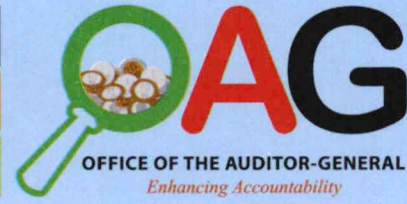


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

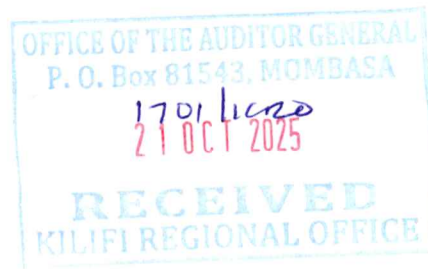
ON

**LAMU COUNTY FISHERIES
DEVELOPMENT AGENCY**

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

PAPERS LAID	
DATE	02/12/2025
TABLED BY	S.M.L
COMMITTEE	-
DEPT AT THE TABLE	Agency





LAMU COUNTY FISHERIES DEVELOPMENT AGENCY

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

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

Lamu County Fisheries Development Agency
Annual Report and Financial Statements for the year ended June 30, 2025

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1. Acronyms and Definition of Key Terms

A. Acronyms

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

B. Definition of Key Terms

Fiduciary Management - Members of Management are directly entrusted with the responsibility of financial resources of the organization.

Comparative Year - Means the prior period.

2. Key Entity Information and Management

a) Background information

The Lamu County Fisheries Development Agency was established by an Act of the County Assembly of Lamu, Act No.3, 2015. The Act makes provision for the Fund to enhance access to loans, fishing fleet and fisheries inputs, by the fishermen, fish traders, fish farmers, and other persons involved in the Blue Economy within the County. The Fund is wholly owned by the County Government of Lamu and is domiciled in Kenya.

The fund objective is to promote avenues for wealth creation through the creation of employment and to enhance the County's economic development.

b) Principal Activities

The agency is responsible for:

- Advising the County Government of Lamu on policy matters related to Fisheries Development.
- Managing the Fisheries Revolving Fund on behalf of the County Government of Lamu.
- Advising fishing communities on how to maximize economic returns from fishing activities and promoting value addition initiatives.
- Promoting the development of new fishery products and linking fishers with local, regional, and international markets.
- The agency provided outboard engines to fishermen under non-interest and subsidized arrangements to support sustainable fishing activities and improve livelihoods.

Lamu County Fisheries Development Agency
Annual Report and Financial Statements for the year ended June 30, 2025

c) Board of Management

SN	Name	Designation/Office
1.	Mr. Fuad Shembe	Chairperson
2	Mr. Shafii Issa	Chief Officer, Fisheries, Blue Economy, Livestock, and Co-operative Development
4	Mr. Aboud Ahmed Lali	Chairperson of the Beach Management Units network for Lamu
5	Mr. Ali Bin Suo Bakari	Chairperson of the Fisher Co-operative networks of Lamu East and Lamu West sub-counties
6	Mrs. Fahima Ali Muhaji	Women representative for Lamu East
7	Mrs. Aziza Abdallah	Women representative for Lamu West

d) Key Management Team

SN	Name	Position
1	Hon. Mohamed Mbwana	CECM Fisheries, Blue Economy, Livestock, and Co-operative Development
2	Mr. Shafii Issa	Chief Officer, Fisheries, Blue Economy, Livestock, and Co-operative Development
3	Mr. Mohamed A. Abubakar	Director, Accounting Services

e) Fiduciary Oversight Arrangements

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

f) Registered Offices

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

Lamu County Fisheries Development Agency
Annual Report and Financial Statements for the year ended June 30, 2025

g) Fund Contacts

Telephone: (254) 715555111/772576122

E-mail: treasury@lamu.go.ke

Website: www.lamu.go.ke.

h) Fund Bankers

- i. Gulf African Bank -Lamu Branch
P.O. Box 191- 80500 - Lamu, Kenya.
- ii. Kenya Commercial Bank
P. O. Box 121-80500 - Lamu Branch

