REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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DATE 25/5/2023
TABLED BY Maj. Leader
COMMITTEE –
CLERK AT THE TABLE Chania.

REPORT

OF

THE AUDITOR-GENERAL

ON

LAMU COUNTY EXECUTIVE STAFF HOUSING FUND

FOR THE YEAR ENDED 30 JUNE, 2022

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LAMU COUNTY EXECUTIVE STAFF HOUSING FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2022

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

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1. Key Entity Information and Management

a) Background information

Lamu County Executive Staff Housing Fund is established by and derives its authority and accountability from Lamu County Executive Staff Housing Fund Act, 2019 of the county assembly of Lamu. The Fund is wholly owned by the County Government of Lamu and is domiciled in Kenya.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to …

a) Provide Loans for the Purchase, Development, Renovation or repair of residential Houses to members of Staff

b) Raise fund for the implementation of the Objectives stated in paragraph (a)

c) Fund Administration Committee

Ref	Name	Position
1	H. E Hon. Fahim Yasin Twaha	Governor
2	H. E Hon. Abdulhakim Aboud	Deputy Governor/CECM Public Services Management and Administration
3	Hon. Abdu Godana	CECM Finance, Budget, Strategy and Economic Planning
4	Hon. Fahima Araphat	CECM Food Security
5	Hon. Ahmed Mohamed Hemed	CECM Lands, Physical Planning, Urban Development and Infrastructure
6	Hon Paul Thairu Kamau	CECM Education, Technology, Youth Affairs, Sports, Gender and Social Services
7	Hon Dr. Ann Gathoni	CECM Medical Services
8	Hon. Dismas Polle	CECM Trade, Tourism, Development and Industrialization

d) Key Management

Ref	Name	Position
1	Mr. John Mburu	Chairman of the Board
2	Mr. Fadhil Maamun Ali	Fund Administrator
3	Mrs Malika Ali	Member
4	Mr Joshua Ndovoi	Member
5	Mrs Kulthum Harith	Member
6	Mr. Paul Waluba	Secretary of the Board

e) Registered Offices

P.O. Box 74-80500
County Head Quarters
Mokowe, KENYA

f) Fund Contacts

Telephone: (254) 715555111/0772576122
E-mail: treasury@lamu.go.ke
Website: www.lamu.go.ke

g) Fund Bankers

1. Kenya Commercial Bank
   Lamu Branch
   P.O Box 121-80500

h) Independent Auditors

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

i) Principal Legal Adviser

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

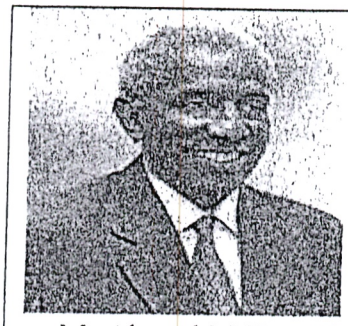
2. The Fund Administration Committee

Name	Details of qualifications and experience
 H. E Fahim Yasin Twaha **Governor**	• He Possess a Degree in Economics and Masters in MBA • Veteran politician with over 23 years' experience in leadership and governance • He has served Lamu people for a period of fifteen (15) years in his capacity as a Member of Parliament, Lamu West Constituency and as an Assistant Minister Natural Resource.
 H. E Abdulhakim Aboud **Deputy Governor**	• He holds Masters Degree in Education (Management), Bachelor Degree in Education and Diploma in Education. • He served in the Electoral Commission for 7 (seven) years from 2010 to 2017 as Senior Election Manager • He was a high school teacher at Mpeketoni Secondary School and a founding principal of Kizingitini Secondary School. • He has been involved in various community development issues across the County. • He has undertaken various capacity building courses and is knowledgeable in areas of Community Development, Strategic Management and Conflict Resolution, Financial Planning, Performance Appraisal, Human Resource, Resources Mobilization and Inter-governmental Relations.

