigation projects, supporting research, innovation, and technology transfer for climate-smart development, enhancing institutional and community capacity for climate resilience, and facilitating access to information, awareness creation, and knowledge sharing on climate change impacts and solutions.

The Fund is managed by the County Climate Change Unit under the oversight of the County Climate Change Fund Steering Committee, in line with the Public Finance Management (PFM) Act, 2012 and the establishing Act. The Fund operates within the framework of the National Climate Change Act, 2016, ensuring harmonization of county-level actions with national climate change priorities. Funding sources include county budgetary allocations, contributions from development partners, and other approved financing streams

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

The principal mandate of the Lamu County Climate Change Fund (LCCCCF) is to provide a predictable and sustainable financing mechanism to support climate change adaptation and mitigation interventions across the county. The Fund facilitates the mobilization, allocation, and utilization of resources dedicated to enhancing community resilience, protecting natural ecosystems, and promoting climate-smart development.

***Lamu County Climate Change Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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The mission of the Fund is to strengthen the adaptive capacity of Lamu County communities by financing inclusive, locally-led, and sustainable climate actions. It seeks to ensure that communities most vulnerable to the impacts of climate change are empowered to develop innovative solutions that safeguard livelihoods and natural resources.

The vision of the Fund is to build a climate-resilient Lamu County where communities, ecosystems, and the economy can sustainably thrive in the face of changing climatic conditions.

The core objectives of the Fund include enhancing community participation in climate change planning and decision-making, supporting the implementation of locally-identified adaptation and mitigation projects, promoting research and innovation in climate-smart practices, and fostering partnerships with development actors to leverage resources for greater impact. The Fund also seeks to integrate climate change considerations into county development planning and ensure transparency and accountability in the management of climate resources.

**c) Lamu County Climate Change Steering Committee**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	H.E. Dr. Mbarak Mohamed	<i>Deputy Governor / CECM County Climate Change, Lamu County (Chairperson)</i>
2	Hon. Mohamed Bwana Ali	County Executive Committee Member in charge of Finance and planning
3	Hon. James Gichu	County Executive Committee Member in charge of Agriculture, Livestock and Fisheries
4	Hon. Tashrifa Bakari Mohamed	County Executive Committee Member in charge of Water and irrigation
5	Getrude Muhutsu	County Drought Coordinator
6	Leli Ngao	County Director of Meteorology
7	Kahindi Yeri	County Director of Environment (NEMA)
8	Adan B. Mohamed	Public Benefit Organization representative
9	Amina Kale	Women & Youth representative
10	Annah W. Kangi	Persons living with disability representative
11	Omar Twalib Mzee	Private sector representative
12	Mohammed Rashid Dirie	Fund Administrator Climate Change ( <b>Secretary, ex-officio</b> )

**Lamu County Climate Change Fund  
Annual Report and Financial Statements for the year ended June 30, 2025**

**d) Key Management team**

Ref	Name	Position
1	H.E. Dr. Mbarak Mohamed	Deputy Governor / CECM County Climate Change, Lamu County
2	Mr. Mohamed Rashid Dirie	Chief Officer/ Fund Manager Climate Change Unit Lamu County
3	Ms. Salma Omar Ahmed	Chief Officer Finance Lamu County
4	Mr. Mohamed A. Mohamed	Director for Climate Change
5	CPA Evanson K. Kathuri ICPAK No. 10773	Fund Accountant

**Key Entity and Management (Continued)**

**e) Fiduciary Oversight Arrangements**

SN	Oversight Body	Role
1	County Climate Change Steering Committee (CCCSC)	Provides strategic oversight, policy direction, and ensures alignment of county climate actions with national priorities. Chaired by the CEC Member responsible for Environment and Climate Change.
2	County Climate Change Planning Committee (CCCPC)	Coordinates planning, budgeting, and integration of climate change actions at county and ward levels. Comprises technical officers from key departments including finance, environment, and planning.
3	County Treasury	Provides overall financial oversight, ensures accountability, compliance with public finance laws, and facilitates audits and financial reporting.
4	County Assembly	Exercises legislative and oversight authority over the Fund, approves budgets, and reviews performance and audit reports.
1	County Climate Change Steering Committee (CCCSC)	Provides strategic oversight, policy direction, and ensures alignment of county climate actions with national priorities. Chaired by the CEC Member responsible for Environment and Climate Change.

**f) Registered Offices**

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

**g) Fund Contacts**

Telephone: (254) 726 582 387  
E-mail: [copublichealth@lamu.go.ke](mailto:copublichealth@lamu.go.ke)  
Website: [www.lamucounty.go.ke](http://www.lamucounty.go.ke)

*Lamu County Climate Change Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**Key Entity and Management (Continued)**

**h) Fund Bankers**

Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya

**i) Independent Auditors**

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





**j) Principal Legal Adviser**

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

**k) County Attorney**

The County Attorney  
P.O Box 74 80500  
Lamu, Kenya.

**4. Lamu Climate Change Steering Committee**

Name	Details of qualifications and experience
 <p><b>H.E. Dr. Mbarak Mohamed</b> CECM Health</p>	<p><b>H.E. Dr. Mbarak Mohamed</b> is the Deputy Governor and County Executive Committee Member (CECM) for Climate Change. In this role, he provides leadership in the development and implementation of climate policies, strategies, and programs that enhance the county’s resilience to the impacts of climate change. He is responsible for coordinating climate action across sectors, promoting sustainable natural resource management, and ensuring that communities benefit from climate financing opportunities. Dr. Mbarak is committed to advancing climate-smart development and safeguarding the county’s environment and livelihoods through effective governance and strategic planning</p>
 <p><b>Hon. Mohamed Bwana Ali</b> CECM Finance &amp; planning</p>	<p><b>Hon. Mohamed Bwana Ali</b> is the County Executive Committee Member (CECM) in charge of Finance and Planning for Lamu County. In this key leadership role, he oversees the county's financial management, budgeting, and economic planning initiatives, ensuring that resources are efficiently allocated to support development projects and county programs. His responsibilities also include strategic planning to foster sustainable growth and financial stability within the county.</p>
 <p><b>Hon. James Gichu</b> CECM Agriculture, Livestock, and Fisheries</p>	<p><b>Hon. James Gichu</b> is the County Executive Committee Member (CECM) in charge of Agriculture, Livestock, and Fisheries for Lamu County. In this vital role, he oversees the development and implementation of policies and programs aimed at boosting the agricultural sector, improving livestock management, and promoting sustainable fisheries practices. His leadership focuses on enhancing food security, supporting local farmers and fishers, and driving economic growth within the agricultural and fisheries sectors.</p>
 <p><b>Hon. Tashrifa Mohamed</b> CECM Lands, Physical Planning, Urban Development, Energy, Water and Natural Resources, Infrastructure and Public Works</p>	<p><b>Hon. Tashrifa Bakari Mohamed</b> is the County Executive Committee Member (CECM) in charge of Water and Irrigation for Lamu County. In this role, she is responsible for overseeing the county's water supply and irrigation systems, ensuring sustainable access to clean water and promoting efficient water management practices. Her work focuses on improving water infrastructure, enhancing agricultural productivity through irrigation, and addressing the water needs of both urban and rural communities to support economic development and public health.</p>

*Lamu County Climate Change Fund*

**Annual Report and Financial Statements for the year ended June 30, 2025**

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Mr. Mohamed Rashid Dirie  
*Chief Officer/ Fund Manager Lamu  
Climate Change Unit*

**Mr. Mohammed Rashid Dirie** has been the Chief Officer in the Department of Public Health, Sanitation, Environment, and Natural Resources since 2019. Previously, he served as the Chief Officer for Public Service Management and Administration, where he gained extensive experience in governance and administrative management. With a B.Sc. in Biotechnology, Dirie combines his scientific knowledge with his administrative expertise to lead initiatives that promote public health, environmental sustainability, and efficient resource management within the county.