i) Independent Auditors

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

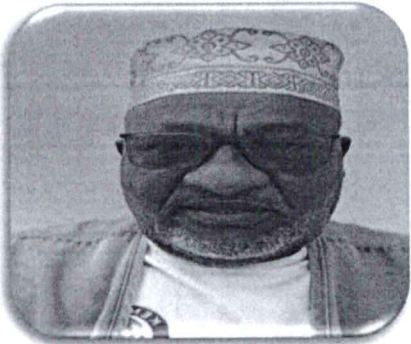


j) Principal Legal Adviser

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

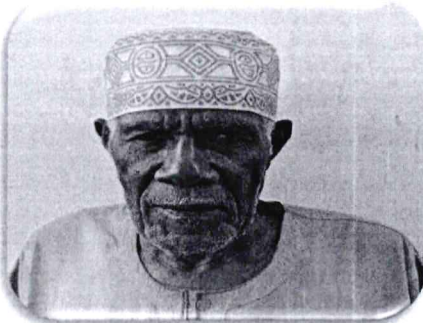
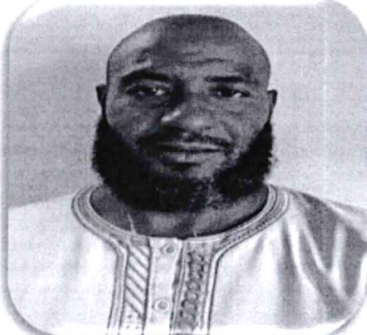
k) County Attorney

Director Legal Services,
P.O Box 74 – 80500,
Mokowe, Lamu.




3. Board of Management

 <p>Fuad Sheyumbe Mwenyealy Chairman Lamu County Fisheries Development Agency</p>	<p>Born in Kizingitini in 1972, Mr. Fuad holds a Diploma in Fisheries Management and Aquaculture. He has served in the Department of Fisheries for 35 years, earning expertise in Leadership experience in Fish Processors Cooperative and Beach Management Units (BMUs), aquaculture, and conflict resolution</p> <p>Mr. Fuad has, during his service in Government, been trained and gained skills in Leadership and mentorship in fisheries management, Fish handling and quality control, Fisheries management and aquaculture</p>
 <p>Aziza Abdalla Board Member Lamu County Fisheries Development Agency</p>	<p>Born in 1978 and a Women's representative for Lamu West in the fund. Mrs. Aziza holds a Certificate in public health and has experience in the fishing industry spanning over 30 years. She is the Chairperson of Lamu Fish Processors (CBO), a boat owner, and a fish processor in Lamu</p>
 <p>Fahima Ali Muhaji Board Member Lamu County Fisheries Development Agency</p>	<p>Born in 1987 in Kiwayuu Village, and a Women representative for Lamu East in the Fund.</p> <p>Mrs. Fahima is a fish trader and a member of the Kiwayuu Beach Management Unit. Ashe has extensive experience in fishing and fishing entrepreneurship. Proven track record in fish processing and marketing. She holds an O-Level certificate.</p>

**Lamu County Fisheries Development Agency
Annual Report and Financial Statements for the year ended June 30, 2025**

 <p>Ali Suo Board Member Lamu County Fisheries Development Agency</p>	<p>Born in 1967 at Faza Village, Mr Ali Suo is the Chairperson of the Fisher Co-operative networks of Lamu East and Lamu West sub-counties, and currently he is the Chairman of Faza Beach Management Unit. He has been a Fisherman for several years.</p>
<p>About Mohamed Board Member Lamu County Fisheries Development Agency</p>	<p>Served as the Chairperson of the Faza Beach Management Unit for several years. Mr. Aboud is a resident of Faza, born in the Village in 1987. He is an experienced fisher with expertise in Fishing, Gear technology, Proven track record in fish processing and marketing. He is also a Member of the Fishermen Cooperative Society.</p>
 <p>Mr. Shafii Issa Chief Officer, Fisheries, Blue Economy, Livestock, and Co-operative Development Fund Administrator</p>	<p>Shafii Issa holds a degree in Business Management with a specialization in Finance and Banking from Moi University. He has over a decade of professional experience in accounting and administration, working in both the non-profit and private sectors. He is currently pursuing the ACCA qualification at the Skills Level.</p>

4. Management Team

Name	Position
 <p>Hon. Mohamed Mbwana Bachelor of Science in Development Studies</p>	<p>CECM Finance, Budget Strategy and Economic Planning Acting CECM Fisheries, Blue Economy, Livestock and Co- operative Development</p>
 <p>Mr. Shafii Issa <i>Bachelor's Degree in Finance and Banking, ACCA</i></p>	<p>Chief Officer - Fisheries, Blue Economy, Livestock and Cooperatives Development Fund Administrator</p>
 <p>Mr. Mohamed A. Abubakar Master's in Finance, Bachelor's degree in Finance and Accounting. ICPAK member</p>	<p>Director Accounting Service</p>

5. Board Chairperson's Report

It is with great honor and responsibility that I present the Board Chairperson's Report for the Lamu County Fisheries Development Agency for the financial year 2024-2025. This Fund was established to strengthen the livelihoods of our fishing community through targeted support, specifically by providing fishing equipment.

Establishment of the Fund

The Fund was set up in recognition of the vital role played by the fisheries sector in the socio-economic development of Lamu County. Fishing is the backbone of livelihood for many households along our coastline, and yet fishermen face persistent challenges in accessing modern, efficient, and reliable equipment. Through this Fund, the County Government of Lamu seeks to reduce the financial burden on fishermen, improve productivity, and enhance safety at sea.