 Ms Fahima Araphat **CECM – Food Security and Blue Economy**	• Holds a Masters Degree in Project Planning and Management from University of Nairobi • Holds a Bachelor of Commerce (Accounting) from Kenyatta University. • Holds a Senior Management Course Certificate (Kenya School of Government). • Holds Certificate in Dispute Resolution as Third Party Neutral from the Ottawa based Canadian Institute for Conflict Resolution (CICR). • Before her appointment she was at Shella, Lamu County as a Ward Administrator.
 Mr Ahmed M Hemed **CECM - Lands**	• Holds Bachelor of Education from Kenyatta University. • Holds a primary (P1) certificate from Machakos Teachers College. • He has extensive public service experience having started as a primary school teacher. • Has extensive public service experience having served a total of 18 years as town clerk (13 years) and deputy secretary (5 years) respectively. • Before his appointment he was a Deputy County Secretary in Tharaka Nithi County.

3. Management Team

Name	Details of qualifications and experience
 H. E Fahim Yasin Twaha **Governor**	H.E Fahim Yasin Twaha possess a Degree in Economics and Masters in MBA .Veteran politician with over 23 years' experience in leadership and governance. He has served Lamu people for a period of fifteen (15) years in his capacity as a Member of Parliament, Lamu West Constituency and as an Assistant Minister Natural Resource.
 H. E Abdulhakim Aboud **Deputy Governor**	H.E Abdulhakim Aboud holds Master's Degree in Education (Management), Bachelor Degree in Education and Diploma in Education. He served in the Electoral Commission for 7 (seven) years from 2010 to 2017 as Senior Election Manager. He also serve a high school teacher at Mpeketoni Secondary School and a founding principal of Kizingitini Secondary School. He has undertaken various capacity building courses and is knowledgeable in areas of Community Development, Strategic Management and Conflict Resolution, Financial Planning, Performance Appraisal, Human Resource, Resources Mobilization and Inter-governmental Relations.
 Ms Fahima Araphat **CECM – Food Security and Blue Economy**	Ms.Fahima Araphat holds a Masters Degree in Project Planning and Management from University of Nairobi and a Bachelor of Commerce (Accounting) from Kenyatta University. She also has a Senior Management Course Certificate (Kenya School of Government).She was awarded Certificate in Dispute Resolution as Third Party Neutral from the Ottawa based Canadian Institute for Conflict Resolution (CICR). Before her appointment she was at Shella, Lamu County as a Ward Administrator.

 Mr Ahmed M Hemed CECM - Lands	Mr. Ahmed Hemed Holds Bachelor of Education from Kenyatta University and a primary (P1) certificate from Machakos Teachers College. He has extensive public service experience having started as a primary school teacher and served a total of 18 years as town clerk (13 years) and deputy secretary (5 years) respectively. Before his appointment he was a Deputy County Secretary in Tharaka Nithi County.
 Mr. Fadhil Maamun **Fund Administator**	Born in 1980 Mr. Fadhil Maamun is a holder of Master of Arts in Project Planning – Nairobi University and Degree in Business Administration, Finance option form Kenya Methodist University. He is member of ICPAK and ICPSK. Mr. Fadhil has a vast experience in both Finance and Administration having worked in various managerial positions. Prior to his appointment as Chief Officer finance ,he served as CEO of Lamu County Public Service Board for 6 years.

4. Fund Chairperson's Report

In our pursuit to improve on transparency and accountability in public financial management, I present the 2021/2022 of the financial year report for the Lamu county Executive Staff Housing Fund. The fund has and will continue to manage its finances in accordance with the principles of fiscal responsibility as spelt out in the public finance management Act (2012) and its regulations and other applicable laws.

In addition, the county treasury will endeavour to comply with the executive staff Housing Fund Act, 2019. The Fund financial statements for the financial Year Ended 30th June 2022 Provide in summary statements of receipts and Payments, Assets and liabilities and Statement of Cashflows.

for

AMB. ALI ABBAS, MBS
CHAIRPERSON
LAMU COUNTY EXECUTIVE STAFF HOUSING FUND

5. Report of The Fund Administrator

On behalf of the board, it is my pleasure to present Lamu County Executive Staff Housing Fund financial statements which presents financial performance of the Fund for the year ended 30th June 2022,

Sustainability

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

Committee and Management Changes

During the year, the administrator of the Fund Changed from Mrs. Fatma Said Abdalla to Mr Alex Katana Jimbi and later to Mr Fadhil Maamun Ali

Review of performance

Revenue

The Fund was established on May 2019 and started with an initial amount of Kshs 40,000,000.00. During the year under review, the Fund received revenue from exchequer transactions amounting to Ksh. 476,199.84

Expenditures

In the period under reporting the fund incurred expenses for use of goods and services of Ksh. 1,317.00.