*Lamu County Climate Change Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**5. Management Team**

Name	Details of qualifications and experience
 <p><b>H.E. Dr. Mbarak Mohamed</b>  <i>CECM Health  Climate Change Lamu County</i></p>	<p><b>H.E. Dr. Mbarak Mohamed</b> is the Deputy Governor and County Executive Committee Member (CECM) for Climate Change. In this role, he provides leadership in the development and implementation of climate policies, strategies, and programs that enhance the county’s resilience to the impacts of climate change. He is responsible for coordinating climate action across sectors, promoting sustainable natural resource management, and ensuring that communities benefit from climate financing opportunities. Dr. Mbarak is committed to advancing climate-smart development and safeguarding the county’s environment and livelihoods through effective governance and strategic planning</p>
 <p><b>Mr. Mohamed Rashid Dirie</b>  <i>Chief Officer/ Fund Manager  Climate Change Unit Lamu County</i></p>	<p><b>Mr. Mohammed Rashid Dirie</b> has been the Chief Officer in the Department of Public Health, Sanitation, Environment, and Natural Resources since 2019. Previously, he served as the Chief Officer for Public Service Management and Administration, where he gained extensive experience in governance and administrative management. With a B.Sc. in Biotechnology, Dirie combines his scientific knowledge with his administrative expertise to lead initiatives that promote public health, environmental sustainability, and efficient resource management within the county.</p>
 <p><b>Ms. Salma Omar Ahmed</b>  <b>Chief Officer Finance</b></p>	<p><b>Ms. Salma Omar Ahmed</b> is the Chief Officer for Finance in Lamu County. A Certified Public Accountant of Kenya (CPAK) and holder of a Bachelor’s degree in Finance and Accounting, she brings a wealth of expertise in financial management to her role. Previously, she served as the Director of Accounting Services, where she was responsible for overseeing the county’s accounting operations, ensuring compliance with financial regulations, and supporting sound fiscal decision-making. Her extensive experience supports her efforts in enhancing financial systems and promoting transparency in the county's financial affairs.</p>
	<p><b>Mr. Mohamed Abubakar Mohamed</b> is the County Director for Climate</p>

*Lamu County Climate Change Fund*

**Annual Report and Financial Statements for the year ended June 30, 2025**

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**Mohamed A. Mohamed**  
**Director for Climate Change**

Change and the Chief Public Health Officer in the Department of Public Health, Sanitation, Environment, and Natural Resources. A seasoned public health practitioner, he previously served as the Chief Officer for Health in the first Lamu County government. With an MBA in Project Management and Evaluation and a B.Sc. in Environmental Health, Mohamed brings extensive expertise in health administration and environmental sustainability, guiding the county's climate initiatives and promoting public health resilience.



**CPA Evanson K. Kathuri**  
**Fund Accountant**  
**ICPAK No. 10773**

**CPA Evanson Kathuri** is the Fund Accountant for Climate Initiatives, with over fifteen years of experience in accounting across both public and private sectors. A Certified Public Accountant of Kenya (CPAK) and a Bachelor of Commerce (B.Com) graduate, Kathuri brings a wealth of financial expertise to his role, ensuring the effective management and accountability of climate-related funds. His background enhances the county's capacity to oversee and optimize resources dedicated to sustainability and environmental projects.

## **6. Fund Chairperson's Report**

As the Chairperson responsible for overseeing the Public Fund for Climate Resilience and Environmental Conservation in Lamu County, I am pleased to present the Fund's Annual Report. This Fund represents our commitment to fostering a sustainable and resilient future for Lamu, empowering our communities to address the pressing challenges posed by climate change.

### **Changes in the Fund and Key Management**

This year marked significant progress in strengthening the Fund's governance and operational structure. New members joined our management team, bringing expertise in finance, environmental science, and community outreach. These additions have enhanced our ability to design, implement, and monitor climate resilience projects in line with best practices.

### **Review of Fund Performance**

The Fund has made substantial strides in financing climate adaptation and environmental projects across Lamu County. Key achievements include:

- **Successful implementation of mangrove restoration projects** along the coast, which are critical to protecting our shorelines and sequestering carbon.
- **Expansion of water conservation initiatives** in vulnerable communities, addressing the urgent need for sustainable water resources.
- **Completed Projects under the Lamu County Climate Change Fund (LCCCF):** During the reporting period, the Fund successfully delivered a number of impactful projects that have strengthened community resilience to climate change. These include the procurement and administration of drugs and vaccines for vulnerable livestock, safeguarding pastoral livelihoods against disease outbreaks; the promotion of alternative livelihoods through nature-based enterprises such as beekeeping, which has created sustainable income opportunities for households; and the restoration of degraded ecosystems, notably around Lake Kenyatta, which has revived biodiversity and improved ecosystem services. In addition, the Fund supported the construction of a water Djabia at Shanga Dispensary, ensuring improved access to safe and reliable water for surrounding communities, and facilitated the establishment of green spaces and ecological corridors, which are vital for enhancing resilience, biodiversity, and climate adaptation across the county.
- **Increased community engagement**, with educational programs on climate resilience and conservation reaching more community members, fostering greater commitment to sustainable practices.

***Lamu County Climate Change Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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Financially, the Fund leveraged additional resources through the Financing Locally-Led Climate Action Program (FLLoCA), securing Kenya shillings Eighty four Million in funding to support community-driven climate projects. We also partnered with non-governmental organizations to co-fund resilience initiatives, broadening the reach and impact of our efforts.

**Future Outlook**

The Fund’s strategic priorities will focus on scaling renewable energy projects, with particular emphasis on deploying solar systems for off-grid communities; enhancing disaster preparedness to address the growing risks posed by climate impacts; and launching a pilot program for sustainable agriculture that supports community livelihoods while safeguarding natural resources. In addition, the Fund is actively pursuing additional grants and partnerships to sustain and expand climate initiatives, thereby ensuring long-term resilience and adaptive capacity for Lamu County

**Key Challenges and Mitigation Strategies**

The impacts of climate change remain a significant challenge, particularly as they intersect with economic and social needs. Our communities face rising sea levels, unpredictable weather patterns, and resource scarcity, all of which strain natural and financial resources. However, we remain committed to mitigating these risks through continuous community engagement, strategic planning, and sound financial stewardship.

**Conclusion**

This Fund stands as a testament to Lamu County’s dedication to combating climate change and protecting our invaluable natural heritage. I extend my gratitude to the management team, our partners, and the communities of Lamu for their unwavering support and commitment. Together, we are building a resilient, environmentally conscious Lamu County for present and future generations.

With continued collaboration, we are confident in achieving our vision of a climate-resilient Lamu that embraces sustainable growth and empowers communities.

Name: ... H.E.DR. Mbarak Mohamed ... Signature:  Date: ...25<sup>th</sup> August 2025..

County Executive Committee Member, *Climate Change Unit Lamu County*  
County Government of Lamu|

*Climate Change Fund and Financial Statements for the year  
ended June 30, 2025*

## **7. Report of the Fund Administrator**

As the Fund Administrator for the Climate Resilience and Environmental Conservation Fund in Lamu County, I am pleased to present this report, which provides an overview of our budget performance, program achievements, and challenges faced, and future outlook. This document encapsulates our commitment to addressing climate change while fostering community involvement and sustainable practices.

The budget performance for the current fiscal year demonstrates our effective management of resources. We have focused on utilizing allocated funds efficiently to drive high-impact programs that align with our strategic objectives. The Fund's financial stewardship reflects a commitment to transparency and accountability, ensuring that every shilling is directed toward initiatives that yield tangible benefits for our communities and the environment.

In terms of operational performance, the Steering Committee has continued to play its governance and oversight roles effectively. Several policies relevant to climate change, natural resource management, and environmental protection were deliberated and adopted, providing a solid framework to guide ongoing and future interventions. The Steering Committee also approved the Fund's budget within the stipulated timelines, including supplementary allocations that enhanced resources for urgent resilience interventions such as water security and livestock health.

Sub-committees, particularly those dealing with environment, agriculture, and finance, played a critical role in policy review, project oversight, and community engagement, ensuring that development objectives were aligned with citizen needs. Oversight visits to project sites, including Lake Kenyatta rehabilitation, Faza desalination plant, and community beekeeping ventures, enabled the Steering Committee to track progress and demand accountability from implementers.

The performance of key development projects under the Fund illustrates tangible progress in building climate resilience. Completed projects include the procurement and administration of drugs and vaccines to vulnerable livestock, which has already improved animal health and reduced mortality; the promotion of alternative livelihoods through beekeeping, which has created new income streams for women and youth; the distribution of energy-saving jikos that are reducing pressure on forest resources; and the purchase of a motor vehicle that has enhanced field monitoring and coordination.

*Lamu County Climate Change Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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Several other interventions are ongoing and progressing steadily. These include enhancing crop production through climate-smart irrigation technologies in Witu and Mkunumbi; solarization of water systems across the county; restoration and protection of Lake Kenyatta; construction of water Djabias such as at Shanga Dispensary; establishment of green spaces and a nature trail inside the Hindi Ward Arboretum alongside construction of a public toilet and perimeter wall; promotion of the One Health initiative; irrigation schemes in Mkunumbi and Witu wards; construction of cattle dips at Pangani and Mokowe; the livestock health improvement programmes; purchase and distribution of tree seedlings; automation of water kiosks at existing desalination plants; Solarization of the Faza desalination plant; and the smart grid tie Solarization of LAWASCO's Shella Water Station. Administrative costs have also been prudently managed to support the smooth running of these initiatives.

Our interventions also reflect responsible competition practices, with emphasis on transparency in procurement, fair treatment of suppliers, and strict adherence to anti-corruption guidelines. The Fund has remained committed to honoring contracts and respecting payment schedules, ensuring that suppliers and contractors operate in a predictable and trustworthy business environment.