Review of Fund Performance

The Fund successfully facilitated the distribution of a number of subsidized outboard engines to registered fishermen's groups and cooperatives across the County. The Fund has recorded positive uptake and has significantly contributed to improving fishing efficiency and incomes for our beneficiaries.

Future Outlook

Looking ahead, the Agency intends to:

- Scale up distribution of engines to reach a wider base of fishermen.
- Enhance monitoring and evaluation to track impact and improve service delivery.
- Partner with financial institutions and development partners to expand the loan portfolio.
- Introduce capacity-building programs on financial literacy and sustainable fishing practices.

Other Matters

The Agency remains committed to upholding corporate governance, transparency, and accountability in the management of the Fund. We are also engaging with stakeholders, including fishermen cooperatives, community leaders, and other government agencies, to ensure the Fund continues to respond to the evolving needs of our fishing community.

Conclusion

In conclusion, I extend my appreciation to the County Executive Committee, the Board members, the management team, and all stakeholders for their unwavering support and contribution to the Fund's success. Together, we remain committed to ensuring that the Lamu County Fisheries Development Agency continues to empower fishermen and foster sustainable economic growth for our County.



.....
Fuad Sheyumbe Mwenyealy
Chairman
Lamu County Fisheries Development Agency

Lamu County Fisheries Development Agency
Annual Report and Financial Statements for the year ended June 30, 2025

6. Report of The Fund Administrator

On behalf of the committee, it is my pleasure to present the Lamu County Fisheries Development Agency's financial statements, which present the financial performance of the Fund for the year ended June 30, 2025.

Sustainability

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

Committee and Management Changes



During the year, there were no committee or management changes.

Review of performance

During the financial year under review, the Lamu County Fisheries Development Agency completed a major initiative, marking a significant milestone in its revitalization efforts. The fund distributed 50 outboard engines to local fishing boat owners through a subsidy and as part of a strategic loan-based program.

Future outlook

The Fund's focus is on building a robust and sustainable Fund with a motivated workforce and structures that enhance efficiency and effectiveness in the service delivery. The Fund looks forward to continued support from the County Government in the realization of its mandate.

Mr. Shafii Issa
Chief Officer - Fisheries, Blue Economy, Livestock and Co-operative Development
Fund Administrator
Lamu County Fisheries Development Agency Fund

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

Introduction

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

The key development objectives of the Lamu County Fisheries Development Fund as per the Strategic Plan (2023/24 – 2027/28) are to:

- Enhance access to modern fishing equipment through subsidies and friendly loan schemes.
- Improve fishermen’s productivity and income through the provision of outboard engines and support services.
- Strengthen fishermen’s cooperatives and community-based groups for sustainable fisheries development.
- Promote accountability, prudent financial management, and stakeholder participation in the management of the Fund.

Progress on Attainment of Strategic Development Objectives

Program	Objective	Outcome	Indicator	Performance
Subsidized Outboard Engine Distribution	To provide subsidized outboard engines to fishermen across Lamu County	Improved fishing efficiency and reduced operational costs	Number of engines distributed; % of targeted fishermen reached	50 outboard engines distributed against a target of 100 (50% achievement). Fishermen reported reduced fuel use and higher daily catches.

**Lamu County Fisheries Development Agency
Annual Report and Financial Statements for the year ended June 30, 2025**

Capacity Building & Cooperative Strengthening	To empower fishermen through training and cooperative support	Stronger governance and financial literacy among the fishermen groups	Number of trainings held; number of cooperatives supported	2 capacity-building workshops held, improved record-keeping and loan repayment discipline observed.
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Opportunities

- Strong interest from fishermen’s cooperatives presents room for expansion of the loan program.
- Potential partnerships with development agencies and financial institutions to scale up funding.
- Availability of new fishing technologies that could be integrated into the program.

Conclusion

Overall, the Lamu County Fisheries Development Agency has made significant progress towards achieving its strategic objectives. While certain targets were not fully met due to financial and logistical challenges, the outcomes achieved during the financial year demonstrate a positive impact on fishermen’s livelihoods. The Agency remains committed to scaling up interventions, strengthening partnerships, and ensuring sustainable management of the fisheries sector for the prosperity of Lamu County residents.

8. Corporate Governance Statement

The Fund

The Lamu County Fisheries Development Agency was established by an Act of the County Assembly of Lamu Act No.3, 2015. The Act makes provisions for the Revolving Fund to enhance access to loans, fishing fleet and fisheries inputs, by the fishermen, fish traders, fish farmers and other persons involved in the fisheries business within the County. To promote avenues for wealth creation through creation of employment and enhance the County's economic development. The Fund is wholly owned by the County Government of Lamu and is domiciled in Kenya.