Future outlook

The Fund focus is looking to build 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 to the realization of mandate.

Appreciation

I take this opportunity to express my sincere gratitude and appreciation to the County Government of Lamu, stakeholders, management, staff and fellow Committee Members for their continued support which made us achieve these results.

I look forward to your continued support in the year 2022/2023

Mr. Fadhil M. Ali
Fund Administrator
Lamu County Executive Staff Housing Fund

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

Statement of performance defined as a completion of a task with application of knowledge, skills and abilities.

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 Fund Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government Fund's performance against predetermined objectives.

For purposes of implementing and cascading development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement

7. Corporate Governance Statement

THE FUND

Lamu County Executive Staff Housing Fund is a Fund kitty for Lamu County Executive Staff Housing Fund to take up loans to acquire affordable homes. The loans will be accesses at a fair interest rate; the Fund is established under the Staff Housing Fund Act, 2019 which was assented by the County Assembly on May 2019.

The Fund is wholly owned by the county government of Lamu and is domiciled in Kenya.

Principal Activities

(a) Provide loans for the purchase, development, renovation or repair of residential houses to members of Staff;

(b) Raise Funds for the implementation of the objectives stated in paragraph (a)

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 execution of their duties.

FUND MEETINGS

The Fund Administration committee confirms that the Fund has throughout the FY 2021/2022 complied with all statutory and regulatory requirements and that the Fund has been managed in accordance with the principles of good corporate governance.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control Framework

The Fund continues to review its internal control to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis. No significant failings or weaknesses were identified during the FY 2021/2022.

Risk Management

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

Management Team

The management team headed by the Fund Chairperson 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.

8. Management Discussion and Analysis

Lamu County Executive Staff Housing Fund is a Fund kitty for Lamu County Executive Staff Housing Fund to take up loans to acquire affordable homes. The loans will be accessed at a fair interest rate; the Fund is established under the Staff Housing Fund Act, 2019 which was assented by the County Assembly on May 2019.

The Fund started with an initial amount of Kshs 40,000,000.00 and a further of Ksh. 476,199.84 was received as revenue from exchange transactions in this reporting period. Kenya Shillings (Ksh.)1.317.00 was incurred as expense for use of goods and services.

The Fund focus is looking to build 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 to the realization of its mandate.

9. Environmental and Sustainability Reporting

The Fund was not involved in any corporate social responsibility activities in Financial Year 2021/2022

10. Report of the Fund Administration Committee

The Fund committee submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the Fund affairs.

Principal activities

The purpose of the Fund is to enable payment to be made in respect of a county when an urgent and unforeseen need for expenditure arises for which there is no specific legislative authority.

Results

The results of the Fund for the year ended June 30, 2022 are set out on page 1- 8

Trustees

The members of the Board of Trustees who served during the year are shown on page 4-5

Auditors

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

By Order of the Fund

AMB. ALI ABBAS, MBS
CHAIRPERSON
LAMU COUNTY EXECUTIVE STAFF HOUSING FUND

11. Statement of Management's Responsibilities

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

The Administrator of the Lamu County Executive Staff Housing 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, 2021. 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 Lamu County Executive Staff Housing 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. 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, 2022, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the Lamu County Executive Staff Housing Fund has assessed the Fund's ability to continue as a going concern and disclosed, as

applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the committee on **23rd September 2022** and signed on its behalf by:

