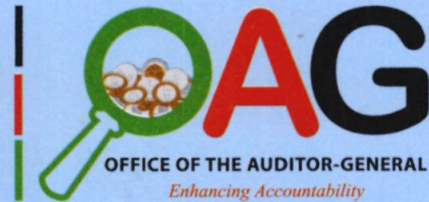
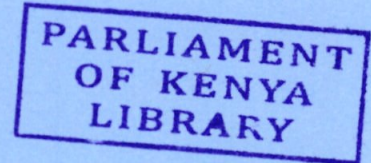


REPUBLIC OF KENYA



REPORT

OF



THE AUDITOR-GENERAL

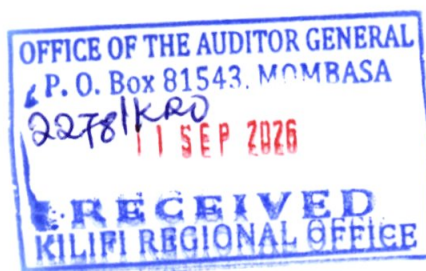
ON

LAMU COUNTY YOUTH
DEVELOPMENT FUND

FOR THE YEAR ENDED
30 JUNE, 2026

PAPERS LAID	
DATE	30/9/2026
TABLED BY	Deputy Majority Whip.
COMMITTEE	
CLERK AT THE TABLE	Mercy

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LAMU COUNTY YOUTH DEVELOPMENT FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2026

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



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Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2026

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1. Acronyms and Definition of Key Terms

A. Acronyms

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
CECM	County Executive Committee Member
FY	Financial Year
LCYDF	Lamu County Youth Development Fund
AGPO	Access to Government Procurement Opportunities
CSR	Corporate Social Responsibility

B. Definition of Key Terms

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

Comparative Year- Means the prior period.

2. Who we are

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

The fund's objective is to unlock to attract and facilitate investment in economic sectors that have linkages to micro, small and medium enterprises that benefit the youth, to facilitate formalization and upgrading of informal micro and small enterprises, to enhance the capacity of the youth in the identification, planning, and implementation of sustainable socio-economic activities and to promote youth entrepreneurship

a) Principal Activities

The fund principal activity is to: -

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

b) Assurance and Audit

Lamu County Youth Development Fund applies a combined assurance model to enhance the reliability of this report. Assurance is provided through:

- Management reviews
- Internal audit assessments overseen by the Internal Audit, Risk
- External audit of financial statements by the Office of the Auditor-General (OAG)

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2026

The Committee has applied its collective judgment to this report and confirms that it provides a balanced and accurate reflection of the Lamu County Youth Development Fund performance, strategy, and value-creation approach.

c) Registered Offices

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

d) Fund Contacts

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

e) Fund Bankers

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

f) Independent Auditors

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

Lamu County Youth Development Fund
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g) Principal Legal Adviser

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

h) County Attorney

Director legal service
P.O. Box 74 - 80500
County Government of Lamu
Lamu, Kenya.

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2026

3. Fund Committee Chairperson's Report

The Fund Administration Committee is pleased to present the Annual Report and Financial Statements for the financial year ended 30 June 2026.

During the financial year under review, the Fund experienced significant financial constraints arising from the non-receipt of transfers from the County Executive. Consequently, the Fund was unable to implement its planned programmes and activities.

Due to the lack of operational funding, the Fund Administration Committee did not convene any meetings during the year. Similarly, no projects, grants, loans or beneficiary support activities were undertaken.

The Fund maintained its bank account throughout the year and incurred only bank charges amounting to Kshs. 960, which were necessary for maintaining the account. As at 30 June 2026, the Fund had a closing cash balance of Kshs. 906.

The Fund remains committed to achieving its mandate once adequate funding is received from the County Government. The Committee will continue engaging the County Executive to ensure the Fund is adequately financed to deliver services to the intended beneficiaries.

The Committee appreciates the continued support of the County Government, the County Assembly and all stakeholders and looks forward to operationalizing the Fund in the coming financial year.

Name.....**HAESWA DIFANI**.....Signature.....**7th September, 2026**

Chairperson of the Fund



Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2026

4. Report of The Fund Administrator

I am pleased to present the Fund Administrator's Report for the financial year ended 30 June 2026. The Fund was allocated no operational funding during the financial year through transfers from the County Executive. As a result, none of the planned programmes and activities were implemented.

Budget Performance

Transfers from County Government: Nil

Own Source Revenue: Nil

Total Revenue: Nil

Operational Expenditure: Kshs. 960 (Bank charges only)

Development Expenditure: Nil

Programme Performance: No programmes were implemented due to inadequate financial resources.

Physical Performance: No outputs or outcomes were achieved because no funds were available for implementation.

Value for Money: The Fund ensured prudent financial management by limiting expenditure to unavoidable bank charges necessary for maintaining the bank account.

Challenges

- Lack of County Executive transfers.
- Inability to implement approved activities.
- No Fund Committee meetings due to financial constraints.
- Inability to support intended beneficiaries.

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2026

Risk Management

The key risk remains inadequate funding, which affects the Fund's ability to achieve its objectives. The Fund will continue engaging the County Executive to secure funding.

Future Outlook

The Fund anticipates receiving financial support in the next financial year to enable implementation of its mandate, convene governance meetings and support beneficiaries in accordance with the establishing legislation.