Principal Activities

- Advising the County Government of Lamu on policy matters related to the fisheries development
- Management of the Fisheries Revolving Fund on behalf of the County Government of Lamu
- Advising fishing communities on how to maximise the economic returns from fishing activity and promote value addition activities
- Promote the development of new fishery products and Link fishers with local, regional and international markets.
- The agency provided outboard engines to fishermen under non-interest and subsidized arrangements to support sustainable fishing activities and improve livelihoods.

The Members of the Fund

The committee members are responsible for the long-term strategic direction of the Fund. They exercise leadership, enterprise, integrity and judgment in directing the Fund. The members are provided with full, appropriate and timely information that enables them to maintain full and effective control over the strategic, financial, operational and compliance issues. The day-to-day running of the operations of the Fund is delegated to the Fund administrator. The members are professional, committed, and guided in the execution of their duties.

Internal Control and Risk Management

Internal Control Framework

The Fund continues to review its internal controls to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis.

Risk Management

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

Management Team

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

Auditor

The Fund is audited by the Office of the Auditor General.

Conclusion

The Lamu County Fisheries Development Agency remains committed to maintaining the highest standards of corporate governance in line with the principles of accountability, transparency, and integrity. The governance framework in place ensures that the Fund is effectively managed to achieve its primary objective of empowering fishermen and promoting sustainable fisheries development in Lamu County.

9. Management Discussion and Analysis

The Management Discussion and Analysis (MD&A) provides an overview of the operational and financial performance of the Lamu County Fisheries Development Agency for the financial year ended 30th June 2025. It highlights key projects implemented, financial performance, compliance with statutory requirements, major risks, and the future outlook of the Fund.

The Lamu County Fisheries Development Agency was established by an Act of the County Assembly of Lamu, Act No.3, 2015. The Act makes provisions for the establishment of the Lamu County Fisheries Development Agency and makes provision for the Revolving Fund to enhance access to loans, fishing fleet and fisheries inputs, by the fishermen, fish traders, fish farmers, and other persons involved in the fisheries business within the County. To promote avenues for wealth creation through the creation of employment and enhance the County's economic development.

The Fund has made significant strides in supporting fishermen in Lamu County through the provision of subsidized engines, affordable credit, and capacity building. While challenges such as delayed exchequer releases and loan defaults persist, management has put in place mitigation measures. With improved funding and stronger governance, the Fund is positioned to scale up interventions and further contribute to socio-economic development in Lamu County.

10. Environmental and Sustainability Reporting

Below is a brief highlight of our achievements in environmental and sustainability

1. Sustainability strategy and profile

The Lamu County Fisheries Development Agency was established by an Act of the County Assembly of Lamu, Act No.3, 2015 of the County Assembly of Lamu. This Act has put in place a good governance structure. The Fund is independent. It has a fund administrator and an independent fund administration committee.

2. Environmental performance

Efforts are made to manage biodiversity, waste management to reduce the environmental impact of the community.

3. Employee welfare

Efforts are made to improve skills and manage careers, appraisal and reward systems, and ensure compliance with the Occupational Safety and Health Act of 2007 (OSHA).

4. Community Engagements-

The Fund was not involved in any corporate social responsibility activities in FY-2024/2025.

11. Report of The Trustees

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2025, which show the state of the Fund's affairs.

Principal activities

The principal activities of the Fund are to promote avenues for wealth creation through the creation of employment and enhance the County's economic development.

The agency provided outboard engines to fishermen under non-interest and subsidized arrangements to support sustainable fishing activities and improve livelihoods.

Results

The results of the Fund for the year ended June 30, 2025, are set out on pages 1 - 6

Trustees

The members of the Board of Trustees who served during the year are shown on pages VI - VII. The changes in the Board during the financial year are as shown below:

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.



.....
Fuad Sheyumbe Mwenyealy
Chairman
Lamu County Fisheries Development Agency

12. 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 Lamu County Fisheries Development Agency established by Lamu Fisheries Act No.3, 2015 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2025, and of 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 Fund's financial statements, as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of the going concern basis of preparation of the financial statements. OR

Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Lamu County Fisheries Development Agency
Annual Report and Financial Statements for the year ended June 30, 2025

Approval of the financial statements

The Fund's financial statements were approved by the Board on 22nd August 2025 and signed on its behalf by:

Mr. Shafii Issa
Chief Officer - Fisheries, Blue Economy, Livestock and Co-operative Development
Fund Administrator
Lamu County Fisheries Development Agency Fund

REPUBLIC OF KENYA

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Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON LAMU COUNTY FISHERIES DEVELOPMENT AGENCY FOR THE YEAR ENDED 30 JUNE, 2025

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 Fisheries Development Agency set out on pages 1 to 34, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance,

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Lamu County Fisheries Development Agency 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 Lamu County Fisheries Development Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccurate Revolving Fund Balance

The statement of financial position reflects a revolving fund balance of Kshs.34,217,873 while the corresponding balance in the statement of changes in net assets is Kshs.40,815,840 resulting to unexplained variance of Kshs.6,597,967.