Fadhil Maamuni Ali
FUND ADMINISTRATOR
LAMU COUNTY EXECUTIVE STAFF HOUSING FUND

REPUBLIC OF KENYA

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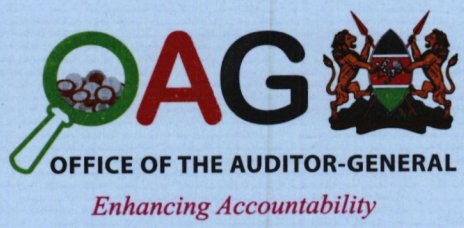
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON LAMU COUNTY EXECUTIVE STAFF HOUSING FUND FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Lamu County Executive Staff Housing Fund set out on pages 1 to 38, which comprise of the statement of financial

position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 the Lamu County Executive Staff Housing Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Lamu County Executive Staff Housing Fund Act, 2019.

Basis for Qualified Opinion

1. Unreconciled Interest Income

The statement of financial performance reflects interest income of Kshs.476,200. However, the supporting schedule prepared from the ledgers reflected a balance of Kshs.327,864, resulting to unreconciled difference of Kshs.148,336. No explanation was given for the difference.

In the circumstances, the accuracy and completeness of income interest of Kshs.476,200 could not be confirmed.

2. Long-Term Receivables from Exchange Transactions

The statement of financial position reflects long-term receivables from exchange transactions of Kshs.6,084,000. Review of loan disbursements revealed that a loan of Kshs.23,400,000 was disbursed to a Staff on a 36 months repayment period from July, 2019 to July, 2022. However, examination of bank statements and cashbook revealed that monthly loan instalment of Kshs.481,000 was recovered from the borrower instead of an amount of Kshs.680,500 which was indicated on the loan amortization schedule and the lending agreement, thus leaving unpaid balance of Kshs.199,500 per month which was equivalent to Kshs.6,982,500 for a period of 35 months. Further, the borrower was no longer employed by the County Government of Lamu. No explanation was provided for the anomaly.

In the circumstances, the recoverability, accuracy and completeness of long-term receivables from exchange transactions of Kshs.6,084,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Lamu County Executive Staff Housing Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe

that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

Prior Year Audit Matters

Several issues were raised in the Auditor-General's report for 2020/2021 financial year. However, the issues have not been appended to the financial statements disclosing the Managements comments and current status as required by the Financial Reporting Template. Further, Management did not provide evidence of any action taken to address the recommendations in the prior year audit issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Failure to Effectively Utilize Appropriated Funds

The statement of financial position reflects cash and cash equivalents balance of Kshs.33,705,492. Management did not provide explanation for keeping public funds idle at the expense of effective service delivery to Staff. Further, the Fund did not disburse any loan during the year.

In the circumstances, the effectiveness of service delivery to the Staff could not be confirmed.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and The Fund Administration Committee

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control 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 control, risk Management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them and that public resources are applied in an effective way.

The Fund Administration Committee responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk Management and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Fund to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

05 May, 2023

13. Statement of Financial Performance For The Year Ended 30th June 2022

	Note	2021-2022	2020-2021
		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	476,199.84	387,782.86
Other Income	5	-	-
		-	-
Total Revenue		**476,199.84**	**387,782.86**
Expenses			
Employee Costs	6	-	208,000.00
Use of goods and services	7	1,317.00	1,191.00
Depreciation and Amortization Expense	8	-	-
Finance Costs	9	-	-
Total Expenses		**(1,317.00)**	**(209,191.00)**
Other Gains/Losses			
Gain/Loss on Disposal of Assets	10	-	-
Surplus/(Deficit) For The Period		**474,882.84**	**178,591.86**

The notes set out on page 8 to 38 form an integral part of these Financial Statements
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on **23rd September 2022** and signed by:

.....
Name: Fadhil Maamuni Ali
Administrator of the Fund
ICPAK Member Number: 6974