The value-for-money principle has been at the core of our implementation strategy. The livestock vaccination program has already demonstrated direct benefits by protecting pastoral livelihoods. Solarization of desalination plants has reduced operational costs and improved access to clean water for households, while climate-smart irrigation technologies are expected to boost food security. Beekeeping projects are generating sustainable incomes and empowering vulnerable groups, and ecosystem restoration efforts at Lake Kenyatta are improving biodiversity, enhancing water recharge, and supporting ecotourism. Energy-saving jikos, meanwhile, have reduced household expenditure on fuel and contributed to forest conservation.

Despite these successes, several challenges persist. Procurement delays, funding limitations compared to the scale of needs, and climate-related shocks such as droughts and floods have occasionally slowed implementation. Limited technical capacity in monitoring and evaluation has also posed difficulties in capturing real-time progress data. Looking ahead, the way forward includes strengthening procurement systems, mobilizing additional resources from development partners, building the technical capacity of the Fund Secretariat, and intensifying monitoring and

***Lamu County Climate Change Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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evaluation for improved accountability. The welfare of staff remains a priority, with measures being pursued to ensure gender balance, capacity building, safe working conditions, and reduced staff turnover.

The future outlook of the Fund is promising. Key priorities include scaling up renewable energy solutions in water and irrigation projects, expanding climate-smart agricultural practices, enhancing fodder production for livestock to safeguard pastoral livelihoods, and strengthening community participation in conservation programs. Policy frameworks will continue to be strengthened to support climate financing and to safeguard gains made in resilience building. With these commitments, the Climate Resilience and Environmental Conservation Fund reaffirms its dedication to delivering transformative impacts for the people of Lamu County.



**Name... *Mohammed Rashid Dirie*. Signature.....Date...25<sup>th</sup> August 2025...**  
***Fund Administrator - Climate Change Unit Lamu County***

*Lamu County Climate Change Fund*

**Annual Report and Financial Statements for the year ended June 30, 2025**

**8. Statement of Performance Against the County Fund’s Predetermined Objectives**

The performance of the Climate Change Fund is embedded in the approved County Climate Change Action Plan (CCCAP 2023–2027), the Project Implementation Manual and approved yearly work plans. The Fund’s objectives are cascaded into deliverable units, and performance is tracked systematically to ensure that all targets are met within the stipulated timelines. This performance framework ensures accountability, community engagement, and measurable progress toward enhancing climate resilience and environmental conservation in Lamu County.

Below are the key targets and achievements for the reporting period. Below are the targets and performance as shown in the table below

S/NO	Name of Activity	Output	Indicator	Target	Achievement	Remarks
1	Procure and administer drugs & vaccines to vulnerable livestock	Healthy and disease-free livestock	Number of animals vaccinated	1	0.5	Completed – vaccination campaign successful
2	Enhance crop production using climate-smart irrigation	Farmers adopting irrigation	Number of demo farms established	1	0.5	Ongoing – more farmers being sensitized
3	Solarization of water systems	Functional solarized boreholes	Number of water systems solarized	5	3	Ongoing – 2 sites pending completion
4	Restoration of degraded ecosystem – Lake Kenyatta	Rehabilitated ecosystem	Hectares of land restored	1	0.3	Ongoing – tree planting & soil stabilization in progress
5	Construction of water Djabia at Shanga Dispensary	Operational Djabia	Number of Djabias constructed	1	1	Completed – facility in use
6	Promote adoption of alternative livelihoods (Beekeeping)	Improved household income	Number of modern beehives distributed	500	500	Completed – beneficiaries trained and producing honey
7	Establish green spaces/corridors	Green spaces created	Number of corridors established	1	0.7	Ongoing – one site under design
8	Promote One Health initiative	Integrated health & environment actions	Number of joint activities conducted	1	1	Completed – exceeded target due to wider coverage

**Lamu County Climate Change Fund  
Annual Report and Financial Statements for the year ended June 30, 2025**

**9. Corporate Governance Statement**

**Statement for Lamu County Climate Change Fund (LCCCCF)**

The Lamu County Climate Change Fund (LCCCCF) upholds robust corporate governance principles to ensure transparency, accountability, and effective management of resources dedicated to climate resilience initiatives within Lamu County. For the fiscal year ending June 2025, governance efforts were centered on the preparation, review, and approval of financial statements, ensuring that all financial reporting aligns with regulatory standards and accurately reflects the fund's financial position and performance.

**Management Meetings and Attendance**

The management team of LCCCCF held four meetings throughout the fiscal year to discuss fund allocations, monitor project progress, and review financial statements. These meetings were critical in preparing the financial statements, as management provided insights and oversight to ensure the accuracy and reliability of financial data. The attendance rate for these meetings is as shown below.

Sno.	Name	M1	M2	M3	M4	TOTAL
1	H.E Dr. Mbarak Mohamed	✓	✓	✓	✓	4
2	Hon. Mohamed Bwana Ali	✓	✓	✓	✓	4
3	Hon. James Gichu	✓	✓	✓	✓	4
4	Hon. Tashrifa Bakari Mohamed	✓	✓	✓	✓	4
5	Ms. Getrude Muhutsu	✓	✓	✓	✓	4
6	Mr. Leli Ngao	✓	✓	✓	✓	4
7	Mr. Kahindi Yeri	✓	✓	✓	✓	4
8	Mr. Adan B. Mohamed	✓	✓	✓	✓	4
9	Ms. Amina Kale	✓	✓	✓	✓	4
10	Ms. Annah W. Kangi	✓	✓	✓	✓	4
11	Mr. Omar Twalib Mzee	✓	✓	✓	✓	4
12	Mr. Mohammed Rashid Dirie	✓	✓	✓	✓	4

**Succession Planning**

The LCCCCF has a structured succession plan to ensure continuity in management and fund operations. For this fiscal year, management was prepared to oversee critical roles in financial management and reporting, ensuring that financial statements were prepared, reviewed, and

approved even in the event of staff transitions. This plan enhances the fund's capacity to maintain uninterrupted oversight of financial activities.

### **Existence of a Management Charter**

The management team operates under a formal charter that defines its roles and responsibilities, particularly in regard to financial oversight, project monitoring, and ethical governance. The charter mandates adherence to best practices in financial reporting, including timely preparation and transparency in financial statements, making it a foundational document for governance activities related to the fund.

### **Process of Appointment and Removal of Management Members**

Management team members are appointed through a transparent selection process managed by the Nominations Committee, which evaluates candidates based on their expertise in financial management, climate governance, and community representation. If necessary, members may be removed for failing to meet attendance requirements or for conduct that jeopardizes financial integrity or ethical standards.

### **Roles and Functions of Management**

The management team's core responsibilities include:

- **Financial Oversight:** Monitoring financial activities, approving budgets, and ensuring compliance with accounting standards. This year, the team prioritized the preparation of financial statements for the year ending June 2025 to provide an accurate account of fund utilization.
- **Risk Management:** Identifying financial risks and ensuring funds are used for intended purposes in accordance with LCCCF policies.
- **Strategic Planning:** Setting the strategic direction for fund allocations to climate projects, ensuring alignment with the goals of the Lamu County climate agenda.

### **Induction and Training**

New management members undergo an induction program that includes training on financial reporting standards and an overview of the LCCCF's financial procedures. Additionally, ongoing

*Lamu County Climate Change Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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financial literacy training sessions are provided to ensure all members remain informed about best practices in nonprofit financial governance and reporting.

**Management and Member Performance Evaluation**

The LCCCF conducts annual performance evaluations for its management team, assessing members' effectiveness in fulfilling fiduciary responsibilities, including financial oversight. This evaluation process was key in preparing financial statements for the year ending June 2025, ensuring that all members contributed effectively to financial decision-making.

**Conflict of Interest**

A strict conflict of interest policy is in place, requiring management members to declare any financial or personal interests that could impact their impartiality in fund management. Members with a conflict related to financial matters, such as allocations or budget approvals, are required to recuse themselves from relevant decisions, ensuring unbiased governance.

**Management Remuneration**

Management team remuneration is determined based on the time and expertise required, following industry benchmarks. Compensation is reviewed to ensure it aligns with similar funds, with a focus on accountability and resource stewardship. Reimbursement for costs associated with financial oversight activities is provided, enabling members to participate in governance activities without personal financial burden.

**Ethics, Conduct, and Governance Audit**

The LCCCF adheres to a Code of Ethics that underscores transparency and accountability in financial reporting. An independent governance audit was conducted as part of the fiscal year-end process, providing an external review of financial practices. This audit confirmed compliance with accounting standards, verified the accuracy of financial statements, and recommended areas for improvement to strengthen financial governance.

**Conclusion**

The Lamu County Climate Change Fund management team has implemented rigorous governance practices focused on accurate financial reporting and effective fund management. The preparation of the financial statements for the fiscal year ending June 2025 underscores the team's

***Lamu County Climate Change Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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commitment to transparency, accountability, and the sustainable management of resources dedicated to advancing climate resilience in Lamu County. Through diligent financial oversight and adherence to ethical standards, management ensures that funds are used efficiently and responsibly, supporting the county's climate change objectives.