In the circumstances, the accuracy and completeness of the revolving fund balance could not be confirmed.

2. Unsupported amounts in the Statement of Cash Flows

The statement of cash flows reflects loan disbursements paid out totalling to Kshs.10,050,000 and proceeds from revolving fund receipts totalling to Kshs.14,090,232. However, the details and supporting documentation were not provided for verification.

In the circumstances, the accuracy and completeness of the statement of cash flows 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 Fisheries Development Agency 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 effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the prior year audit report, two issues were raised under the Report on Financial Statements. These include inaccurate other income and long outstanding receivables balance. Review of the status during audit of the Fund in 2024/2025 revealed the matters remained unresolved.

Other Information

The Management is responsible for the Other Information set out on page iii to xviii which comprise of Key Entity Information and Management, Board of Management, Management Team, Report of the Fund Administrator, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Trustees and the Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

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, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Irregularities in Loan Approvals

The statement of changes in net assets reflects received boat engines worth Kshs.15,000,000 received in kind. The engines were loaned to fifty (50) beneficiaries at a subsidized cost of Kshs.240,000 per engine. However, review of records revealed that the application list and forms did not indicate registration numbers to either Beach Management Units (BMUs), Self Help Groups or any cluster required for approval of the loans and no collateral was provided as security for the loans issued.

In the circumstances, effectiveness of internal controls, risk management and governance could not be confirmed.

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


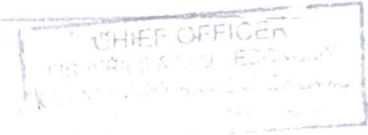
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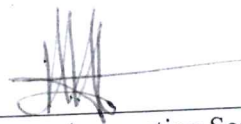
21 November, 2025

Lamu County Fisheries Development Agency
Annual Report and Financial Statements for the year ended June 30, 2025

14. Statement of Financial Performance for the Year Ended 30th June 2025

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Public Contributions and Donations	1	-	-
Transfers From the County Government	2	-	-
Fines, Penalties, and Other Levies	3	-	-
		-	-
Revenue From Exchange Transactions			
Interest Income	4	-	-
Other Income	5	-	(1,650)
			(1,650)
Total Revenue			(1,650)
Expenses			
Employee Costs	6	-	-
Use of goods and services	7	3,273,707	6,438
Depreciation and Amortization Expense	8	-	-
Finance Costs	9	-	-
Total Expenses		3,273,707	6,438
Other Gains/Losses			
Gain/Loss on Disposal of Assets	10	-	-
Gain /Loss on fair value of investments	11	-	-
Surplus/(Deficit) for the Period		(3,273,707)	(8,088)



 Chief Officer Fisheries
 Name: Shafii Issa
 Fund Administrator


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

Lamu County Fisheries Development Agency
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15. Statement of Financial Position As at 30 June 2025

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	12	3,526,088	2,759,563
Current Portion of Long-Term Receivables from Exchange Transactions	13	909,769	-
Prepayments	14	-	-
Inventories	15	-	-
Investments in Financial Assets	16	-	-
Total current assets		4,435,857	2,759,563
Non-Current Assets			
Property, Plant and Equipment	17	-	-
Intangible Assets	18	-	-
Long-Term Receivables from Exchange Transactions	13	33,081,000	23,031,000
Investment Property	19	-	-
Total Non-Current Assets		33,081,000	-
Total Assets		37,516,857	25,790,563
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	20	-	-
Current Portion of Borrowings	21	-	-
Employee Benefit Obligations	22	-	-
Social Benefit Liabilities	23	-	-
Total Current Liabilities		-	-
Non-Current Liabilities			
Long-Term Portion of Borrowings	21	-	-
Non-Current Employee Benefit Obligation	22	-	-
Social Benefit Liabilities	23	-	-
		-	-

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Total Liabilities		-	-
Net Assets		37,516,857	25,790,563
Revolving Fund		34,217,873	25,815,840
Reserves		-	-
Accumulated Surplus		(3,298,984)	(25,277)
Total Net Assets and Liabilities		37,516,857	25,790,563

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity's financial statements were approved on 22nd June 2025 and signed by:




Chief Officer Fisheries
 Name: Shafii Issa
Fund Administrator



Director, Accounting Services
 Name: CPA Mohamed Abbas Abubakar
ICPAK Member No: 23585

Lamu County Fisheries Development Agency
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16. Statement of Changes in Net Assets for the year ended 30th June 2025