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

Section 164 (2) (f) of the Public Finance Management Act CAP 412A requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government Entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key development objectives of the Fund as per the CIDP for 2023 -2027 are to:

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

Progress on attainment of Strategic development objectives

This section highlights progress achieved, key performance indicators, challenges encountered, and recommendations for improvement.

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2026

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Youth Enterprise Support Program	To empower youth through financial support for viable income-generating activities	Increased number of youth-owned enterprises established and sustained	No. of youth groups funded; Amount disbursed; No. of jobs created	No groups were Funded.
Capacity Building and Training Program	To enhance the entrepreneurial and managerial skills of youth across all wards	Improved capacity for business management and innovation among youth	No. of youth trained; No. of training sessions conducted; Percentage applying acquired skills	No Training of youth was held during the reporting Period
General Administration, Planning and Support Services	To ensure smooth running board	Improved service delivery	No. of Committee Members and Secretariat facilitated with working tools.	No Committee Meetings was Held During the Year

6. Corporate Governance Statement

Part A: Board of Trustees/ Fund Administration Committee:

Name	Details of qualifications and experience
 Mr. Bwanamkuu Fumo Bwanamkuu Committee Member	He was born on 09.04. 1989. Mr. Bwanamkuu has O Level Education. Currently he is the chairman of Witu Sports promotion group, Chairman Amani na Maendeleo Youth Association, Chairman Witu ward county bursary Committee. Throughout his position he managed to rescue several victims of FGM and took them to school and manage to improve the welfare of the youth in the area through provision of start-up capital to start their own business.
 Ms. Kauthar Famau Abubakar Committee Member	Ms. Kauthar Famau Was Born on 12th july 1997 and she is a graduate of diploma in procurement and materials management from technical university of Mombasa. She has been working experience in youth empowerment and peace building, environmental management ,ocean conservation, community development ,governance in management of natural resources, advocacy on conversation policies at county level.
 Mr. Salim mzee Bakari	Mr. Salim Mzee Bakari was Born on 19th March, 1996. Completed four months of basic employability skills training in life skills and hand on skills certificate in hospitality and in Electrical. Worked in eye-karak oman and prime comfort hotel & appartments as waiter. worked at bgp kenya ltd as boat Captain

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2026

Member	
 Ms. Shamsa Omar Aboud Committee Member	Ms. Shamsa Omar born year 1991 hails from Siu village in Patte Island. She is a business woman and volunteer social worker with a passion of improving lives of her community. She holds KCPE certificate and Certificate in computer applications.
 Mr. Ismael Ali Committee Member	Born on 13th December, 1997, Ismail Ali Has: Diploma in Special Needs Education at KISE Main Campus 2021-2024, 2016-2019 Certificate for p1 at Islamic Training Collage, 2012-2016 Certificate for Secondary level at Mpeketoni Boy High School, 2002-2011 Certificate for Primary school at Ndambwe primary and have a Working experience: teaching at Ndambwe Primary 2019-2024. Representative of Person Living of disabilities
 Mr. Mohamed Kassim Committee Secretary/ County Youth Coordinator	Born in 1983, Mr Mohamed Kassim holds an undergraduate degree of Bachelor of Commerce from the Technical University of Mombasa. Mr Kassim is currently the County Youth Coordinator who has been appointed to the position at the department since 2018. Before being appointed to this position, Mr Kassim worked in the private sector, holding various positions as a bookkeeper, cashier, and manager of local food supply chains and petrol stations. He brings a wealth of experience in

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2026

	managing financial resources and managerial skills to the Youth.
 CPA Salma Omar Chief Officer Finance	Born in 17.07.1985 Mrs. Salma Omar Ahmed is a Certified Public Accountant of Kenya and holds Bachelor's degree in Business Administration in Finance and Accounting from Moi University. She also holds certificate in Senior Management and Strategic Leadership from Kenya School of Government. She is a member of ICPAK. Prior to her appointment as Chief Officer, she was Ag. Director Accounting Service, Principal Finance Officer for the for the County Treasury and served. She is Redcross Lamu Branch Treasurer from year 2015 upto date. CPA Salma brings to the Board vast experience in technical and senior managerial skills having worked in both Private and Public Institutions
 Mrs. Hafswa Diffini Chairperson of the Committee	Born in 12.10. 1968 Having worked as the First Chief officer for Education after devolution in 2013, Mrs Hafswa Diffin brings to the Management vast experience of over 30 years in public service. She holds bachelor's degree in education.

Part B: Management Profile

Name	Details of qualifications and experience
 Mr. Mohamed Kassim Secretary/ County Youth Coordinator	Born in 1983, Mr Mohamed Kassim holds an undergraduate degree of Bachelor of Commerce from the Technical University of Mombasa. Mr Kassim is currently the County Youth Coordinator who has been appointed to the position at the department since 2018. Before being appointed to this position, Mr Kassim worked in the private sector, holding various positions as a bookkeeper, cashier, and manager of local food supply chains and petrol stations. He brings a wealth of experience in managing financial resources and managerial skills to the Youth.
 CPA Salma Omar Chief Officer Finance	Born in 17.07.1985 Mrs. Salma Omar Ahmed is a Certified Public Accountant of Kenya and holds Bachelor's degree in Business Administration in Finance and Accounting from Moi University. She also holds certificate in Senior Management and Strategic Leadership from Kenya School of Government. She is a member of ICPAK. Prior to her appointment as Chief Officer, she was Ag. Director Accounting Service, Principal Finance Officer for the for the County Treasury and served. She is Redcross Lamu Branch Treasurer from year 2015 upto date. CPA Salma brings to the Board vast experience in technical and senior managerial skills having worked in both Private and Public Institutions