## **10. Management Discussion and Analysis**

During the Financial Period ended June 2025, the Lamu County Climate Change Fund (LCCCCF) received contributions totaling Kshs 84,000,000 and income receivable of Kshs 6,830,615 making the total revenue Kshs 90,830,615 sourced from both the Lamu County Government and the Financing Locally-Led Climate Action (FLLoCA) program. This funding reflects a strategic partnership aimed at building climate resilience across Lamu County. The initial capital of the Fund was set at a minimum of 1.5% of the county's annual development budget, as appropriated by the County Assembly, demonstrating the county's commitment to sustainable development through local climate action.

The Fund's operational performance was focused on managing these contributions efficiently, ensuring compliance with statutory requirements, and disbursing funds to high-priority climate action projects. The financial statement reflects a sound financial position, with resources allocated according to Lamu County's Climate Change Action Plan and County Climate Finance Framework.

### **Key Projects and Investments**

The LCCCCF supports a range of projects that align with climate resilience goals, as defined in the County Climate Change Action Plan. Projects funded in the Financial Period ending June 2025 included:

1. Climate Resilience Assessments

Funds were allocated to conduct assessments across vulnerable regions in Lamu County. These assessments provided data on local climate impacts and helped identify critical areas for intervention. The results inform subsequent planning and budgeting, ensuring that resources are directed where they are most needed.

2. Climate Change Response Projects

Implementation began on multiple climate response projects proposed by Ward Planning Committees, focusing on:

- Water conservation initiatives to combat the impacts of prolonged droughts.
- Agricultural adaptation projects aimed at improving crop resilience and diversifying food sources.
- Coastal ecosystem restoration to protect communities from flooding and sea level rise.

*Lamu County Climate Change Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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3. Public Education and Awareness

Public education programs were launched to raise awareness about climate change and its impacts, targeting schools, community centers, and local forums. These initiatives were instrumental in promoting climate literacy and community involvement in local climate action.

4. Capacity Building

Training sessions and workshops were held for local stakeholders, including community leaders and ward committee members, to enhance their understanding of climate resilience and equip them with tools for effective planning and project implementation.

5. Monitoring, Evaluation, and Reporting

An extensive monitoring and evaluation framework was established, enabling real-time tracking of project progress and impacts. Reporting sessions were conducted quarterly to assess project outcomes, which facilitated adaptive management and informed future funding decisions.

**Compliance with Statutory Requirements**

The LCCCF adhered to all statutory and regulatory requirements, including:

- Financial auditing: The Fund was subject to an independent financial audit, verifying compliance with accounting standards and transparency in fund allocation and usage.
- Environmental regulations: Projects implemented through the Fund complied with environmental regulations, ensuring that initiatives did not adversely affect local ecosystems.
- Public Procurement and Disposal Act: Procurement processes followed the stipulated guidelines, with contracts awarded transparently to qualified vendors and service providers.

**Major Risks and Risk Management**

Several risks were identified during the operational period, and mitigation measures were implemented to address them:

1. Climate Variability and Extreme Weather Events

The unpredictability of climate impacts posed a risk to project timelines, especially in agriculture and water management projects. To manage this, LCCCCF adopted flexible project schedules and integrated risk assessment tools into planning processes.

2. Funding Volatility

Dependence on external contributions, like FLLoCA, makes the Fund vulnerable to funding fluctuations. A reserve fund policy is under consideration to cushion against potential shortfalls and sustain critical projects.

3. Community Engagement Challenges

Low initial engagement in some areas presented a barrier to project success. In response, the Fund intensified public education campaigns to foster greater local involvement and ownership.

4. Regulatory Changes

Shifts in national and county-level climate policies required the Fund to be agile and responsive. The governance team monitors regulatory changes closely, allowing for prompt adaptation in alignment with new requirements.

**Material Arrears and Financial Obligations**

As of the end of the fiscal year, the LCCCCF maintained a stable financial position, with no significant arrears in statutory or other financial obligations. All regulatory fees and contractual payments were settled promptly, supporting smooth project operations.

**Outlook and Future Plans**

Looking forward, the LCCCCF intends to expand its scope of climate resilience projects with an increased focus on:

- Scaling successful projects: Expanding current water conservation and agricultural adaptation projects to new regions in Lamu County.
- Enhanced knowledge management: Investing in research and data collection to inform evidence-based climate action strategies.
- Increased stakeholder capacity: Further training for local communities to enable more effective participation in climate initiatives.

***Lamu County Climate Change Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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The Lamu County Climate Change Fund's performance during the Financial Period ending June 2025 reflects its commitment to advancing climate resilience. With prudent financial management, compliance with statutory requirements, and proactive risk management, the Fund is well-positioned to drive impactful climate initiatives in the years ahead. The management team remains dedicated to continuous improvement, ensuring that every shilling invested serves to protect Lamu's environment and communities from the growing threats of climate change.

## **11. Environmental and Sustainability Reporting**

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

The Lamu County Climate Change Fund (LCCCCF) aligns its sustainability strategy with global, regional, and national priorities, including the Sustainable Development Goals (SDGs), the Paris Agreement on Climate Change, and Kenya's National Climate Change Act, 2016. At the county level, the Fund draws its mandate from the Lamu County Climate Change Act, 2022, which provides a framework for financing and implementing locally led climate actions.

The Fund prioritizes resilience-building in vulnerable communities by financing adaptation and mitigation projects such as solarization of water systems, climate-smart irrigation technologies, and restoration of degraded ecosystems. During the reporting period, achievements included increased uptake of beekeeping as an alternative livelihood, construction of water Djabias in drought-prone areas, and promotion of green spaces in urban centers. Shortcomings included delays in disbursement of funds and limited technical capacity in some wards, which are being addressed through stakeholder training and timely release of resources.

The Fund further promotes inclusivity by ensuring 30% of contracts are allocated to local suppliers, youth, women, and persons with disabilities (PWDs), in line with county procurement laws.

### **ii) *Environmental performance***

LCCCCF operates under the County Environmental Policy and integrates climate and ecosystem safeguards into funded projects. Implementation has focused on:

- Ecosystem restoration: ongoing rehabilitation of Lake Kenyatta and mangrove conservation.
- Sustainable energy use: adoption of solar-powered water systems and promotion of fuel-efficient cook stoves.

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**Annual Report and Financial Statements for the year ended June 30, 2025**

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- Waste management: sensitization on plastic reduction, provision of waste segregation bins, and piloting paperless systems within the county climate change unit.
- Climate-smart technologies: introduction of drought-resistant crops, eco-jikos, and promotion of green building concepts such as natural lighting and solar heating.

Challenges remain in mainstreaming environmental safeguards across all sectors, but mitigation is being pursued through capacity building and interdepartmental collaboration.

**iii) *Employee welfare***

The Fund adheres to county human resource policies, which emphasize inclusivity in recruitment, with deliberate efforts to consider gender balance, youth, and PWD representation. Continuous staff training and career development are supported, especially on climate finance management, monitoring, and evaluation. Employee safety is guided by the Occupational Safety and Health Act, 2007 (OSHA), with regular awareness on workplace safety. During the reporting period, no major work-related injuries were reported.

**iv) *Market place practices-***

**a) Responsible Competition Practices**

The Fund adheres to principles of fairness, accountability, and transparency in service delivery. Procurement is conducted through open tendering processes and guided by the Public Procurement and Asset Disposal Act (2015). Anti-corruption measures, including reporting channels and cashless payment systems, are emphasized.

**b) Responsible Supply Chain and Supplier Relations**

LCCCF maintains strong relations with suppliers by ensuring fair competition, timely payments, and honoring contract terms.

**c) Responsible Engagement with Citizens**

The Fund emphasizes citizen participation through public consultations, ward-level planning

*Lamu County Climate Change Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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committees, and community sensitization forums. Information is regularly shared through public barazas, county websites, and climate change forums.

d) Awareness Creation and Rights Protection Community members are educated on their rights in climate change planning and benefit sharing. Awareness campaigns on renewable energy, water conservation, and disaster preparedness were undertaken during the reporting year.

v) ***Corporate Social Responsibility / Community Engagements***

LCCCF's CSR activities are anchored in its core mandate of financing community-driven climate actions. In the reporting period, key engagements included:

- Supporting community groups in beekeeping, mangrove restoration, and tree planting.
- Financing water harvesting projects such as Djabias and boreholes in drought-affected areas.
- Facilitating civic education and public participation on the Lamu County Climate Change Act implementation and county budget processes.
- Providing environmental education in schools through tree-planting initiatives.

These initiatives have improved community resilience, strengthened ownership of local climate projects, and deepened trust between the county government and citizens

## **12. Report of The Trustees**

### **Lamu County Climate Change Fund - Fund Administration Committee**

The Fund Administrator submits this report together with the audited financial statements for the year ended June 30, 2025, which show the state of the Fund's affairs. The report highlights the Fund's activities, results, and statutory compliance during the financial year.