Description	Note	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
			Kshs	Kshs	Kshs
Balance As At 1 July 2023		2,784,840	-	(17,189)	2,767,651
Prior Year Adjustments		23,031,000	-	-	23,031,000
Funds Received During the Year			-	(8,088)	(8,088)
Transfers		-	-	-	-
Revaluation Gain		-	-	-	-
Balance As At 30 June 2024		25,815,840	-	(25,277)	25,790,563
					-
Balance As At 1 July 2024		25,815,840	-	(25,277)	25,790,563
Boat Engine Received	26	15,000,000			15,000,000
Surplus/(Deficit) For the Period		-	-	(3,273,707)	(3,273,707)
Funds Received During the Year		-	-	-	-
Transfers		-	-	-	-
Revaluation Gain		-	-	-	-
Balance As At 31st March 2025		40,815,840	-	(3,298,984)	37,516,856

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

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public Contributions and Donations	1	-	-
Transfers From the County Government	2	-	-
Fines, Penalties, and Other Levies	3	-	-
Interest Income	4	-	-
Other Income	5	-	(1,650)
Total receipts		-	(1,650)
Payments			
Employee Costs	6	-	-
Use of goods and services	7	(3,273,707)	6,438
Finance Costs	9	-	-
Net cash flows from operating activities	25	(3,273,707)	(8,088)
Cash flows from investing activities			
Purchase of Property, Plant, Equipment, and Intangible Assets		-	-
Proceeds from sale of Property, Plant & Equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		(10,050,000)	-
Net cash flows used in investing activities		(10,050,000)	-
Cash flows from financing activities			
Proceeds from revolving fund receipts		14,090,232	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		14,090,232	-
Net increase/(decrease) in cash & cash equivalents		766,525	(8,088)
Cash and cash equivalents at 1 July		2,759,563	2,767,651
Cash and cash equivalents at 30 June		3,526,088	2,759,563

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18. Statement Of Comparison of Budget and Actual Amounts for The Period 2025

Description	Original budget	Adjustments	Final budget	Actual on a comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Balance brought forward	2,759,563		2,759,563	2,759,563	-	100%
Boat Engine	-	38,031,000	38,031,000	1,040,231	36,990,769	3%
Total Income	2,759,563	38,031,000	40,790,563	3,799,794	36,990,769	9%
Expenses						
Employee Costs	-	-	-	-	-	-
Use of goods and services	2,759,563		2,759,563	273,707	2,485,856	10%
Depreciation and Amortization Expense	-		-	-	-	-
Finance Costs		38,031,000	38,031,000	3,000,000	35,031,000	8%
Total Expenditure	2,759,563	38,031,000	40,790,563	3,273,707	37,516,856	8%
Surplus For the Period	-	-	-	526,087	(526,087)	
Capital expenditure	-	35,031,000	35,031,000	35,031,000	-	100%

The utilization realization of % is due to the remaining balance represents obligations and commitments that are not yet due for payment within the reporting period. These will be settled as they fall due in line with the agreed timelines.

Budget Reconciliation

Description of Particulars	Amount in Kshs
Actual Surplus Amounts as per the statement of Budget	526,087
Subsidy	3,000,000
Closing Cash and Cash Equivalent as per the statement of Cash flows	3,526,087

19. Notes to the Financial Statements

Significant Accounting Policies

1. General Information

Lamu County Fisheries Development Agency is established by and derives its authority and accountability from the Lamu County Fisheries Development Act, 2015. The entity is wholly owned by the County Government of Lamu and is domiciled in Kenya. The entity’s principal activity is wealth creation through the creation of employment and enhancing the County’s economic development.

2. Statement of compliance and basis of preparation

The Fund’s financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenyan shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on an accrual basis.

3. Adoption of new and revised standards

(i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 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	<i>Applicable 1st January 2025</i> 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

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	<p>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 cash flows of an Entity.</p> <p>The new standard requires entities to recognize, measure, and present information on right-of-use assets and lease liabilities.</p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale are 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 are to be presented separately in the statement of financial position, and the results of discontinued operations are to be presented separately in the statement of financial performance.</p>
<p>IPSAS 45: Property, Plant and Equipment</p>	<p>Applicable 1st January 2025</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 recognized 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>
<p>IPSAS 46: Measurement</p>	<p>Applicable 1st January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS.

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	<p>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement, and measurement-related disclosures.</p> <p>The standard also introduces a public sector-specific measurement bases called the current operational value.</p>
IPSAS 47: Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue 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>
IPSAS 48: Transfer Expenses	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49: Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans that 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>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ol style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.

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	<p>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.</p>
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(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 FY 2025 was approved by the County Assembly on June 2025. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

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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. 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 derecognition.

c) Financial instruments

IPSAS 41 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial

asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortized 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 an irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

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

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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 derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for 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 in the note.

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.

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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.

g) Contingent liabilities

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

Contingent assets

The Entity 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 Lamu County Fisheries Development Agency does not create and maintain reserves in terms of specific requirements.

i) Changes in accounting policies and estimates

The Entity 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 Entity 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 triennially on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

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.

