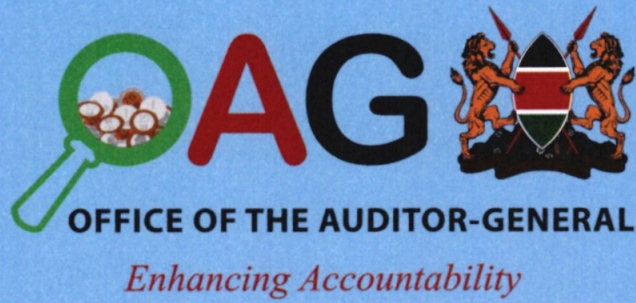


REPUBLIC OF KENYA



REPORT

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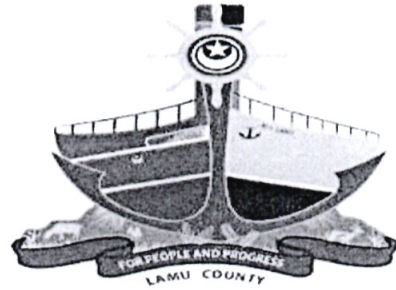
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**LAMU COUNTY FISHERIES
DEVELOPMENT AGENCY**

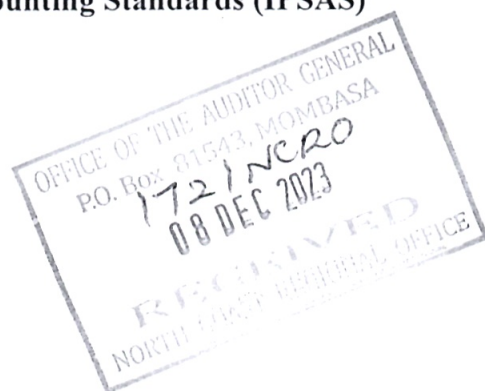
**FOR THE YEAR ENDED
30 JUNE, 2023**



LAMU COUNTY FISHERIES DEVELOPMENT AGENCY

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023**

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



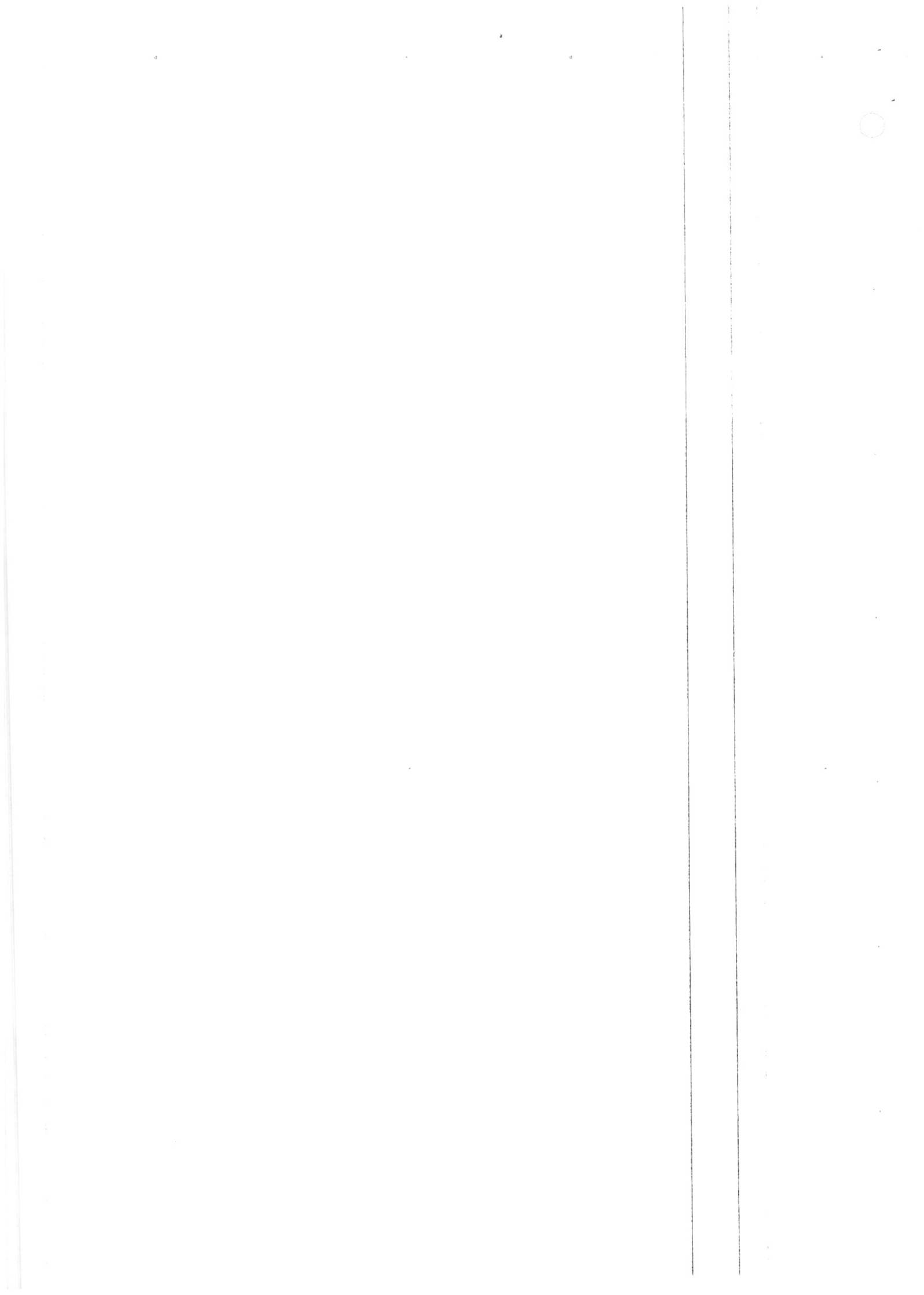


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1. Acronyms and Glossary of Terms

a) Acronyms

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

b) Glossary of Terms

Fiduciary Management	The key management personnel who had financial responsibility
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2. Key Entity Information and Management

a) Background information

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

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

b) Principal Activities

The agency shall be responsible for: -

- Advising the County Government of Lamu on policy matters related to the fisheries development.
- Management of the Fisheries Revolving Fund on behalf of the County Government of Lamu.
- Advising fishing communities on how to maximise the economic returns from fishing activity and Promote value addition activities.
- Promote development of new fishery products and Link fishers with local, regional and international markets.

c) Fund Administration Committee

SN	Name	Designation/Office
1.	H.E. Hon. Issa Abdalla Timamy	The Governor
2.	H.E. Hon. Raphael Munyua Ndungu	Deputy Governor, CECM Climate Change
3.	Hon. Mohamed Mbwana Ali	CECM Finance, Budget, Strategy and Economic Planning
4.	Hon. Faiz Fankupi Abushiri	CECM Fisheries, Blue Economy, Livestock and

*Lamu County Fisheries Development Agency