#### **Principal Activities**

The principal activities of the Lamu County Climate Change Fund (LCCCF) focus on building resilience to climate change and supporting sustainable development across the county. These activities include:

- Conducting climate resilience assessments to identify and prioritize local climate risks.
- Implementing climate change response projects proposed by Ward Climate Change Planning Committees and approved by the County Planning Committee.
- Supporting county-level climate initiatives that address priority adaptation and mitigation needs.
- Undertaking climate research and knowledge management to guide evidence-based decision-making.
- Promoting public education and awareness campaigns on climate change impacts and adaptive measures.
- Strengthening institutional and community capacity to effectively respond to climate challenges.
- Carrying out monitoring and evaluation to track progress and enhance project outcomes.
- Undertaking additional interventions as recommended by the Climate Change Planning and Steering Committees.

#### **Results**

The results of the Fund for the year ended June 30, 2025, are set out in the accompanying financial statements. The period under review recorded continued progress in financing and implementing priority climate adaptation projects across Lamu County.

*Lamu County Climate Change Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2025**

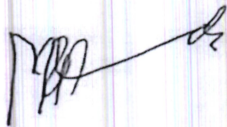
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**Steering Committee**

The members of the Lamu County Climate Change Fund Steering Committee who served during the year are shown in the Key Entity Information and Management section of this report. Changes in committee membership during the financial year are also reflected therein.

**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. In line with the Act, the Auditor General may also appoint certified public accountants to undertake the audit on his behalf for the year ended June 30, 2025.



.....  
*MOHAMMED RASHID DIRIE*  
**CHIEF OFFICER/ FUND MANAGER - CLIMATE CHANGE UNIT LAMU COUNTY**

**Date: ....25<sup>th</sup> August 2025....**

### **13. Statement of Management's Responsibilities**

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 established by the Lamu County Climate Change Fund Act, 2022 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board (PSASB).

The Administrator of the Fund is responsible for the preparation and presentation of the 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 period ended 30th June 2025. This responsibility includes:

- i. maintaining adequate financial management arrangements and ensuring that these remain effective throughout the reporting period;
- ii. maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund;
- iii. designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring they are free from material misstatements, whether due to error or fraud;
- iv. safeguarding the assets of the Fund;
- v. selecting and applying appropriate accounting policies; and
- vi. making accounting estimates that are reasonable in the circumstances.

The Administrator accepts responsibility for the 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 Lamu County Climate Change Fund Act, 2022. In the Administrator's opinion, the financial statements present fairly the financial transactions of the Fund during the year ended 30th June 2025 and the Fund's financial position as at that date. The Administrator further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the financial statements, as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator has assessed the Fund's ability to continue as a going concern and has disclosed, as applicable, matters relating to the use of the going concern basis of preparation. Nothing has come to the Administrator's attention to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

*Lamu County Climate Change Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**Approval of the Financial Statements**

The financial statements of the Lamu County Climate Change Fund were approved by the Steering Committee on **25th August 2025** and signed on its behalf by:



*MOHAMMED RASHID DIRIE*  
**CHIEF OFFICER/ FUND ADMINISTRATOR - CLIMATE CHANGE UNIT LAMU COUNTY**

# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON LAMU COUNTY CLIMATE CHANGE FUND FOR THE YEAR ENDED 30 JUNE, 2025**

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### **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 Lamu County Climate Change Fund set out on pages 1 to 35, 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 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 Lamu County Climate Change Fund 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 Lamu County Climate Change Act, 2022 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **Inaccurate Accumulated Surplus and Net Assets Balance**

The statement of financial position reflects accumulated surplus and net assets balance of Kshs.73,576,512 while the statement of changes in net assets reflects corresponding accumulated surplus and net assets balance of Kshs.84,458,939 resulting to unexplained variance of Kshs.10,882,427.

In the circumstances, the accuracy and completeness of accumulated surplus and net assets balance of Kshs.73,576,512 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 Climate Change Fund 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.

### **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 effects of the matter 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 iii to xxxi which comprise of Key Entity Information and Management, Lamu Climate Change Steering Committee, Management Team, Report of the Fund Administrator, Statement of Performance against the County Fund's Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Trustees and Statement of

Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Lamu County Climate Change Fund 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, except for the effect of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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**

#### **Unbalanced Budget**

The statement of comparison of budget and actual amounts reflects a final revenue budget of Kshs.156,697,125 and a final expenditure budget of Kshs.89,951,229 resulting to a budgeted surplus of Kshs.66,745,896. This was contrary to Regulation 31 of the Public Finance Management (County Governments) Regulations, 2015 which states that unless provided otherwise in the Act, these Regulations or any other guidelines developed in furtherance of the Act or these Regulations, at all times during budget formulation and approval all revenue and expenditure shall be entered into the County Government budget estimates; expenditure entered in County Government budget estimates shall be authorized for one (1) financial year only; and budget revenue and expenditure appropriations shall be balanced. In addition, the actual surplus for the period of Kshs.66,745,896 under the actual on comparable basis column was not disclosed.

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

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**

**25 November, 2025**

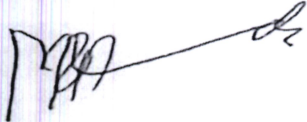
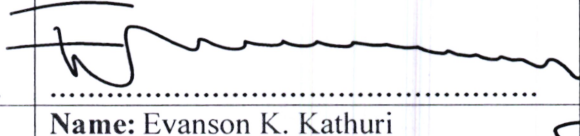
*Lamu County Climate Change Fund*

**Annual Report and Financial Statements for the year ended June 30, 2025**

**15. Statement of Financial Performance for the Year Ended 30<sup>th</sup> June 2025**

Description	Note	FY ending June 2025	FY ending June 2024
		Kshs	Kshs
<b>Revenue From Non-Exchange Transactions</b>			
Public Contributions and Donations	6	-	-
Transfers From the County Government	7	90,830,615	104,196,114
Fines, Penalties and Other Levies	8	-	-
		<b>90,830,615</b>	<b>104,196,114</b>
<b>Revenue From Exchange Transactions</b>			
Interest Income	9	-	-
Other Income	10	-	-
		-	-
<b>Total Revenue</b>		<b>90,830,615</b>	<b>104,196,114</b>
<b>Expenses</b>			
Employee Costs	11	-	-
Use of goods and services	12	<b>89,951,229</b>	18,046,658
Depreciation and Amortization Expense	13	<b>0</b>	2,569,904
Finance Costs	14	-	-
<b>Total Expenses</b>		<b>89,951,229</b>	<b>20,616,562</b>
<b>Other Gains/Losses</b>			
Gain/Loss on Disposal of Assets	15	-	-
Gain /Loss on fair value of investments	16	-	-
<b>Surplus/(Deficit) for the Period</b>		<b>879,386</b>	<b>83,579,552</b>

*(The notes set out on pages 7 to 32 form an integral part of these Financial Statements)*

	
<b>Name:</b> MOHAMMED RASHID DIRIE	<b>Name:</b> Evanson K. Kathuri
<b>Chief Officer Finance / Fund Administrator Climate Change Unit Lamu County</b>	<b>Fund Accountant</b>
	<b>ICPAK Member Number 10773</b>

*Lamu County Climate Change Fund*

**Annual Report and Financial Statements for the year ended June 30, 2025**

**16. Statement of Financial Position As at 30 June 2025**

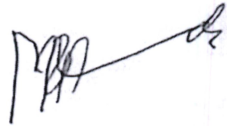
Description	Note	FY ending June 2025	FY ending June 2024
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	17	66,745,897	72,697,125
Current Portion of Long- Term Receivables from Exchange Transactions	18	6,830,615	-
Prepayments	19	-	-
Inventories	20	-	-
Investments in financial assets	21	-	-
<b>Total current assets</b>		<b>73,576,512</b>	<b>72,697,125</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	22	-	<b>10,882,427</b>
Intangible Assets	23	-	-
Long Term Receivables from Exchange Transactions	18	-	-
Investment Property	24	-	-
<b>Total non- current assets</b>		-	10,882,427
<b>Total Assets (A)</b>		<b>73,576,512</b>	<b>83,579,552</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions	25	-	-
Current Provisions	26	-	-
Current Portion of Borrowings	27	-	-
Employee Benefit Obligations	28	-	-
Social benefit liabilities	29	-	-
<b>Total current liabilities</b>		-	-
<b>Non-Current Liabilities</b>			
Non-Current Provisions	26	-	-
Long Term Portion of Borrowings	27	-	-
Non-Current Employee Benefit Obligation	28	-	-
Social benefit liabilities	29	-	-

*Lamu County Climate Change Fund*

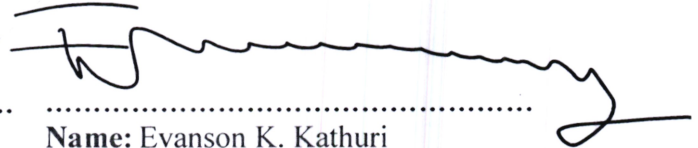
**Annual Report and Financial Statements for the year ended June 30, 2025**