.....
Name: Mohamed Omari Mohamed
Fund Accountant
ICPAK Member Number: 24281

14. Statement of Financial Position As At 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	11	33,705,492.00	27,453,809.00
Current Portion of Long- Term Receivables From Exchange Transactions	12	1,422,312.70	945,112.86
Prepayments	13	-	-
Inventories	14	-	-
		35,126,804.70	**28,398,921.86**
Non-Current Assets			
Property, Plant and Equipment	15	-	-
Intangible Assets	16	-	-
Long Term Receivables from Exchange Transactions	12	6,084,000.00	12,337,000.00
		6,084,000.00	**12,337,000.00**
Total Assets		**41,210,804.70**	**40,735,921.86**
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	17	-	-
Provisions	18	-	-
Current Portion of Borrowings	19	-	-
Employee Benefit Obligations	20	-	-
		-	-
Non-Current Liabilities			
Non-Current Employee Benefit Obligation	20	-	-
Long Term Portion of Borrowings	19	-	-
Total Liabilities		-	-
Net Assets		-	-
Revolving Fund		40,000,000.00	40,000,000.00
Reserves		-	-
Accumulated Surplus		1,210,805.00	735,922.16
Total Net Assets and Liabilities		**41,210,805.00**	**40,735,922.16**

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 23rd September 2022 and signed by:

.....	.....
Name: Fadhil Maamuni Ali	**Name:** Mohamed Omari Mohamed
Administrator of the Fund	**Fund Accountant**
ICPAK Member Number: 6974	**ICPAK Member Number:** 24281

15. Statement Of Changes in Net Assets for the year ended 30th June 2022

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2020	40,000,000.00	-	557,330.30	40,557,330.30
Surplus/(Deficit) For the Period	-	-	178,591.86	178,591.86
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2021	**40,000,000.00**	-	**735,922.16**	**40,735,922.16**
Balance As At 1 July 2021	**40,000,000.00**	-	**735,922.16**	**40,735,922.16**
Surplus/(Deficit) For the Period	-	-	474,882.84	474,882.84
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	
Revaluation Gain	-	-	-	-
Balance As At 30 June 2022	**40,000,000.00**	-	**887,503.00**	**41,210,805.00**

.....

Name: Fadhil Maamuni Ali
Administrator of the Fund
ICPAK Member Number: 6974

.....

Name: Mohamed Omari Mohamed
Fund Accountant
ICPAK Member Number: 24281

16. Statement Of Cash Flows For The Year Ended 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the county government		-	-
Interest received		-	-
Receipts from other operating activities		-	5,384,217.00
Total receipts		**-**	**5,384,217.00**
Payments			
Fund administration expenses		1,317.00	1,191.00
General expenses		-	208,000.00
Finance cost		-	-
Other payments		-	-
Total payments		**1,317.00**	**209,191.00**
Net cash flows from operating activities	21	**5,617,785.00**	**5,175,026.00**
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		6,253,000.00	387,783.00
Loan disbursements paid out		-	-
Net cash flows used in investing activities		**6,253000.00**	**387,783.00**
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		**-**	**-**
Net increase/(decrease) in cash & cash Equivalents		**6,251,683.00**	**5,562,809.00**
Cash and cash equivalents at 1 july	11	27,453,809.00	21,891,000.00
Cash and cash equivalents at 30 june	11	**33,705,492.00**	**27,453,809.00**

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 **5th January, 2023** and signed by:

.....	.....
Name: Fadhil Maamuni Ali	**Name:** Mohamed Omari Mohamed
Administrator of the Fund	**Fund Accountant**
ICPAK Member Number: 6974	**ICPAK Member Number:** 24281

17. Statement of Comparison of Budget and Actual Amounts for the Period

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilisation
	2022	2022	2022	2022	2022	2022
Revenue	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**	
Public Contributions And Donations	-	-	-	-		
Transfers From County Govt.	-	-	-	-		
Interest Income	476,199.84	-	476,199.84	476,199.84	-	100%
Other Income	-	-	-	-		
Total Income	**476,199.84**	**-**	**476,199.84**	**476,199.84**	**-**	**100%**
Expenses						
Fund Administration Expenses	-	-	-	-	-	-
General Expenses	-	-	-	1,317.00	(1,317.00)	(100%)
Finance Cost	-	-	-	-	-	
Total Expenditure	**-**	**-**	**-**	**1,317.00**	(1,317.00)	
Surplus For The Period	**476,199.84**	**-**	**476,199.84**	**474,882.84**		

18. Notes to the Financial Statements

1. General Information

Lamu County Executive Staff Housing Fund entity is established by and derives its authority and accountability from Lamu County Executive Staff Housing Fund Act 2019. The entity is wholly owned by the Lamu County Government and is domiciled in Kenya. The entity's principal activity is.