Annual Report and Financial Statements for the year ended June 30, 2023*

SN	Name	Designation/Office
		Co-operative Development
5.	Mr. Kamalu Sharif	Chief Officer Fisheries, Blue Economy, Livestock and Co-operative Development

d) Key Management Team

SN	Name	Position
1	Hon. Faiz Fankupi Abushiri	CECM Fisheries, Blue Economy, Livestock and Co-operative Development
2	Mr. Kamalu Sharif	Chief Officer Fisheries, Blue Economy, Livestock and Co - operative Development
3	Mr. Mohamed A. Abubakar	Director, Accounting Services

e) Fiduciary Oversight Arrangements

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

f) Registered Offices

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

g) Fund Contacts

Telephone: (254) 715555111/772576122
E-mail: treasury@lamu.go.ke
Website: www.lamu.go.ke.

h) Fund Bankers

Gulf African Bank -Lamu Branch

P.O. Box 191- 80500

Lamu, Kenya.

i) Independent Auditors

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084 GOP 00100

Nairobi, Kenya.

j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112 City Square 00200

Nairobi, Kenya.

3. Fund Administration Committee



H.E Hon Issa A. Timamy EGH, OGW
Governor - Lamu County

H. E Hon Issa A. Timamy EGH, OGW was the first Governor of Lamu upon promulgation of devolution governance system in Kenya in year 2013. He also holds the position of Chairman of the Blue Economy Committee of the Council of Governors. H.E Timamy holds Bachelor of Law degree from the University of Nairobi. He is an Advocate of the High Court of Kenya and a member of Institute of Certified Public Secretaries of Kenya. He previously was chairman of the National Museums of Kenya and held position of board member in several public quoted companies. The experience in Management has helped the Governor achieve numerous milestones in Lamu County in the matters of development and service delivery for the people of Kenya.