Description	Note	FY ending June 2025	FY ending June 2024
		Kshs	Kshs
<b>Total Liabilities (B)</b>		-	-
<b>Net Assets (A-B)</b>		<b>73,576,512</b>	<b>83,579,552</b>
<b>Represented By:</b>			
Revolving Fund		-	-
Reserves		-	-
Accumulated Surplus		<b>73,576,512</b>	<b>83,579,552</b>
<b>Net Assets</b>		<b>73,576,512</b>	<b>83,579,552</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 25<sup>th</sup> August 2025 and signed by:



.....  
**Name:** MOHAMMED RASHID DIRIE  
**Chief Officer Finance / Fund Administrator**  
*Climate Change Unit Lamu County*



.....  
**Name:** Evanson K. Kathuri  
**Fund Accountant**  
**ICPAK Member Number 10773**

*Lamu County Climate Change Fund*

**Annual Report and Financial Statements for the year ended June 30, 2025**

**17. Statement of Changes in Net Assets for the year ended 30<sup>th</sup> June 2025**

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
<b>Balance As At 1 July 2023</b>	-	-		-
Surplus/(Deficit) For the Period	-	-	83,579,552	<b>83,579,552</b>
Funds Received During the Year	-	-		-
Transfers	-		(-)	
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2024</b>	-	-	<b>83,579,552</b>	<b>83,579,552</b>
<b>Balance As At 1 July 2024</b>	-	-	83,579,552	<b>83,579,552</b>
Surplus/(Deficit) For the Period		-	879,386	<b>879,386</b>
Funds Received During the Year	-	-		-
Transfers	-		(-)	-
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2025</b>	-	-	<b>84,458,939</b>	<b>84,458,939</b>

*Lamu County Climate Change Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**18. Statement of Cash Flows for The Year Ended 30 June 2025**

Description	Note	FY ending June 2025	FY ending June 2024
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		-	-
Transfers from the county government		84,000,000	104,196,114
Interest received		-	-
Receipts from other operating activities		-	-
<b>Total receipts</b>		<b>84,000,000</b>	<b>104,196,114</b>
<b>Payments</b>			
Use of goods and services		89,951,229	18,046,658
General expenses		-	-
Finance cost		-	-
Total payments		89,951,229	18,046,658
<b>Net cash flows from operating activities</b>	30	<b>(5,951,229)</b>	<b>86,149,456</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and Intangible assets		(-)	(13,425,331)
Proceeds from sale of property, plant & equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
<b>Net cash flows used in investing activities</b>		<b>(-)</b>	<b>(13,425,331)</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		(-)	(-)
<b>Net cash flows used in financing activities</b>		<b>(-)</b>	<b>(-)</b>
<b>Net increase/(decrease) in cash &amp; cash Equivalents</b>		<b>(5,951,229)</b>	<b>72,697,125</b>
Cash and cash equivalents at 1 July	17	72,697,125	-
<b>Cash and cash equivalents at 30 June</b>	17	<b>66,745,897</b>	<b>72,697,125</b>

*Direct method*

*Lamu County Climate Change Fund*

**Annual Report and Financial Statements for the year ended June 30, 2025**

**19. Statement of Comparison Of Budget And Actual Amounts For The Period 2025**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
<b>Budget carryovers from the previous year</b>	72,697,125	-	72,697,125	72,697,125	-	100%
<b>Receipts</b>						
Public Contributions and Donations	-	(-)	-	-	(-)	0%
Transfers From County Govt.	84,000,000	0	84,000,000	84,000,000	-	
Interest Income	-	-	-	-	(-)	0%
Other Income	-	-	-	-	-	0%
<b>Total Income</b>	<b>156,697,125</b>	<b>-</b>	<b>156,697,125</b>	<b>156,697,125</b>	<b>(-)</b>	<b>100%</b>
<b>Expenses</b>						
Use of goods and services	89,951,229	-	89,951,229	89,951,229	(-)	100%
General Expenses	-	(-)	-	-	(-)	0%
Finance Cost	-	(-)	-	-	(-)	0%
<b>Total Expenditure</b>	<b>89,951,229</b>	<b>(-)</b>	<b>89,951,229</b>	<b>89,951,229</b>	<b>-</b>	<b>100%</b>
<b>Capital expenditure</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	
<b>Surplus For the Period</b>	<b>66,745,897</b>		<b>66,745,897</b>		<b>-</b>	

**Budget Reconciliation**

	Description of Particulars	Amount in Kshs
1	Actual Surplus Amounts as per the statement of Budget	66,745,897
2	Closing Cash and Cash Equivalent as per the statement of Cash flows	66,745,897

## **20. Notes to the Financial Statements**

### **Significant Accounting Policies**

#### **1. General Information**

Lamu Climate Change Fund is established by and derives its authority and accountability from Lamu Climate Change Act. The entity is wholly owned by the Lamu County Government and is domiciled in Kenya. Lamu Climate Change Fund's principal activity is investing and enhancing adaptive capacity and climate resilience across all economic sectors

#### **2. Statement of compliance and basis of preparation**

Lamu Climate Change Fund financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities, and financial instruments at fair value, impaired assets at their estimated recoverable amounts, and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 6. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity*. The financial statements have been prepared in accordance with the PFM Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

#### **3. Adoption of new and revised standards**

*When an IPSAS becomes effective on 1<sup>st</sup> January 2025, it is applicable in Kenya from 1<sup>st</sup> July 2025*

*(i) New and amended standards and interpretations in issue but not yet 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 43: Leases	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></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>
IPSAS 45: Property Plant and Equipment	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
IPSAS 46: Measurement	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS.</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>

**Lamu County Climate Change Fund  
Annual Report and Financial Statements for the year ended June 30, 2025**

<p>IPSAS 47: Revenue</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b> This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue 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>IPSAS 48: Transfer Expenses</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b> 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>IPSAS 49: Retirement Benefit Plans</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b> 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 &amp; Evaluation of Mineral Resources</p>	<p><b><i>Applicable 1<sup>st</sup> January 2027</i></b> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ol style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>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.</li> <li>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.</li> </ol>

**(i) Early adoption of standards**

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

#### **4. Summary of Significant Accounting Policies**

##### **a) Revenue recognition**

###### **i. Revenue from non-exchange transactions**

###### **Transfers from other government entities**

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

The original budget for the current FY was approved by the County Assembly on 30<sup>th</sup> April 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 Fund recorded additional appropriations of 0 on the FY 2024-2025 budget following the governing body's approval.

LCCCF 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.

**Summary of Significant Accounting Policies (Continued)**

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 cash flows has been presented.

**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 intervals, the entity 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.

**a) 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.

**b) 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. *Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period or investment property is measured at fair value with gains and losses recognised through surplus or deficit.* 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 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)**

**c) 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 entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).* 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 entity 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 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 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.

**Summary of Significant Accounting Policies (Continued)**

**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 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 entity 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.

**Summary of Significant Accounting Policies (Continued)**

**Financial liabilities**

**Classification**

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

**d) 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.

**e) Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**f) 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 entity 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 entity will incur in fulfilling the present obligations represented by the liability.

**Summary of Significant Accounting Policies (Continued)**

**g) Contingent liabilities**

LCCCF 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**

LCCCF 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.

**h) Nature and purpose of reserves**

The LCCCF creates and maintains reserves in terms of specific requirements.

**i) Changes in accounting policies and estimates**

The LCCCF recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**j) Employee benefits – Retirement benefit plans**

The LCCCF 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.

**Summary of Significant Accounting Policies (Continued)**

**k) 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.

**l) 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 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.

**m) Related parties**

The LCCCF 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.

**n) 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.

**o) Comparative figures**

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

**Summary of Significant Accounting Policies (Continued)**

**5. Significant judgments and sources of estimation uncertainty**

The preparation of the Entity'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 Entity 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
- 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**

Provisions were raised and management determined an estimate based on the information available. No provisions were recognized during the year under review

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

*Lamu County Climate Change Fund*

**Annual Report and Financial Statements for the year ended June 30, 2025**

**Notes To the Financial Statements Continued**

**6. Public contributions and donations**

Description	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
<b>Total</b>	-	-

*(Provide brief explanation for this revenue)*

**7. Transfers from County Government**

Description	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
Transfers From County Govt. –Operations	84,000,000	104,196,114
Receivable Income	6,830,615	
<b>Total</b>	<b>90,830,615</b>	<b>104,196,114</b>

**8. Fines, penalties and other levies**

Description	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
<b>Total</b>	-	-

**9. Interest income**

Description	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
<b>Total Interest Income</b>	-	-

**10. Other income**

Description	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
<b>Total Other Income</b>	-	-

**11. Employee Costs**

Description	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
<b>Total</b>	-	-

**Lamu County Climate Change Fund****Annual Report and Financial Statements for the year ended June 30, 2025****12. Use of Goods and Services**

Description	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
Office and general supplies and services	357,370	549,900
Committee Allowances	1,379,650	3,924,760
Fuel Oil and Lubricants	2,345,000	2,062,590
Telephone And Communication Expenses	299,000	713,000
Daily Subsistence Allowances	3,924,763	10,796,408
Hospitality supplies and services	222,000	
Routine maintenance – vehicles and other transport equipment	31,800	
Purchase of Uniforms	394,400	
Trainings	1,200,880	
Vaccines & Drugs	14,367,791	
Consultancy Services	13,410,180	
Grants	52,018,395	
<b>Total</b>	<b>89,951,229</b>	<b>18,046,658</b>

Following a review conducted in FY 2024/2025, management established that these assets are owned and controlled by the County Government of Lamu and therefore do not meet the recognition criteria under IPSAS 17 – Property, Plant and Equipment. Accordingly, the amount has been reclassified as an expense to ensure consistency with the current year’s treatment and compliance with IPSAS standards.