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 Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. Adoption of new and revised standards

(i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022

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

Standard	Effective date and impact:
Instruments	The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	**Applicable: 1st January 2023** The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes;

Standard	Effective date and impact:
	and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	**Applicable: 1st January 2023:** a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other improvements to IPSAS	***Applicable 1st January 2023*** • *IPSAS 22 Disclosure of Financial Information about the General Government Sector.* Amendments to refer to the latest System of National Accounts (SNA 2008). • *IPSAS 39: Employee Benefits* Now deletes the term composite social security benefits as it is no

Standard	Effective date and impact:
	longer defined in IPSAS. • **IPSAS 29: Financial instruments: Recognition and Measurement** Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.
IPSAS 43	***Applicable 1st January 2025*** 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. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	***Applicable 1st January 2025*** The Standard requires, 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: 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.

(iii)Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2022.

1. Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

b) Budget information

The original budget for FY 2021-2022 was approved by the County Assembly on May-2022. No 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.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at 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.

d) Intangible Assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

a) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or a entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a entity of debtors are experiencing significant financial difficulty

- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

b) 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.

c) 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.

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.

Summary Of Significant Accounting Policies (Continued)

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.

d) Nature and purpose of reserves

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

e) 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.

f) 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 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.

g) 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.

h) 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.

i) 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/Trustee, the Fund Manager and Fund Accountant.

j) 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.

k) Comparative figures

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

l) Events after the reporting period

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

m) Ultimate and Holding Entity

The entity is a County Public Fund established by Lamu County Executive Housing Act under the Department of Public Service Management and Administration. Its ultimate parent is the County Government of Lamu.

n) Currency

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

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. Additional disclosure of these estimates of provisions is included in Note xxx.

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.

6. Notes to the Financial Statements

1. Public contributions and donations

Description	2021-2022	2020-2021
	Kshs	Kshs
Donation From Development Partners	-	-
Contributions From The Public	-	-
Total	-	-

2. Transfers from County Government

Description	2021-2022	2020-2021
	Kshs	Kshs
Transfers From County Govt. –Operations	-	-
Payments By County On Behalf Of The Entity	-	-
Total	-	-

3. Fines, penalties and other levies

Description	2021-2022	2020-2021
	Kshs	Kshs
Late Payment Penalties	-	-
Fines	-	-
Total	-	-

4. Interest income

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest Income From Mortgage Loans	476,199.84	387,782.86
Interest Income From Car Loans	-	-
Interest Income From Investments	-	-
Interest Income On Bank Deposits	-	-
Total Interest Income	**476,199.84**	**387,782.86**

Notes to the Financial Statements Continued

5. Other income

Description	2021-2022	2020-2021
	Kshs	Kshs
Insurance Recoveries	-	-
Income From Sale Of Tender Documents	-	-
Miscellaneous Income	-	-
Total Other Income	-	-

6. Employee Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries And Wages	-	-
Staff Gratuity	-	-
Staff Training Expenses	-	208,000.00
Social Security Contribution	-	-
Other *(Specify)*	-	-
Total	-	**208,000.00**

7. Use of Goods and Services

Description	2021/22	2020/21
	Kshs.	Kshs.
General Office Expenses	-	-
Loan Processing Costs	-	-
Professional Services Costs	-	-
Administration Fees	-	-
Committee Allowances	-	-
Bank Charges	1,317.00	1,191.00
Electricity And Water Expenses	-	-
Fuel And Oil Costs	-	-
Insurance Costs	-	-
Postage And Courier	-	-
Printing And Stationery	-	-
Rental Costs	-	-
Security Costs	-.	-.
Telephone And Communication Expenses	-	-

Bank Charges	-	-
Audit Fees	-	-
Provision For Doubtful Debts	-	-
Other (*Specify*)	-	-
Total	**1,317.00**	**1,191.00**