H.E Hon. Raphael Munyua
Deputy Governor - Lamu County

H.E Hon. Raphael Munyua is the Deputy Governor for Lamu County and also serve as CECM for Climate Change. His Excellency holds Bachelor's degree of commerce in actuarial science and currently pursuing Master's degree in strategic management. Prior to his appointment he worked as CECM for CECM Health Services, Sanitation and Environment, Credit consultant at Kenya Commercial Bank (KCB) and Program Manager for Zinduka Africa



Hon. Mohamed Mbwana
CECM - Finance, Budget, Strategy and Economic Planning

Hon. Mohammed Mbwana Ali is the CECM responsible for Finance, Budget Strategy and Economic Planning in the County Government of Lamu. He holds a bachelor (degree) of Sciences in Development Studies. Prior to his current position as CECM, he was previously a Lecturer at the Technical university of Mombasa. In 2013 Mohamed worked as the Personal Assistant to the Governor of Lamu County.

With over 15 years of experience, leveraging the unique lessons he learned from the working with the community, Mohamed made a seamless transition to the current position of County

CEC. He has grown over the years working with Lamu Education Development Foundation Trust- he has overseen the creation of Village Banks under the Bengi Investment Group (BIG) model in Lamu County, designed and implemented community projects to improve livelihoods of the people of Lamu County. He also worked as the government financial intermediary managing the Poverty Eradication Fund under the state department of planning and development.



Hon. Faiz Fankupi

C.E.C.M - Fisheries, Blue Economy, Livestock and Cooperatives Development

Hon. Faiz Fankupi holds Bachelor of Education (arts) at Kenyatta University in 2013 attaining Second Class Donors. In 2016, he underwent both courses of Senior Management Course (SMC) and Strategic Leadership Development Programme (SLDP) at Kenya School of Government. In 2017 also, I have undergone a course on Executive Senior Management Programme at Administrative Staff College of India (ASCI) in India. He has been appointed as CECM Fisheries, Blue Economy, Livestock and Cooperatives Development and before his appointment he was employed by County Government of Lamu as Youth Coordinator from 2014 to 2017 and by 2017 to 2022, he was employed by Kenya Ports Authority (KPA) as a Senior Operation Assistant






Mr. Kamalu Sharif

Chief Officer- Fisheries, Blue Economy, Livestock and Cooperatives Development

Mr. Kamalu Sharif Holds Master in Project Planning and Management at University of Nairobi also has Bachelor's Degree in Microbiology at Moi University. He holds Certificate in Public Sector Accounting Course and Certificate in Strategic Leadership Development Programme from the Kenya School of Government (KSG). Before his appointment as Chief Officer Fisheries, Blue Economy, Livestock and Cooperatives Development he was Director of Fisheries and Blue Economy at County Government of Lamu.

4. Management Team

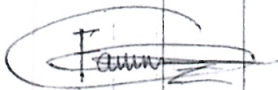
Name	Details of qualifications and experience
 <p>Hon. Faiz Fankupi C.E.C.M - Fisheries, Blue Economy, Livestock and Cooperatives Development</p>	<p>Hon. Faiz Fankupi holds Bachelor of Education (arts) at Kenyatta University in 2013 attaining Second Class Donors. In 2016, he underwent both courses of Senior Management Course (SMC) and Strategic Leadership Development Programme (SLDP) at Kenya School of Government. In 2017 also, I have undergone a course on Executive Senior Management Programme at Administrative Staff College of India (ASCI) in India. He has been appointed as CECM Fisheries, Blue Economy, Livestock and Cooperatives Development and before his appointment he was employed by County Government of Lamu as Youth Coordinator from 2014 to 2017 and by 2017 to 2022, he was employed by Kenya Ports Authority (KPA) as a Senior Operation Assistant</p>
 <p>Mr. Kamalu Sharif Chief Officer - Fisheries, Blue Economy, Livestock and Cooperatives Development</p>	<p>Mr. Kamalu Sharif Holds Master in Project Planning and Management at University of Nairobi also has Bachelor's Degree in Microbiology at Moi University also attain Certificate in Public Sector Accounting Course and Certificate in Strategic Leadership Development Programme. Before his appointment as Chief Officer Fisheries, Blue Economy, Livestock and Cooperatives Development he was Director of Fisheries and Blue Economy at County Government of Lamu.</p>
 <p>Mr. Mohamed A. Abubakar Director Accounting Services</p>	<p>Mr. Mohamed A. Abubakar holds Master of Business Administration (MBA) in Finance from University of JKUAT and bachelor's degree in business administration in Finance and Accounting from Zanzibar University. He is a member of ICPAK. Before his appointment as Director of Accounting Services he was the head of accounting service and Head of Financial Reporting Unit.</p>

5. Fund Administration Committee Chairperson's Report

In our pursuit to improve on transparency and accountability in public financial management, I present the 2022/2023 financial year report for the Lamu County Fisheries Development Agency. The Lamu County Fisheries Development Agency has and will continue to manage its finances in accordance with the principles of fiscal responsibility as spelt out in the Public Finance Management Act (2012) and its regulations and other applicable laws.