Lamu County Fisheries Development Agency
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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 Entity 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 authorized public officers and/or institutions that 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.

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 is 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. Additional disclosure of these estimates of provisions is included in the notes.

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.

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Notes To the Financial Statements Continued

1. Public contributions and donations

Description	2024-2025	2023-2024
	Kshs	Kshs
Total	-	-

2. Transfers from County Government

Description	2024-2025	2023-2024
	Kshs	Kshs
Total	-	-

3. Fines, penalties, and other levies

Description	2024-2025	2023-2024
	Kshs	Kshs
Total	-	-

4. Interest income

Description	2024-2025	2023-2024
	Kshs	Kshs
Total Interest Income	-	-

5. Other income

Description	2024-2025	2023-2024
	Kshs	Kshs
Miscellaneous income		(1,650)
Total Other Income	-	(1,650)

6. Employee Costs

Description	2024-2025	2023-2024
	Kshs	Kshs
Total	-	-

7. Use of Goods and Services

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Bank Charges	8,707	6,438
Board committee sitting allowance	265,000	
Subsidy	3,000,000	
Total	3,273,707	6,438

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Note: The amount of Ksh. 3,000,000 represents a subsidy on 50 boat engines purchased at Ksh. 300,000 each and issued to fishermen at a cost of Ksh. 240,000 per engine through loans repayable monthly.

8. Depreciation and Amortization Expense

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Total	-	-

9. Finance costs

Description	2024-2025	2023-2024
	Kshs	Kshs
Total	-	-

10. Gain/(loss) on disposal of assets

Description	2024-2025	2023-2024
	Kshs	Kshs
Total	-	-

11. Gain/ (loss) on Fair Value Investments

Description	2024-2025	2023-2024
	Kshs	Kshs
Total Gain	-	-

12. Cash and cash equivalents

Description	2024-2025	2023-2024
	Kshs	Kshs
Current Account	3,526,088	2,759,563
Total Cash and Cash Equivalents	3,526,088	2,759,563

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

Financial Institution	Account number	2024-2025	2023-2024
		Kshs	Kshs
a Current Account			
Gulf African Bank	0570005001	2,486,109	2,759,563
KCB Account	1335860444	1,039,979	-
Grand Total		3,526,088	2,759,563

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13. Receivables from exchange transactions

Description	2024-2025	2023-2024
	Kshs	Kshs
Current Receivables		
Interest Receivable	-	-
Current Loan Repayments Due	909,769	-
Other Exchange Debtors		-
Less: Impairment Allowance	-	-
Total Current Receivables	909,769	-
Non-Current Receivables		
Long-Term Loan Repayments Due	33,081,000	23,031,000
Total Non-Current Receivables	30,081,000	-
Total Receivables from Exchange Transactions	33,990,769	23,031,000

Note:

- *Ksh 909,769 represents receivables that are currently due.*
- *Ksh 33,990,769 represents a long-term loan receivable.*

14. Prepayments

Description	2024-2025	2023-2024
	Kshs	Kshs
Total	-	-

15. Inventories

Description	2024-2025	2023-2024
	Kshs	Kshs
Total Inventories at The Lower of Cost and Net Realizable Value	-	-

16. Investments in financial assets

Description	2024-2025	2023-2024
	Kshs	Kshs
Grand total	-	-

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17. Property, plant, and equipment

	Land	Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Rate	%	%	%	%	%	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At 1st July (Previous FY)						
Additions						
Disposals						
Revaluation Adjustments						
At 30th June (Previous FY)						
At 1st July (Current FY)						
Additions						
Disposals						
Transfer/Adjustments						
Revaluation Adjustments						
At 30th June (Current FY)						
Depreciation And Impairment						
At 1st July (Previous FY)						
Depreciation						
Impairment						
At 30th June (Previous FY)						
At 1st July (Current FY)						
Depreciation						
Disposals						
Impairment						
Transfer/Adjustment						
At 30th June (Current FY)						
Net Book Values						
At 30th June (Previous FY)						
At 30th June (Current FY)						

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18. Intangible assets

Description	2024-2025	2023-2024
	Kshs	Kshs
NBV	-	-

19. Investment Property

Description	2024-2025	2023-2024
	Kshs	Kshs
At end of the year	-	-

20. Trade and other payables from exchange transactions

Description	2024-2025
	Kshs
Trade Payables	-
Refundable Deposits	-
Accrued Expenses	-
Total Trade and Other Payables	-

21. Provisions

Description	Leave provision	Bonus provision
	Kshs	Kshs
Balance At the End of The Year	-	-

22. Borrowings

Description	2024-2025	2023-2024
	Kshs	Kshs
Balance At End of The Period	-	-

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

Description	2024-2025	2023-2024
	Kshs	Kshs
Total Balance at End of The Year	-	-

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

Description	2024-2025	2023-2024
	Kshs	Kshs
Total	-	-

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23. Employee benefit obligations