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2026



Mrs. Hafswa Diffini
Chairperson of the Committee

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

Part C: Governance arrangements

i. Appointment of Committee Members

Committee members are appointed by the County Executive Committee Member of Education. The process emphasizes merit, representation of youth, gender balance, and inclusivity of marginalized groups.

ii. Roles and Functions of the Committee

The Fund Administration Committee provides strategic oversight, approves policies, reviews budgets and work plans, and ensures alignment with the County Integrated Development Plan (CIDP) and the Kenya Vision 2030 framework. It also monitors the implementation of youth empowerment projects and evaluates performance of funded initiatives.

iii. Committee and Members' Performance

Performance is assessed annually against key indicators such as attendance, decision quality, and compliance with regulatory requirements.

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2026

iv. Committee Meetings and Attendance

The Fund Admiration Committee held two meetings during the FY 2025/2026. Attendance was above the required quorum, with the majority of members participating actively in deliberations and approvals.

Ref	Name	Position	No of Meetings Attended	Remarks
1	Mrs. Hafswa Diffin	Chairperson of The Committee	-	No Funds
2	CPA Salma Omar	Chief Officer – Finance	-	No Funds
3	Mohamed Kassim	Secretary/County Youth Coordinator	-	No Funds
4	Bwanamkuu Fumo	Member	-	No Funds
5	Salim Mzee Bakari	Member	-	No Funds
6	Shamsa Omar	Member	-	No Funds
7	Kauthar Famau	Member	-	No Funds
8	Ismail Ali	Member	-	No Funds

v. Policy to Manage Conflict of Interest

A robust policy requires the Committee to Prepare the Coming Years to declare interests in any matter under consideration.

vi. Committee Remuneration

Committee members are remunerated in line with Salaries and Remuneration Commission (SRC) guidelines, covering sitting allowances and reimbursements. Transparency is maintained by disclosing these in annual financial reports.

vii. Ethics and Conduct

The Fund enforces a strict Code of Ethics aligned with the Leadership and Integrity Act CAP 185C. Members are expected to uphold integrity, avoid conflict of interest, and demonstrate professionalism.

viii. Governance Audit

An internal governance audit was conducted by Internal Audit in FY 2025/2026, focusing on, compliance.

ix. Communication Policy

The Fund are yet to establish a communication framework ensuring timely dissemination of information to stakeholders through public notices, county barazas, digital platforms, and reports.

x. Terms of Reference of Committees

The Fund Administration Committee operates clear terms of reference to enhance accountability and efficiency.

xi. Policy on Related Party Transactions

The Fund prohibits unfair related party transactions. All transactions are subject to Committee scrutiny and external audit to safeguard public resources and maintain trust.

Conclusion

The Lamu County Youth Development Fund continues to strengthen its governance framework to ensure effective, transparent, and accountable management of youth resources.



7. Financial Performance Overview

Revenue

The Fund did not receive any transfers from the County Government during the financial year. Consequently, total revenue for the year was Nil.

Expenditure

The only expenditure incurred during the year was bank charges amounting to Kshs. 960. No administrative, operational or development expenditures were incurred.

Assets

The Fund's only asset at year end comprised cash and cash equivalents with a closing balance of Kshs. 906.

Liabilities

The Fund had no outstanding liabilities as at 30 June 2026.

Financial Position

The Fund remained financially inactive throughout the year due to lack of funding. Nevertheless, financial resources were safeguarded and expenditure was minimized to essential banking costs.

Key Risks

- Inadequate funding.
- Delayed operationalization of Fund programmes.
- Failure to achieve strategic objectives.

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2026

Future Outlook

The Fund expects to resume normal operations once transfers from the County Executive are received.

8. Environmental and Sustainability Reporting

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

i) Sustainability Strategy and Profile

The Lamu County Youth Development Fund aligns its operations with Kenya's Sustainable Development Goals (SDGs), particularly SDG 8 (Decent Work and Economic Growth) and SDG 10 (Reduced Inequalities). The Fund prioritizes sustainability through:

- Empowerment of youth groups in sustainable economic ventures such as agribusiness and eco-friendly enterprises.
- Ensuring fair distribution of resources across all wards, promoting inclusivity and equity.
- Encouraging transparency, accountability, and community participation in fund allocation and program implementation. All procurement and project management adhere to county financial management laws to ensure efficient use of public resources.

ii) Environmental Performance

- Although the Fund's operations are primarily administrative and programmatic, it incorporates environmentally friendly practices, including:
- Encouraging youth groups to consider eco-friendly projects, including waste recycling, tree planting, and green enterprise initiatives.
- Proper waste management during events such as youth training and sports tournaments, ensuring use of biodegradable materials where possible.

iii) Employee Welfare

The Fund promotes a safe, inclusive, and supportive work environment for its staff in line with the Occupational Safety and Health Act CAP 514. The staff complement reflects fair gender balance and inclusion of youth, in accordance with county employment policies. There were no reported work-related injuries during the period under review.