In addition, the County Treasury will Endeavour to comply with the Lamu County Fisheries Development Agency Act, 2015. The Lamu County Fisheries Development Agency financial statements for the financial Year ended 30th June 2023 provide in summary statements of receipts and payments, Assets and Liabilities and Statements of Cash flows.

The Lamu County Fisheries Development Agency acknowledges His Excellency the Governor as the Chairman of the Blue Economy Committee at the Council of Governors for his tremendous support and guidance throughout the year.



.....
Hon. Faiz Fankupi Abushiri
County Executive Committee Member
Fisheries, Blue Economy, Livestock and Co - operative Development
County Government of Lamu

6. Report of the Fund Administrator

On behalf of the committee, it is my pleasure to present Lamu County Fisheries Development Agency financial statements which presents financial performance of the Fund for the year ended June 30, 2023.

Sustainability

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

Committee and Management Changes

During the year, there were no committee nor management changes.

Review of performance

There was no additional revenue for the Fund. The Fund incurred only bank charges expenses.

Future outlook

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



.....
Mr. Kamalu Shariff

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

7. Statement of Performance against the County Fund's Predetermined Objectives

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of each County Government Lamu County Fisheries Development Agency Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the Lamu County Fisheries Development Agency's performance against predetermined objectives.

To implementing and cascading development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic, and time-bound and converted to development outcomes.

8. Corporate Governance Statement

The Fund

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

Principal Activities

- Advising the County Government of Lamu on policy matters related to the fisheries development
- Management of the Fisheries Revolving Fund on behalf of the County Government of Lamu
- Advising fishing communities on how to maximise the economic returns from fishing activity and Promote value addition activities
- Promote development of new fishery products and Link fishers with local, regional and international markets.

The Members of the Fund

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

Fund Meetings

The Fund was inactive during the year; hence no major activities took place during the year

Internal Control and Risk Management

Internal Control Framework

The Fund continues to review its internal control to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis. No significant failings or weaknesses were identified during the FY 2022/2023.

Risk Management

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

Management Team

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

Auditor

The Fund is audited by the Auditor-General.

9. Management Discussion and Analysis

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

10. Environmental and Sustainability Reporting

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

1. Sustainability strategy and profile

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

2. Environmental performance

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

3. Employee welfare

Efforts are made in improving skills and managing careers, appraisal and reward systems and ensure compliance with Occupational Safety and Health Act of 2007, (OSHA).

4. Community Engagements-

The Fund was not involved in any corporate social responsibility activities in FY-2022/2023.

11. Report of the Board

The Fund Administration committee submits their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Fund affairs.

Principal activities

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

Results

The results of the Fund for the year ended June 30, 2022 are set out on page 1-5

Fund (Key Management)

The members of the Fund who served during the year are shown on page vii – xi.

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act, 2015. Trustees submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Fund affairs.

By Order of the Board



.....
Hon. Faiz Fankupi Abushiri
County Executive Committee Member
Fisheries, Blue Economy, Livestock and Co - operative Development
County Government of Lamu

12. Statement of Management's Responsibilities

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

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023. 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 Fisheries Development Agency accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial

statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023 and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

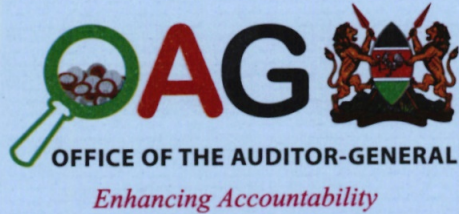
The Fund's financial statements were approved by the Board on 15th September 2023 and signed on its behalf by:



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

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON LAMU COUNTY FISHERIES DEVELOPMENT AGENCY FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Lamu County Fisheries Development Agency set out on pages 1 to 30, which comprise of the statement of

financial position as at 30 June, 2023 and the statement of financial performance, statement of cash flows, statement of changes in net assets and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Lamu County Fisheries Development Agency as at 30 June, 2023 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 Public Finance Management Act, 2012 and the Lamu County Fisheries Development Act, 2015.