8. Depreciation and Amortization Expense

Description	2021/22	2020/21
	Kshs.	Kshs.
Property Plant and Equipment	-	-
Intangible Assets	-	-
Total	-	-

9. Finance costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest On Bank Overdrafts	-	-
Interest On Loans From Banks	-	-
Total	-	-

10. Gain/(loss) on disposal of assets

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, Plant And Equipment	-	-
Intangible Assets	-	-
Total	-	-

Notes to the Financial Statements Continued

11. Cash and cash equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Lamu County Executive Staff Housing Fund Account	33,705,492.00	27,453,809.00
Total Cash And Cash Equivalents	**33,705,492.00**	**27,453,809.00**

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

		2021-2022	2020-2021
Financial Institution	Account number	Kshs	Kshs
a) Fixed Deposits Account			
Sub- Total		-	-
b) On - Call Deposits			
Sub- Total		-	-
c) Current Account			
Kenya Commercial Bank	1258957574	33,705,492.00	27,453,809.00
Sub- Total		**33,705,492.00**	**27,453,809.00**
d) Others(Specify)		-	-
Sub- Total		-	-
Grand Total		**33,705,492.00**	**27,453,809.00**

12. Receivables from exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Receivables		
Interest Receivable	1,421,312.70	945,112.86
Current Loan Repayments Due	-	-
Other Exchange Debtors	-	-
Less: Impairment Allowance	(-)	(-)
Total Current Receivables	**1,421,312.70**	**945,112.86**
Non-Current Receivables		
Long Term Loan Repayments Due	6,084,000.00	12,337,000.00
Total Non- Current Receivables	**6,084,000.00**	**12,337,000.00**
Total Receivables From Exchange Transactions	**7,505,312.70**	**13,282,112.86**

Additional disclosure on interest receivable

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest Receivable	**1,421,312.70**	**945,112.86**
Interest receivable from current portion of long-term loans of previous years	945,112.86	557,330.00
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	476,199.84	387,782.86
Current loan repayments due		
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	6,565,000.00	12,337,000.00
Current portion of long-term loans issued in the current year	-	-

13. Prepayments

Description	2021-2022	2020-2021
	Kshs	Kshs
Prepaid Rent	-	-
Prepaid Insurance	-	-
Prepaid Electricity Costs	-	-
Other Prepayments (Specify)	-	-
Total	-	-

14. Inventories

Description	2021-2022	2020-2021
	Kshs	Kshs
Consumable Stores	-	-
Spare Parts And Meters	-	-
Catering	-	-
Other Inventories (Specify)	-	-
Total Inventories At The Lower Of Cost And Net Realizable Value	-	-

Notes to the Financial Statements (Continued)

15. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**
At 1st July 2020	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
At 30th June 2021	-	-	-	-	-
At 1st July 2021	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
At 30th June 2022	-	-	-	-	-
Depreciation And Impairment	-	-	-	-	-
At 1st July 2020	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30th June 2021	-	-	-	-	-
At 1st July 2021	-	-	-	-	-
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**
Transfer/Adjustment	-	-	-	-	-
At 30th June 2022	-	-	-	-	-
Net Book Values	-	-	-	-	-
At 30th June 2021	-	-	-	-	-
At 30th June 2022	-	-	-	-	-

Notes to the Financial Statements (Continued)

16. Intangible assets

Description	2021-2022	2020-2021
	Kshs	Kshs
Cost		
At Beginning Of The Year	-	-
Additions	-	-
At End Of The Year	-	-
Amortization And Impairment		
At Beginning Of The Year	-	-
Amortization	-	-
At End Of The Year	-	-
Impairment Loss	-	-
At End Of The Year	-	-
NBV	-	-

17. Trade and other payables from exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade Payables	-	-
Refundable Deposits	-	-
Accrued Expenses	-	-
Other Payables	-	-
Total Trade And Other Payables	-	-

18. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance At The Beginning Of The Year (1.07.2021)	-	-	-	-
Additional Provisions	-	-	-	-
Provision Utilised	-	-	-	-
Change Due To Discount And Time Value For Money	-	-	-	-
Transfers From Non -Current Provisions	-	-	-	-
Balance At The End Of The Year (30.06.2022)	-	-	-	-

Notes to the Financial Statements (Continued)

19. Borrowings

Description	2021-2022	2020-2021
	Ksns	Kshs
Balance At Beginning of The Period	-	-
External Borrowings During the Year	-	-
Domestic Borrowings During the Year	-	-
Repayments Of External Borrowings During the Period	-	-
Repayments Of Domestics Borrowings During the Period	-	-
Balance At End of The Period	-	-

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

	2021-2022	2020-2021
	Kshs	Kshs
External Borrowings		
Domestic Borrowings		
Total Balance at End Of The Year	-	-

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

Description	2021-2022	2020-2021
	Kshs	Kshs
Short Term Borrowings(Current Portion)	-	-
Long Term Borrowings	-	-
Total	-	-

Notes to the Financial Statements (Continued)

20. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	2021-2022	2020-2021
	Kshs	Kshs	Kshs	Kshs	Kshs
Total	-	-	-	-	-

21. Cash generated from operations

	2021-2022	2020-2021
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	**474,882.84**	**178,591.86**
Adjusted For:		
Depreciation	-	-
Amortisation	-	-
Gains/ Losses On Disposal Of Assets	-	-
Interest Income	(476,199.84)	(387,782.86)
Finance Cost	-	-
Working Capital Adjustments		
Increase In Inventory	-	-
Increase In Receivables	(5,776,800.16)	(5,384,216.44)
Increase In Payables	-	-
Net Cash Flow From Operating Activities	**5,775,483.16**	**5,175,025.44**

Other Disclosures

22. 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

	2021-2022	2020-2021
	Kshs	Kshs
Total	-	-

c) Key management remuneration

	2021-2022	2020-2021
	Kshs	Kshs
Total	-	-

d) Due from related parties

	2021-2022	2020-2021
	Kshs	Kshs
Total	-	-

e) Due to related parties

	2021-2022	2020-2021
	Kshs	Kshs
Total	-	-

23. Contingent assets and contingent liabilities

Contingent Liabilities	2021-2022	2020-2021
	Kshs	Kshs
Total	-	-

24. 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 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:

	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 recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from-

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.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2021				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-

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.

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:

		Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2021			
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.

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
2022			
Euro	10%	-	-

USD	10%	-	-
2021			
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 endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase. A rate increase/decrease of 5% would result in a decrease/increase in profit before tax.

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:

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	(-)	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	xx%	xx%

19. 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. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
1.0	Presentation and Inaccuracies in the Financial Statements	The Management has rectify the issue	Resolve	2021/2022
2.0	Defaulted Loan Repayment	The Management still working on it to resolve the issue	Not Resolve	FY 2021/2022
1.1	Unutilized Funds	The management put mechanism to resolve the issue	Not Resolve	FY 2021/2022

F. O. 30

REPUBLIC OF KENYA

BANK RECONCILIATION

AS AT 30TH JUNE 2022 **STATION: LAMU COUNTY**

	Sh	Sh	Sh
Balance as per bank statement			**33,224,492.00**
Less:-			
1 *Payments in cash book not in bank statement (Unrepresented Cheques)* :			
2 *Receipts in bank statement not recorded in cash book* :			
Add:-			
3 *Payments in bank statement not in cash book* :			
4 *Receipts in cash book not recorded in bank* statement :			481,000.00
Balance as per Cash book			**33,705,492.00**

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

Prepared by:

Signature	Designation	15/07/2022 *Date*

Checked by:

Signature	DAS *Designation*	15/7/2022 *Date*

Approved by:

Signature	CO *Designation*	16/7/2022 *Date*

LAMU COUNTY EXECUTIVE HOUSING FUND

RECEIPTS IN CASHBOOK NOT RECORDED IN BANK STATEMENT Jun-22

DATE	DESCRIPTION	AMOUNT
30.JUN.2022	LOAN REPAYMENT	481,000.00
TOTAL		**481,000.00**