iv. Market Place Practices

a. Responsible Competition Practice

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2026

The Lamu County Youth Development Fund (LCYDF) ensures responsible competition and transparency through strict adherence to the Public Finance Management Act CAP 412A and the Public Procurement and Asset Disposal Act (PPADA), CAP 412C. All procurement processes are conducted openly through the county procurement system and are subject to internal and external audit reviews. The Fund upholds anti-corruption values, fairness, and equal opportunity in service delivery. Information on funding opportunities is shared publicly through notice boards, community barazas, and the county website.

b. Responsible Supply Chain and Supplier Relations

The Fund follows County Government of Lamu's procurement policies that promote fair and transparent supplier engagement. Priority is given to local suppliers, especially youth- and women-owned enterprises, in line with the Access to Government Procurement Opportunities (AGPO) policy. Payments to suppliers are processed promptly upon successful delivery and verification of goods and services, ensuring good working relationships and reliability.

c. Responsible Engagement with Citizens

Lamu County Youth Development Fund maintains continuous engagement with youth and community members through outreach meetings, committee consultations, and empowerment forums. Collaboration with ward administrators ensure accessibility and accurate dissemination of information. The Fund avoids false or exaggerated claims and emphasizes inclusivity and transparency in all engagements.

d. Product Stewardship / Awareness Creation

The Fund safeguards the interests of beneficiaries (youth) by ensuring fair and transparent grant processes, open communication on eligibility, and equal treatment for all applicants. Awareness programs are conducted through trainings, and stakeholder meetings to ensure youth understand fund procedures, accountability expectations, and rights. The Fund also emphasizes data protection and privacy for all applicants and beneficiaries.

v. Corporate Social Responsibility (CSR) / Community Engagements

During the reporting period, the Lamu County Youth Development Fund did not undertake formal CSR activities outside its core mandate.

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2026

The Fund intends to initiate formal CSR programs in collaboration with other departments in future financial years.

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2026

9. Report of The Trustees

The Trustees submit their report together with the financial statements for the year ended June 30, 2026 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund is to economically empower the youth

Results

The results of the Fund for the year ended June 30, 2026 are set out on page 1-9

Trustees

The members of the Committee who served during the year are shown on page xi-xv

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 CAP 412B.

By Order of the Fund



Chair of the Committee

7th September, 2026

10. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act CAP 412A requires that, at the end of each financial year, the Administrator of a County Public Fund established by Lamu County Youth Development Act, 2018 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Lamu County Youth Development Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2026. 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 Youth Development Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the Public Finance Management Act CAP 412A and the Lamu County Youth Development Act, 2018. 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, 2026, 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.

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 Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2026

Approval of the financial statements

The Fund's financial statements were approved by the Committee on 7th September, 2026 and signed on its behalf by:



Chairperson of the Committee

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON LAMU COUNTY YOUTH DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE, 2026

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.

An Unmodified Opinion is issued when the Auditor-General concludes that 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 aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, Cap.412A, and the Public Audit Act, Cap.412B. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Lamu County Youth Development Fund set out on pages 1 to 42, which comprise of the statement of financial

position as at 30 June, 2026 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, Cap.412B. 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, the financial statements present fairly, in all material respects, the financial position of Lamu County Youth Development Fund as at 30 June, 2026 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Lamu County Youth Development Fund Act, 2018 and the Public Finance Management Act, Cap.412A.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Lamu County Youth Development Fund Management in accordance with ISSAI 130 on 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 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. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Matters

In the prior year audit report, three (3) issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. These issues included inconsistency of the Lamu County Youth Development Fund Act, 2018 with National Law, failure to develop enabling regulations to the Act and non-sustainability of services. Review of the status during audit of the Fund in 2025/2026 revealed that the matters remained unresolved.

Other Information

The Management is responsible for the Other Information set out on pages iii to xxv which comprise of Who We Are, Fund Committee Chairperson's Report, Report of the Fund Administrator, Statement of Performance Against the County Fund's Predetermined Objectives, Corporate Governance Statement, Financial Performance Overview,



Environmental and Sustainability Reporting, Report of the Trustees and Statement of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the 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 thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Non-Allocation of Budget for the Fund

The statement of comparison of budget and actual amounts reflects total revenue amount of Kshs.1,866, which is a budget carry over from the previous year, indicating that Lamu County did not include a budget allocation for Lamu County Youth Development Fund in the financial year ended 30 June, 2026. No explanation was provided as to why Management did not provide budget allocation for the Fund or why Management has continued to maintain the Fund without ongoing activities. This was contrary to Section 104 of the Public Finance Management Act, Cap.412B on general responsibilities of a County Treasury which states that, 'subject to the Constitution, a County Treasury shall monitor, evaluate and oversee the management of public finances and economic affairs of the County Government including, developing and implementing financial and economic policies in the County, preparing the annual budget for the County and coordinating the preparation of estimates of revenue and expenditure of the County Government and finally coordinating the implementation of the budget of the County Government'.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, Cap.412B, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of 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, Cap.412B.