Basis for Qualified Opinion

Undisclosed Receivables from Exchange Transactions

The statement of financial position and Note 13 to the financial statements reflects nil balance in respect of receivables from exchange transactions. However, and as previously reported, the Agency purchased one hundred and fifteen (115) boat engines at a cost of Kshs.25,760,000 and issued them to fishermen on loan basis during the financial year 2015/2016. The last loan repayment of Kshs.1,780,550 by the beneficiaries was made in August, 2017. As a result, loans amounting to Kshs.23,979,450 remained outstanding as at 30 June, 2023 and the balance was not disclosed in the financial statements. Further, Management did not put in place strategies to recover the outstanding loans as required under Section 14(2) of the Lamu County Fisheries Development Act, 2015 which states that defaulters shall have their collateral auctioned for recovery of the money after six months.

In the circumstances, the accuracy of the nil receivables balance reflected in the statement of financial position could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

During the year under review, the Agency had an approved expenditure budget of Kshs.2,774,131. However, the Agency did not utilize the budgeted amount. Failure to

absorb the budgeted amount may have impacted negatively on service delivery to the residents of Lamu County.

My opinion is however, not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Prior Year Audit Matters

Several issues were raised in the Auditor-General's report for 2021/2022 financial year. However, the issues were not resolved and Management did not take any action to address the recommendations on the prior year audit issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the matters described in the Basis for Conclusion, 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

1. Failure to Appoint Board of Management

The County Government did not put in a place a Board to manage the affairs of the Agency as outlined in Section 5 of the Lamu County Fisheries Development Act, 2015 which states that the management of the Agency shall be vested in the Board which shall consist of (a) a chairperson appointed by the Governor and approved by County Executive Committee Member for the time being responsible for fisheries or his representative; (b) the County Chief Officer in charge of fisheries as the Secretary to the Board; (c) the County Director of Fisheries shall oversee the day to-day operations of the Board; (d) Chairperson of the Beach Management Units Network for Lamu County appointed by County Executive Committee Member of the time being; (e) Chairperson of the Fisher Co-operative Networks of Lamu East and Lamu West Sub-counties; and (f) two women one from Lamu East and Lamu West.

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

2. Idle Funds

The statement of financial position and Note 12 to the financial statements reflects a cash and cash equivalents balance of Kshs.2,767,651. Review of the financial statements and

bank statements revealed that bank charges during the year were Kshs.6,468. The balance in the account remained idle since 2017 and the Agency continued to incur losses in form of bank charges.

In the circumstances, it was not possible to confirm whether public funds allocated to the Agency were utilized in an effective manner.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Lack of a Risk Management Policy

During the year under review, the Agency did not have a risk management policy. This was contrary to Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to develop risk management strategies, which include fraud prevention mechanism and internal control that builds robust business operations.

In the circumstances, it was not possible to confirm existence of effective risk management systems and strategies in the Agency.

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

Responsibilities of Management and the Board

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

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk Management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Agency to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Agency to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Agency to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL


Nairobi


18 January, 2024

14. Statement of Financial Performance for the Year Ended 30th June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Public Contributions and Donations	1	-	-
Transfers From the County Government	2	-	-
Fines, Penalties and Other Levies	3	-	-
		-	-
Revenue From Exchange Transactions			
Interest Income	4	-	-
Other Income	5	2,155	-
		2,155	-
Total Revenue		2,155	-
Expenses			
Employee Costs	6	-	-
Use of goods and services	7	6,480	6,468
Depreciation and Amortization Expense	8	-	-
Finance Costs	9	-	-
Total Expenses		6,480	6,468
Other Gains/Losses			
Gain/Loss on Disposal of Assets	10	-	-
Gain /Loss on fair value of investments	11	-	-
Surplus/(Deficit) for the Period		(4,325)	(6,468)

(The notes set out on pages 8 to 35 form an integral part of these Financial Statements)


 Chief Officer Fisheries
 Name: Kamalu Sharif
Fund Administrator


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

15. Statement of Financial Position as at 30th June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	12	2,767,651	2,771,976
Current Portion of Long- Term Receivables From exchange transactions	13	-	-
Prepayments	14	-	-
Inventories	15	-	-
Investments in financial assets	16	-	-
Total current assets		2,767,651	2,771,976
Non-Current Assets			
Property, Plant and Equipment	17	-	-
Intangible Assets	18	-	-
Long Term Receivables from Exchange Transactions	13	-	-
Investment Property	19	-	-
Total non- current assets		-	-
Total Assets		2,767,651	2,771,976
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	20	-	-
Current Portion of Borrowings	21	-	-
Employee Benefit Obligations	22	-	-
Social benefit liabilities	23	-	-
Total current liabilities		-	-
Non-Current Liabilities			
Long Term Portion of Borrowings	21	-	-
Non-Current Employee Benefit Obligation	22	-	-
Social benefit liabilities	23	-	-
Total Liabilities		-	-