Description	Defined benefit plan	Post-employment medical benefits
	Kshs	Kshs
Total	-	-

24. Social Benefit Liabilities

Description	2024-2025	2023-2024
	Kshs	Kshs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
Elderly social benefit scheme	-	-
Bursary social benefits	-	-
Total	-	-
Current social benefits	-	-
Non-current social benefits	-	-
Total (tie to totals above)	-	-

25. Cash generated from operations

Description	2024-2025	2023-2024
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	(3,273,707)	(8,088)
Adjusted For:		
Depreciation	-	-
Amortization	-	-
Gains/ Losses on Disposal of Assets	-	-
Interest Income	-	-
Finance Cost	-	-
Working Capital Adjustments		
Increase In Inventory	-	-
Increase In Receivables	(33,990,769)	-
Increase In Payables	-	-
Net Cash Flow from Operating Activities	(37,264,476)	(8,088)

26. 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	2024-2025	2023-2024
	Kshs	Kshs
Transfers From Related Parties'	-	-
Transfers To Related Parties	-	-

c) Key management remuneration

Description	2024-2025	2023-2024
	Kshs	Kshs
Board Of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

Description	2024-2025	2023-2024
	Kshs	Kshs
Due From Parent Ministry	-	-
Due From County Government	-	-
Total	-	-

Other Disclosures Continued

e) Due to related parties

Description	2024-2025	2023-2024
	Kshs	Kshs
Due To Parent Ministry	-	-
Due To the County Government	-	-
Due To Key Management Personnel	-	-
Total	-	-

27. Contingent assets and contingent liabilities

Contingent Liabilities	2024-2025	2023-2024
	Kshs	Kshs
Court Case Against the Fund	-	-
Bank Guarantees	-	-
Total	-	-

28. 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 minimize 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

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economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2022				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-
At 30 June 2021				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of trustees 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.

The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed

in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June (Current FY)				
Trade Payables	-	-	-	-
Current Portion of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-
At 30 June (Comparative FY)				
Trade Payables	-	-	-	-
Current Portion of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-

c) Market risk

The board has established an internal audit function to assist it in assessing the risks faced by the entity on an ongoing basis, evaluating and testing 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 rates, equity prices and foreign exchange rates, which will affect the entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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:

Description	Other currencies		Total
	Kshs	Kshs	Kshs
At 30 June (Current FY)			
Financial Assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ Receivables	-	-	-
Liabilities			
Trade And Other Payables	-	-	-
Borrowings	-	-	-
Net Foreign Currency Asset/(Liability)	-	-	-

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.

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
(Current FY)			
Euro	10%	-	-

USD	10%	-	-
(Comparative FY)			
Euro	10%	-	-
USD	10%	-	-

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 Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant.

d) Capital risk management.

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

Description	2024-2025	2023-2024
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
Total funds	-	-

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Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	0%	0%

29. Events after the reporting period

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

30. Ultimate and Holding Entity

The entity is a County Public Fund established by the Lamu County Fisheries Revolving Act under the Ministry of Fisheries. Its ultimate parent is the County Government of Lamu.

31. Currency

The financial statements are presented in Kenya Shillings (Kshs)

20. Annexes

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Inaccurate other income amount	<i>The management clarifies that the cashbook and bank reconciliation statement provided had a closing balance of KES 2,759,563 for the month of June 2024, which is the same amount reflected in the statement of financial position.</i>	Resolve	2024-2025
	Long Outstanding Receivables Balance	<i>The Lamu County has appointed a new Board of Management to effectively and efficiently manage the revolving fund operations, including but not limited to putting up mitigation measures to recover the assets and or recommend measures that will ensure bad debts are written off. In fact, the matter regarding bad debts resulting from non-payments was</i>	Not resolve	2025-2026

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<i>discussed and preliminary recommendations were made for executive consideration and approval.</i>		

Mr. Shafii Issa
Chief Officer - Fisheries, Blue Economy, Livestock and Co-operative Development
Fund Administrator
Lamu County Fisheries Development Agency Fund

Annex II: Inter-Fund Confirmation Letter


Lamu County Fisheries Development Agency

The Lamu County Fisheries Development Agency wishes to confirm the amounts disbursed to you as at 30th June 2025 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate 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 [Insert name of beneficiary Fund] as at 30 th June 2025							
Reference Number	Date Disbursed	Amounts Disbursed by [CC/SAGA/Fund] (Kshs) as at 30 th June 2025				Amount Received by [beneficiary Fund] (KShs) as at 30 th June 2025 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
Total		=	=	=	=	-	-

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

Head of the Accountants Department of the beneficiary Fund:

Name Mohammed Abbas Sign  Date 11/10/2025

Annex III: Reporting of Climate-Relevant Expenditures

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

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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 (K.shs.)	Comments