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, Cap.412B 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, Cap.412B. 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, Cap.412B.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

14 September, 2026



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Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2026

12. Statement of Financial Performance for the Year Ended 30th June 2026

Description	Note	FY 2025 -2026	FY 2024 -2025
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Public Contributions and Donations	6	-	-
Transfers From the County Government	7	-	-
Fines, Penalties and Other Levies	8	-	-
		-	-
Revenue From Exchange Transactions		-	-
Interest Income	9	-	-
Other Income	10	-	-
		-	-
Total Revenue		-	-
Expenses		-	-
Employee Costs	11	-	-
Use of goods and services	12A	960	261,880
Grant Training and Empowerment Programs	12B	-	3,315,600
Depreciation and Amortization Expense	13	-	-
Finance Costs	14	-	-
Total Expenses		960	3,557,480
Other Gains/Losses		-	-
Gain/Loss on Disposal of Assets	15	-	-
Gain /Loss on fair value of investments	16	-	-

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Gain/Loss on Fair Value of Investment Property	17	-	-
Impairment Loss	18	-	-
Surplus/(Deficit) for the Period		-	-
Surplus/Deficit from Discontinued Operations	19	-	-
Net Surplus for the Period		(960)	(3,577,480)

The Lamu County Youth Development Fund financial statements were approved on 7th September, 2026 and signed by:



Name: Hafswa A Difiini
Administrator of the Fund

Name: CPA Mohamed A. Abubakar
Director Accounting Services
ICPAK Member Number: 23585

Lamu County Youth Development Fund
Annual Report and Financial Statements for the year ended June 30, 2026

13. Statement of Financial Position As at 30 June 2026

Description	Note	FY 2025 -2026	FY 2024 -2025
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	20	906	1,866
Current Portion of Long- Term Receivables from Exchange Transactions	21	-	-
Prepayments	22	-	-
Inventories	23	-	-
Investments in financial assets	24	-	-
Non – Current Assets as Held for Sale	25	-	-
Total current assets		906	1,866
		-	-
Non-Current Assets		-	-
Long Term Receivables from Exchange Transactions	21	-	-
Property, Plant and Equipment	26	-	-
Intangible Assets	27	-	-
Investment Property	28	-	-
Right of Use Assets	29	-	-
Total non- current assets		-	-
Total Assets (A)		906	1,866
		-	-
Liabilities		-	-
Current Liabilities		-	-
Trade and Other Payables from Exchange Transactions	30	-	-
Current Provisions	31	-	-
Current Portion of Borrowings	32	-	-

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Description	Note	FY 2025 -2026	FY 2024 -2025
		Kshs	Kshs
Employee Benefit Obligations	33	-	-
Social benefit liabilities	34	-	-
Liabilities for discontinued operations/NCA held for sale	35	-	-
Total current liabilities		-	-
		-	-
Non-Current Liabilities		-	-
Non-Current Provisions	31	-	-
Long Term Portion of Borrowings	32	-	-
Non-Current Employee Benefit Obligation	33	-	-
Social benefit liabilities	34	-	-
Total Liabilities (B)		-	-
		-	-
Net Assets (A-B)		906	1,866
		-	-
Represented By:		-	-
Capital Fund		5,000,000	5,000,000
Reserves		-	-
Accumulated Surplus		(4,999,094)	(4,998,134)
Net Assets		906	1,866

The Lamu County Youth Development Fund financial statements were approved on 7th

September, 2026 and signed by:

CHIEF OFFICER
EDUCATION, TECHNOLOGY, GENDER, YOUTH,
SPORTS, COMMUNITY DEVELOPMENT
AND SOCIAL SERVICES
LAMU COUNTY

Name: Hafswa A Diffini
Administrator of the Fund



Name: CPA Mohamed A. Abubakar
Director Accounting Services
ICPAK Member Number: 23585

Lamu County Youth Development Fund
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14. Statement of Changes in Net Assets for the year ended 30th June 2026

Description	Capital Fund	Revaluation Reserve	Accumulated surplus	Fair value adjusted	Total
		Kshs	Kshs		Kshs
Balance As At 1 July 2024	5,000,000	-	(1,420,654)	-	3,579,346
Surplus/(Deficit) For the Period	-	-	-	(3,577,480)	(3,577,480)
Revaluation Gain	-	-	-	-	-
Balance As At 30 June 2025	5,000,000		(4,998,134)	-	1,866
		-	-	-	-
Balance As At 1 July 2025	5,000,000	-	(4,998,134)	-	1,866
Surplus/(Deficit) For the Period	-	-	(960)		(960)
Revaluation Gain	-	-	-	-	-
Balance As At 30 June 2026	5,000,000	-	(4,999,094)	-	906

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15. Statement of Cash Flows for The Year Ended 30 June 2026

Description	Note	FY 2025 -2026	FY 2024 -2025
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the county government		-	-
Interest received		-	-
Receipts from other operating activities		-	-
Total receipts		-	-
Payments		-	-
Use of Good and Services	12A	960	261,880
Grant Training and Empowerment Programs	12B	-	3,315,600
		-	-
Net cash flows from operating activities	36	(960)	(3,577,480)
		-	-
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		-	-
Net cash flows used in investing activities		-	-
		-	-
Cash flows from financing activities		-	-
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-

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Repayment of lease Principal		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash & cash Equivalents		(960)	(3,577,480)
Cash and cash equivalents at 1 July 2025	20	1,866	3,579,346
Cash and cash equivalents at 30 June 2026	20	906	1,866

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16. Statement Of Comparison of Budget and Actual Amounts for The Period 2026