**13. Depreciation and Amortization Expenses**

Description	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
Property Plant and Equipment		827,124
Motor vehicles		1,622,520
Furniture and fittings		120,260
<b>Total</b>	<b>-</b>	<b>2,569,904</b>

During the financial year ended 30 June 2025, the Fund reviewed the ownership and control of Property, Plant, and Equipment (PPE) previously recognized in its books.

It was determined that these assets are fully owned and controlled by the County Government of Lamu and were acquired through County Government funding. Accordingly, the Fund derecognized these assets, as it does not control the service potential or future economic benefits derived from them.

As a result, no depreciation expense has been charged for the year under review. Depreciation expense recorded in FY 2023/2024 related to the same assets prior to their derecognition.

**Lamu County Climate Change Fund****Annual Report and Financial Statements for the year ended June 30, 2025****14. Finance costs**

Description	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
<b>Total</b>	-	-

**15. Gain/(loss) on disposal of assets**

Description	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
<b>Total</b>	-	-

**16. Gain/ (loss) on Fair Value Investments**

Description	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
<b>Total Gain</b>	-	-

**17. Cash and cash equivalents**

Description	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
Special Purpose Accounts	66,745,897	72,697,125
<b>Total Cash and Cash Equivalents</b>	<b>66,745,897</b>	<b>72,697,125</b>

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

Financial Institution	Account number	FY ending June 2025	FY ending June 2024
		Kshs	Kshs
<b>a) Current Account</b>			
CBK - Special Purpose Accounts	1000649682	66,745,897	72,697,125
<b>Grand Total</b>		<b>66,745,897</b>	<b>72,697,125</b>

**18. Receivables from Non exchange transactions**

Description	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
<b>Total Receivables From Non Exchange Transactions</b>	<b>6,830,615</b>	-
<b>Grand Total</b>	<b>6,830,615</b>	-

*Lamu County Climate Change Fund*

**Annual Report and Financial Statements for the year ended June 30, 2025**

**Additional disclosure on interest receivable**

Description	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
<b>Interest Receivable</b>		
Interest receivable from current portion of long-term loans of previous years	-	-
Accrued interest receivable from of long-term loans of previous years	-	-
Interest receivable from current portion of long-term loans issued in the current year	-	-
<b>Current loan repayments due</b>	-	-
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	-	-

**19. Prepayments**

Description	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
<b>Total</b>	-	-

**20. Inventories**

Description	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
<b>Total Inventories</b>	-	-

Detailed disclosure on inventories

	FY ending June 2025	FY ending June 2024
Opening balance	-	-
Additional Inventory in the year	-	-
Inventory expensed in the year	-	-
Write-downs in the year	-	-
Others specify	-	-
Closing balance	-	-

*Lamu County Climate Change Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**Annual Report and Financial Statements for the year ended June 30, 2025**

**21. Investments in financial assets**

Description	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
<b>Grand total</b>	-	-

*(Entity should disclose whether the fixed investment financial assets are measured at amortised cost or at fair value through changes in net assets/ equity) Investments in equity should be measured at fair value through surplus or deficit. Other information to be disclosed includes: the interest rates, maturity dates, valuation methodology, and impairment of these investments.*

**Movement of Equity Investments**

Impairment allowance/ provision	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
At the beginning of the year	-	-
Purchase of investments in the year	-	-
Sale of investments during the year	(-)	(-)
Gain/(loss) in fair value of investments through surplus or deficit	-	-
<b>At the end of the year</b>	-	-

**e) Shareholding in other entities**

*For investments in equity share listed above, list down the equity investments under the following categories:*

Name of Entity where investment is held	No of shares			Nominal value of shares	Fair value of shares	
	Direct shareholding	Indirect shareholding	Effective shareholding		Current year	Prior year
	%	%	%	Kshs	Kshs	Kshs
	-	-	-	-	-	-

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**22. Property, plant, and equipment**

	Land	Buildings	Motor vehicles	Infrastructure assets	Furniture and fittings	Computers & ICT Equipment	Heritage assets	Work in progress	Service concession assets	Total
<b>Depreciation Rate</b>		2%	16.67%	2%	12.50%	30.00%	x%			
<b>Cost</b>	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Opening Bal as 1<sup>st</sup> July 2023</b>	-			-			-		-	-
Additions	-		9,733,171	-	962,080	2,757,080	-	-	-	13,452,331
Disposals	(-)	-	-	(-)	-	-	(-)	0	(-)	-
Transfer/Adjustments	(-)	-	-	(-)	-	-	(-)	0	(-)	-
<b>As At Jun 2024</b>	-	-	9,733,171	-	962,080	2,757,080	-	-	-	13,452,331
<b>At 1<sup>st</sup> July 2024</b>	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-
Disposals	(-)	-	-	(-)	-	-	(-)		(-)	-
Transfer/Adjustments	(-)	-	-	(-)	-	-	(-)		(-)	-
<b>At 30<sup>th</sup> June 2024</b>	-	-	-	-	-	-	-	-	-	-
<b>Depreciation And Impairment</b>	-			-			-		-	
<b>At 1<sup>st</sup> July 2023</b>	-			-			-		-	
Depreciation	-		1,622,520	-	120,260	827,124	-		-	2,569,904
Disposals	-			-			-		-	

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	Land	Buildings	Motor vehicles	Infrastructure assets	Furniture and fittings	Computers & ICT Equipment	Heritage assets	Work in progress	Service concession assets	Total
<b>Depreciation Rate</b>		2%	16.67%	2%	12.50%	30.00%	x%			
<b>Cost</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Impairment	-			-			-		-	
Transfer/Adjustment	-			-			-		-	
<b>At 30<sup>th</sup> June 2024</b>	-	-	1,622,520	-	120,260	827,124	-		-	<b>2,569,904</b>
	-			-			-		-	
Depreciation	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-	-	-	-	-	-
<b>Net Book Values As At Jun 2024</b>	-			-	<b>841,820</b>	<b>1,929,956</b>	-		-	<b>10,882,427</b>
			<b>8,110,651</b>							
<b>Opening Bal as at 1<sup>st</sup> July 2024</b>	-	-	-	-	-	-	-	-	-	-
<b>At 30<sup>th</sup> June 2025</b>	-	-	-	-	-	-	-	-	-	-

The Property, Plant, and Equipment (PPE) balance as at 30 June 2024 represented assets previously recognized in the Fund's books, which were utilized in the implementation of climate change programs within Lamu County. During the financial year ended 30 June 2025, management conducted an asset ownership and control review. The review established that all PPE items used by the Fund are fully owned and controlled by the County Government of Lamu.

Consequently, the Fund derecognized the assets amounting to **Kshs 10,882,427** from its books, as it does not control the related service potential or future economic benefits. The assets remain in use for program implementation under the County's ownership.