Description	Original budget	Adjustments	Final budget	Actual on comparable (cash) basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Budget carryovers from the previous year*	1,866	-	1,866	1,866	-	100
Receipts	-	-	-	-	-	-
Other Income	-	-	-	-	-	-
Total Income	1,866	-	1,866	1,866	-	100
Expenses	-	-	-	-	-	-
Use of goods and services	1,866	-	1,866	960	906	51
Finance Cost	-	-	-	-	-	-
Total Expenditure	1,866	-	1,866	960	906	51
Capital expenditure	-	-	-	-	-	-
Surplus For the Period		-		906	(906)	-

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Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	906
	Closing Cash and Cash Equivalent as per the statement of Cash flows	906

17. Notes to the Financial Statements

Significant Accounting Policies

1. General Information

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

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

2. Statement of compliance and basis of preparation

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

Basis of measurement

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid, or the fair value of the consideration given to acquire them at the time of acquisition, plus directly attributable transaction costs. Liabilities are recorded at the amount of consideration received to assume the obligation, less transaction costs incurred when the liability was assumed.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Entity uses market-to-observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Lamu County Youth Development

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Fund using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g., by use of the market comparable approach that reflects recent transaction prices for similar items, or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset or liability that market participants would take into account.

Fair values are categorized into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the Entity can access at the measurement date.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).
- The Lamu County Youth Development Fund accounting policy is to recognize transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred. This policy is consistently applied to transfers into and out of each level.

Use of Estimates

The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the Lamu County Youth Development Fund accounting policies.

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 2026*

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 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	<i>Applicable 1st January 2025</i> 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.
IPSAS 45: Property Plant and Equipment	<i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of

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	land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46: Measurement	<i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by: i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value.

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2026.

Standard	Effective date and impact:
IPSAS 47: Revenue	<i>Applicable 1st January 2026</i> 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.
IPSAS 48: Transfer Expenses	<i>Applicable 1st January 2026</i> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial

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	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.
IPSAS 49: Retirement Benefit Plans	<i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<i>Applicable 1st January 2027</i> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: 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. 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.
IPSAS 51: Tangible Natural Resources Held for Conservation	<i>Applicable 1st January 2028</i> The objective of this Standard is to establish the principles that an entity shall apply to report relevant information to users of financial statements about the nature, amounts, timing, and uncertainties arising from tangible natural resources held for conservation. A tangible natural resource held for conservation is a naturally occurring tangible asset that is managed to prevent its degradation.
IPSASB SRS 1: Climate Related Disclosures	<i>Applicable 1st January 2028</i> This standard provides principles for an entity to address climate-related risks and opportunities arising from an entity's activities and operations. The

Lamu County Youth Development Fund
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	standard provides disclosures on governance, strategy, risk management, and metrics and targets.
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(i) Early adoption of standards

The Lamu County Youth Development Fund 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

Finance income

Finance 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 and other similar Distributions

Dividends or similar distributions must be recognized when the shareholder's or the Lamu County Youth Development Fund 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

During the financial year under review, the Fund experienced significant financial constraints arising from the non-receipt of transfers from the County Executive. Consequently, the Fund was unable to implement its planned programmes and activities.

The Lamu County Youth Development Fund budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements

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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.

c) Property, plant and equipment

Recognition and Measurement

The Entity's Property, Plant, and Equipment (PPE) are tangible items held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used for more than one reporting period.

An item of PPE is recognized as an asset if, and only if:

- It's probable that the future economic benefits or service potential associated with the item will flow to the entity.
- The cost or fair value of the item can be measured reliably.

Items acquired through non-exchange transactions (e.g., donations) are measured at their deemed cost, which is the fair value at the date of acquisition. For all other acquisitions, initial measurement is at cost, which includes all expenses directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The entity has adopted the Historical cost model for the subsequent measurement of its PPE. Under this model, after initial recognition, an asset is carried at its cost less any accumulated depreciation and accumulated impairment losses.

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Depreciation and Impairment

The Lamu County Youth Development Fund applies the straight-line method of depreciation, as it best reflects the pattern of the asset's consumption of its future economic benefits or service potential. Depreciation begins when the asset is available for use and ceases at the earlier of the date the asset is classified as held for sale or the date of derecognition. The depreciable amount is the cost of the asset less its residual value. The residual value and the useful life of an asset are reviewed at least at each annual reporting date. The table below indicates the various classes of assets and the depreciation rates.

PPE Item	Depreciation Rate
Land	-
Buildings	3.5%
Motor vehicles	16.67%
Infrastructure assets	20%
Furniture and fittings	12.5%
Computers & ICT Equipment	30%
Heritage Assets	-
Work in progress (WIP)	-
Service concession assets	-

Impairment The Lamu County Youth Development Fund entity assesses at each reporting date whether there is any indication that an asset may be impaired. If an indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized immediately in the statement of financial performance.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in statement of financial performance.

d) Right of Use Asset

A right-of-use asset represents the entity's right to use an underlying leased asset over the lease term. At the commencement date of a lease, the entity recognizes a right-of-use asset and a lease liability, except for short-term leases and leases of low-value assets as allowed under IPSAS 43.

Recognition

The entity recognizes a right-of-use asset at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises:

- The amount of the initial lease liability;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred; and
- An estimate of the costs to be incurred in dismantling and removing the underlying asset or restoring the site.

Measurement

Right-of-use assets are initially measured at cost. After initial recognition, right-of-use assets are measured using the cost model, where the asset is carried at: Cost less accumulated depreciation, and any accumulated impairment losses. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Depreciation of right-of-use assets is charged to expenditure in accordance with the entity's depreciation policy applicable to owned assets of the same class. Right-of-use assets are assessed for impairment in accordance with IPSAS 21 – Impairment of Non-Cash-Generating Assets or IPSAS 26 – Impairment of Cash-Generating Assets, as applicable.

e) Lease Liability

The lease liability is measured at the present value of lease payments that are not paid at that date. The lease payments have been discounted using the interest rate implicit in the lease, and the rate can be readily determined. If the rate cannot be readily determined, the entity uses the incremental borrowing rate.

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Subsequently, the lease liability is measured at amortized cost using the effective interest method and reduced by lease payments. Interest expense is recognized in the statement of financial performance.

f) 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.

g) Non-Current Assets Held for Sale and Discontinued Operations

Non-current assets or disposal groups are classified as held for sale when their carrying amount is expected to be recovered through sale rather than continued use. They are measured at the lower of carrying amount and fair value less costs to sell and have been presented separately in the Statement of Financial Position. Depreciation has ceased for the assets classified as held for sale.

The assets classified as held for sale have met the following required criteria: management has made a commitment to sell, the asset is actively being marketed for sale at a reasonable price, the sale will be completed within one year of the classification date, an active program to find a buyer has been initiated, and there are no significant changes to the plan that might impact the sale.

Discontinued operations are the major components that have been disposed of or are held for sale. Their results have been presented separately in the Statement of Financial Performance.

h) 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-

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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 de-recognition.

i) Financial instruments

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

Financial assets

Classification of financial assets

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

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assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

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

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An

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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.

Financial liabilities

Classification

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

j) 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 Lamu County Youth Development Fund.

k) Provisions

Provisions are recognized when the Lamu County Youth Development Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Lamu County Youth Development Fund made no provisions.

l) Social Benefits

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

m) Contingent liabilities

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

Contingent assets

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

n) Nature and purpose of reserves

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

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o) Changes in accounting policies and estimates

The Lamu County Youth Development Fund recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

p) Employee benefits – Retirement benefit plans

The Lamu County Youth Development Fund only provides retirement benefits for its employees and directors which are in Executive Part. The Committee Remuneration is guided by the Salaries and Remunerations Commission (SRC) and applicable county regulations.

q) 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.

r) 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.

s) Related parties

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

t) 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

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in value. Bank account balances include amounts held at the commercial bank Cooperative Bank of Kenya 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 which were not surrendered or accounted for at the end of the financial year.

u) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

a) Estimates and assumptions –

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

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

No Provisions were raised

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Notes To the Financial Statements Continued

6. Public contributions and donations

Description	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
Total	-	-

7. Transfers from County Government

Description	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
Total	-	-

8. Fines, penalties and other levies

Description	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
Total	-	-

9. Interest income

Description	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
Total Interest Income	-	-

10. Other income

Description	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
Total Other Income	-	-

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11. Employee Costs

Description	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
Total	-	-

12. A Use of Goods and Services

Description	FY 2025 -2026	FY 2024 -2025
	Kshs.	Kshs.
Domestic Travel and Subsistence and Other Transp	-	101,200
Committee Allowances	-	160,200
Bank Charges	960	480
Total	960	261,880

12. B Grant Disbursement

Description	FY 2025 -2026	FY 2024 -2025
	Kshs.	Kshs.
Grant Disbursement & Empowerment Program	-	3,315,600
Total	-	3,315,600

13. Depreciation and Amortization Expenses

Description	FY 2025 -2026	FY 2024 -2025
	Kshs.	Kshs.
Total	-	-

14. Finance costs

Description	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
Total	-	-

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15. Gain/(loss) on disposal of assets

Description	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
Total	-	-

16. Gain/ (loss) on Fair Value Investments

Description	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
Total Gain	-	-

17. Gain/Loss on Fair Value on Investment Property

Description	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
Total	-	-

18. Impairment Loss

Description	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
Total Impairment Loss	-	-

19. Surplus/Deficit from Discontinued Operations

Description	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
Surplus/Deficit	-	-

20. Cash and cash equivalents

Description	Account number	FY 2025 -2026	FY 2024 -2025
		Kshs	Kshs
A) Current Account			
Cooperative Account	01141562517800	906	1,866
Grand Total		906	1,866

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21. Receivables from exchange transactions

Description	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
Total Receivables From Exchange Transactions	-	-

22. Prepayments

Description	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
Total	-	-

23. Inventories

Description	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
Total Inventories	-	-

24. Investments in financial assets

Description	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
Grand total	-	-

25. Non-Current Assets as Held for Sale

Description	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
Total	-	-

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26. Property, plant, and equipment

Current FY

Cost/Value	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	Infrastructure Assets	Service Concession Assets	Other Assets (Specify)	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs		Kshs	Kshs
As At 1 July 2025	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-	-
As at 30th June 2026	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Depreciation & Impairment	-	-	-	-	-	-	-	-	-	-
At 1 July 2025	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-	-	-	-	-
As at 30th June 2026	-	-	-	-	-	-	-	-	-	-
Net Book Value as at 30th June 2026	-	-	-	-	-	-	-	-	-	-

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27. Intangible assets

Current FY

Description	Indefinite life	Definite life	Work in Progress	Total
Rate	Kshs	Kshs	Kshs	Kshs
NBV at 30 th June 2026	-	-	-	-