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**23. Intangible assets**

Description	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
<b>Cost</b>		
<b>At Beginning of The Year</b>	-	-
Additions	-	-
<b>At End of The Year</b>	-	-
<b>Amortization And Impairment</b>		
<b>At Beginning of The Year</b>	-	-
Amortization	-	-
<b>At End of The Year</b>	-	-
Impairment Loss	-	-
<b>At End of The Year</b>	-	-
<b>NBV</b>	-	-

**24. Investment Property**

Description	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
<b>At beginning of the year</b>	-	-
Additions	-	-
Disposal during the year	(-)	(-)
Depreciation	(-)	(-)
Impairment	(-)	(-)
Gain/(loss) in fair value (if fair value is elected)	-	-
<b>At end of the year</b>	-	-

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**Annual Report and Financial Statements for the year ended June 30, 2025**

**25. Trade and other payables from exchange transactions**

Description	FY ending June 2025		FY ending June 2024	
	Kshs		Kshs	
Trade Payables	-		-	
Refundable Deposits	-		-	
Accrued Expenses	-		-	
Other Payables	-		-	
<b>Total Trade and Other Payables</b>	-		-	
Ageing analysis (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total (tie to above total)</b>	-		-	

**26. Provisions**

Description	Leave provision	Gratuity Provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
<b>Balance b/f</b>	-	-	-	-
Additional provisions	-	-	-	-
Provision utilised	(-)	(-)	(-)	(-)
Change due to discount and time value for money	(-)	(-)	(-)	(-)
<b>Total provisions year end</b>	-	-	-	-
Current Provisions	-	-	-	-
Non-Current Provisions	-	-	-	-

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**27. Borrowings**

Description	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
<b>Balance At Beginning of The Period</b>	-	-
External Borrowings During the Year	-	-
Domestic Borrowings During the Year	-	-
Repayments of External Borrowings During the Period	(-)	(-)
Repayments of Domestic Borrowings During the Period	(-)	(-)
<b>Balance At End of The Period</b>	-	-

The table below shows the classification of borrowings into external and domestic borrowings:

Description	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
<b>Total Balance at End of The Year</b>	-	-

The table below shows the classification of borrowings long-term and current borrowings:

Description	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
<b>Total</b>	-	-

**28. Employee benefit obligations**

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	Insert Current FY	Insert Comparative FY
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Total</b>	-	-	-	-	-

**29. Social Benefit Liabilities**

Description	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
<b>Total</b>	-	-

*Lamu County Climate Change Fund*

**Annual Report and Financial Statements for the year ended June 30, 2025**

**30. Cash generated from operations.**

Description	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
<b>Surplus/ (Deficit) For the Year Before Tax</b>	<b>879,386</b>	<b>83,579,552</b>
<b>Adjusted For:</b>		-
Depreciation	-	2,569,904
Amortization	-	-
Gains/ Losses On Disposal Of Assets	-	-
Interest Income	-	-
Finance Cost	-	-
<b>Working Capital Adjustments</b>	<b>879,386</b>	<b>86,149,456</b>
Increase In Inventory	-	-
Increase In Receivables	<b>(6,830,615)</b>	-
Increase In Payables	-	-
<b>Net Cash Flow From Operating Activities</b>	<b>(5,951,229)</b>	<b>86,149,456</b>

### 31. 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) Board of Trustees; etc.

#### b) Related party transactions

Description	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
Transfers To Related Parties	-	-

#### c) Key management remuneration

Description	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
<b>Total</b>	-	-

#### d) Due from related parties

Description	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
<b>Total</b>	-	-

#### e) Due to related parties

Description	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
<b>Total</b>	-	-

### 32. Contingent assets and contingent liabilities

Contingent Liabilities	FY ending June 2025	FY ending June 2024
	Kshs	Kshs
<b>Total</b>	-	-

## **Other Disclosures Continued**

### **33. 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 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 amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

The steering 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 entity's short, medium and long-term funding and liquidity management requirements. The entity 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 entity 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 entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

***Lamu County Climate Change Fund***

*Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2025*

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There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

**i. Foreign currency risk**

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency-denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

**Foreign currency sensitivity analysis**

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

**ii. Interest rate risk**

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity'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 endeavored to bank with institutions that offer favorable interest rates.

**Sensitivity analysis**

The Lamu County Climate Change Fund (LCCCF) is not exposed to interest rate risk as all funds are held at the Central Bank of Kenya (CBK). The Fund does not engage in borrowing, lending, or investments subject to variable interest rates. Consequently, no sensitivity analysis is required, as changes in market interest rates would have no impact on the Fund's financial performance or position

## **Lamu County Climate Change Fund**

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### **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 entity capital structure comprises of the following funds:

<b>Description</b>	<b>FY ending June 2025</b>	<b>FY ending June 2024</b>
	<b>Kshs</b>	<b>Kshs</b>
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	<b>879,386</b>	<b>83,579,552</b>
<b>Total funds</b>	<b>879,386</b>	<b>83,579,552</b>
		-
Total borrowings	-	-
Less: cash and bank balances	66,745,897	72,697,125
Net debt/(excess cash and cash equivalents)	(66,745,897)	(72,697,125)
<b>Gearing</b>	<b>0%</b>	<b>0%</b>

### **34. Events after the reporting period**

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

### **35. Ultimate and Holding Entity**

Lamu climate change Fund is established by and derives its authority and accountability from Lamu climate change Act. The entity is wholly owned by the Lamu County Government and is domiciled in Kenya. The entity's principal activity is investing and enhancing adaptive capacity and climate resilience across all economic sectors.

### **36. Currency**

The financial statements are presented in Kenya Shillings (Kshs)

**21. Annexes**

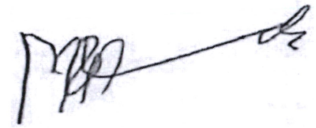
**Annex I: Progress on Follow Up Of Prior Year Auditor’s Recommendations**

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:
<p><b>OAG/LAMU CNTY/LCCCF/2023/2024/(19)  Dated 31<sup>st</sup> December 2024</b></p>	<p>Management presented a report for fourteen (14) months. However, the report is described on the cover page and headers as relating to annual report and financial statements for fourteen (14) months.</p>	<p>The management acknowledges your recommendations, and the financial statements have been amended accordingly.</p>	<p>Resolved</p>	
	<p>Management submitted the annual report and financial statements on 18 December, 2024 close to three (3) months after the statutory deadline, contrary to Regulation 101 (4) of the Public Finance Management (County Governments) Regulations, 2015 which provides that within three (3) months after the end of each financial year, the Fund Administrator shall submit to the Auditor-General the accounts of the</p>	<p>It is worth noting that the Lamu County Climate Change Fund is a special innovative program, jointly funded by the Kenya Government, the World Bank, and County Governments. Its operation is guided by the FLLoCA (Financing Locally-Led Climate Action) Operational Manual, which provides clear instructions on fund management and reporting.</p> <p>Adherence to the FLLoCA Operational Manual is critical, as deviation could result in failure to meet the minimum access conditions for grants set by development partners, thereby risking the loss of funding. The FLLoCA operational manual requires Counties to use a standardized</p>	<p>Resolved</p>	

**Lamu County Climate Change Fund**  
*Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2025*

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	<p>Fund in respect of that year.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>reporting template, provided by the National Treasury through the Project Implementation Unit (PIU), for both quarterly and annual reports. As such, counties were not required to prepare separate financial statements specifically for FLLoCA funds. Instead, FLLoCA fund management was integrated into the existing county government reporting framework.</p> <p>However, during the annual audit for this financial year, your office advised management to prepare separate financial statements for the Climate Change Fund which have since been audited and a report issued</p>		



Name... *MOHAMMED RASHID DIRIE*.....Signature.....Date...25<sup>th</sup> August 2025..

**FUND MANAGER - CLIMATE CHANGE UNIT LAMU COUNTY**

*Lamu County*  
**Lamu Climate change Fund**  
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**Annex II: Inter-Fund Confirmation Letter**



*Climate change fund - FLLoCA*  
 74 LAMU

The *Lamu Climate Change Fund* wishes to confirm the amounts disbursed to you as at 30<sup>th</sup> June 2025 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 <i>Lamu Climate Change Fund</i> as at 30 <sup>th</sup> June 2025							
Reference Number	Date Disbursed	Amounts Disbursed by Lamu Climate Change Fund (Kshs) as at 30 <sup>th</sup> June 2025			Total (D)=(A+B+C)	Amount Received by <i>Lamu Climate Change Fund</i> (KShs) as at 30 <sup>th</sup> June 2025 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)			
Total							

In confirm that the amounts shown above are correct as of the date indicated.

**Head of Accountants department of beneficiary Fund:**

Name ...Evanson Kathuri.. Sign .....  
 Date ...25<sup>th</sup> August 2025...

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**Annual Report and Financial Statements for the year ended June 30, 2025**

**Annex III: Reporting of Climate Relevant Expenditures**

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
Climate-Smart Irrigation	Enhancing crop production using climate-smart irrigation systems	Improve agricultural productivity and food security	Enhancing crop production using climate-smart irrigation systems				9,800,000		
Solarization of Water Systems	Installation of solar-powered pumps for community water access	Increase access to clean and reliable water	Installation of solar-powered pumps for community water access				7,900,000		
Restoration of Lake Kenyatta Ecosystem	Rehabilitation of degraded ecosystem	improve ecosystem services	Rehabilitation of degraded ecosystem			9,200,000			
Djabia Construction – Shanga Dispensary	Rainwater harvesting for resilience	Enhance community resilience to drought	Rainwater harvesting for resilience				3,200,000		
Beekeeping (Nature-based Enterprises)	Alternative livelihoods (bee-keeping)	Promote sustainable income	Alternative livelihoods (bee-keeping)		2,000,000				
Green Spaces / Corridors	Tree planting and urban greening	Enhance carbon sequestration	Tree planting and urban greening		3,800,000				

Lamu County

Lamu Climate change Fund

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Annex IV: Reporting on Disaster Management Expenditure

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