28. Investment Property

Description	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
At end of the year	-	-

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29. Right of use Assets

	Buildings	Motor Vehicles	Equipment	Others Specify	Total
	Kshs	Kshs	Kshs		Kshs
As at 1 July 2025	-	-	-	-	-
Additions in the period	-	-	-	-	-
Remeasurement/Adjustments	-	-	-	-	-
Disposals/Terminations	-	-	-	-	-
As at 30 June 2026	-	-	-	-	-
	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-
As at 1 July 2025	-	-	-	-	-
Charge for the year	-	-	-	-	-
Elimination on Disposal/Transfer out	-	-	-	-	-
As at 30 June 2026	-	-	-	-	-
	-	-	-	-	-
NBV As at 30 June 2026	-	-	-	-	-

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30. Trade and other payables from exchange transactions

Description	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
Total Trade and Other Payables	-	-

31. Provisions

Description	Leave provision	Gratuity Provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Non-Current Provisions	-	-	-	-

32. Borrowings

Description	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
Balance at the end of the period- domestic and External borrowings c = a+b	-	-

33. Employee benefit obligations

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

34. Social Benefit Liabilities

Description	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
Total (tie to totals above)	-	-

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35. Liabilities for Discontinued Operations/NCA Held for Sale

Description	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
Total	-	-

36. Cash generated from operations.

Description	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	(960)	(3,577,480)
Adjusted For:	-	-
Depreciation	-	-
Working Capital Adjustments	-	-
Increase/Decrease In Inventory	-	-
Increase/Decrease In Receivables	-	-
Increase/Decrease In Payables	-	-
Net Cash Flow From Operating Activities	(960)	(3,577,480)

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37. Related party balances

a) Nature of related party relationships

The Lamu County Youth Development Fund 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 Department;
- c) Key management;
- d) Fund Administration Committee.

b) Related party transactions

Description	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
Transfers From Related Parties'	-	-
Transfers To Related Parties	-	-

c) Key management remuneration

Description	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
Committee Allowances	-	160,200
Total	-	160,200

d) Due from related parties

Description	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
Total	-	-

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Other Disclosures Continued

e) Due to related parties

Description	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
Total	-	-

38. Contingent assets and contingent liabilities

Contingent Liabilities	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
Total	-	-

39. 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

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statements representing the Lamu County Youth Development Fund 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 2026				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	906	906	-	-
Total	906	906	-	-
At 30 June 2025				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	1,866	1,866	-	-
Total	1,866	1,866	-	-

b) Liquidity risk management

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

c) Market risk

The Fund Administration Committee 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.

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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.

i. Foreign currency risk

The Lamu County Youth Development Fund 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.

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.

Lamu County Youth Development Fund
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d) Capital risk management.

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

Description	FY 2025 -2026	FY 2024 -2025
	Kshs	Kshs
Revaluation reserve	-	-
Capital Fund	5,000,000	5,000,000
Accumulated surplus	(4,999,094)	(4,998,134)
Total funds	906	1,866
	-	-
Total borrowings	-	-
Less: cash and bank balances	906	1,866
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

40. Events after the reporting period

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

41. Ultimate and Holding Entity

The Lamu County Youth Development Fund is a County Public Fund established by Lamu County Youth Development Act, 2018 under the Ministry of Education Youth Sports Vocational Gender and Social Services. Its ultimate parent is the County Government of Kenya.

42. Currency

The financial statements are presented in Kenya Shillings (Kshs)

**Lamu County Youth Development Fund
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18. Annexes

Appendix I: Progress on Follow-Up of Prior Years' Auditor General's Recommendations

The following is a summary of the issues raised by the Auditor General and the management responses provided.

Reference No.	Issue/Observation	Management Response	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Lawfulness & Effectiveness in the use of Public Resources				
1.	Inconsistency of the Lamu County Youth Development Fund Act, 2018 with National Law	Initiation of amending of the Lamu County Youth Development Act, 2018 for approval by the County Assembly.	Not Resolved	30 th June 2027
2.	Failure to Develop Enabling Regulations to the Act	Initiation of amending of the Lamu County Youth Development Act, 2018 for approval by the County Assembly.	Not Resolved	30 th June, 2027

CHIEF OFFICER
EDUCATION, TECHNOLOGY, GENDER, YOUTH,
SPORTS, COMMUNITY DEVELOPMENT
AND SOCIAL SERVICES
LAMU COUNTY

Chairperson of the Committee

7th September, 2026

Lamu County Youth Development Fund
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Annex II: Inter-Fund Confirmation Letter



Lamu County Youth Development Fund

P.o Box 74-80500

Lamu County, Mokowe

The Lamu County Youth Development Fund wishes to confirm the amounts disbursed to you as at 30th June 2026 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by Lamu County Youth Development Fund] as at 30 th June 2026							
Reference Number	Date Disbursed	Amounts Disbursed by Lamu County Treasury (Kshs) as at 30 th June 2026				Amount Received by Lamu County Youth Development Fund	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter– Ministerial (C)	Total (D)=(A+B+C)		

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						(KShs) as at 30 th June 2026 (E)	
	-	-			-	-	-
Total		-			-	-	-

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

Head of Accountants department of beneficiary Fund:

Name AHMED FARAH

Sign



Date : 7th September, 2026

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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 (Kshs.)	Comments