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Net Assets		2,767,651	2,771,976
Revolving Fund		2,784,840	2,784,840
Reserves		-	-
Accumulated Surplus		(17,189)	(12,864)
Total Net Assets and Liabilities		2,767,651	2,771,976

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Lamu County Fisheries Development Agency financial statements were approved on **15th September 2023** and signed by:




Chief Officer Fisheries
Name: Kamalu Sharif
Fund Administrator




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

16. Statement of Changes in Net Assets for the year ended 30th June 2023

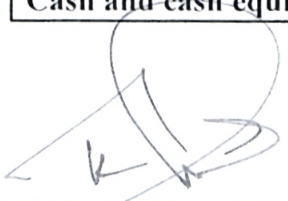
Description	Lamu County Fisheries Development Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1st July 2021	2,784,840	-	(6,396)	2,778,444
Surplus/(Deficit) For the Period	-	-	(6,468)	(6,468)
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2022	2,784,840	-	(12,864)	2,771,976
Balance As At 1 July 2022	2,784,840	-	(12,864)	2,771,976
Surplus/(Deficit) For the Period	-	-	(4,325)	(4,325)
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2023	2,784,840	-	(17,189)	2,767,651



Chief Officer Fisheries
Name: Kamalu Sharif
Fund Administrator


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

17. Statement of Cash Flows for the Year Ended 30th June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public Contributions and Donations	1	-	-
Transfers From the County Government	2	-	-
Fines, Penalties and Other Levies	3	-	-
Interest Income	4	-	-
Other Income	5	2,155	-
Total receipts		2,155	-
Payments			
Employee Costs	6	-	-
Use of goods and services	7	6,480	6,468
Finance Costs	9	-	-
Net cash flows from operating activities	25	(4,325)	(6,468)
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		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash & cash equivalents		(4,325)	(6,468)
Cash and cash equivalents at 1 July		2,771,976	2,778,444
Cash and cash equivalents at 30 June		2,767,651	2,771,976


Chief Officer Fisheries
Name: Kamalu Sharif
Fund Administrator


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

*Lamu County Fisheries Development Agency
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18. Statement of Comparison of Budget and Actual Amounts for The Period

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C= (a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Balance brought forward	2,771,976	-	2,771,976	2,771,976	-	100
Other income	-	2,155	2,155	2,155		100
Total Income	2,771,976	2,155	2,774,131	2,774,131	-	100
Expenses						
Employee Costs	-	-	-	-	-	
Use of goods and services	2,771,976	2,155	2,774,131	6,480	2,767,651	0.23
Depreciation and Amortization Expense	-	-	-	-	-	
Finance Costs						
Total Expenditure	2,771,976	2,155	2,774,131	6,480	2,767.651	0.23
Surplus For the Period	-	-	-	-	-	-
Capital expenditure						

NOTE: Kshs.2,155 is indicated as use of goods and services but is part of other income

Budget notes

1. The fund had no operations during the financial year 2022/2023

19. Notes to the Financial Statements

1. General Information

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

2. Statement of compliance and basis of preparation

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

3. Adoption of new and revised standards

(i) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023*

Standard	Effective date and impact
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p>

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Standard		Effective date and impact
		<p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Benefits	Social	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
Amendments to Other resulting from IPSAS 41, Instruments	IPSAS Financial	<p>Applicable: 1st January 2023</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for

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Standard	Effective date and impact
	<p>accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<p><i>Applicable 1st January 2023</i></p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>

(ii) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-	<i>Applicable 1st January 2025</i>

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Standard			Effective date and impact:
Current for Discontinued Operations	Assets Sale	Held and	<p>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:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

(iii) Early adoption of standards

The Lamu County Fisheries Development Agency did not early – adopt any new or amended standards in the financial year.

2. 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 Lamu County Fisheries Development Agency and can be measured reliably.

ii. Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Lamu County Fisheries Development Agency's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2022/2023 was approved by the County Assembly on June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional

Lamu County Fisheries Development Agency
Annual Report and Financial Statements For the year ended 30th June 2023

appropriations are added to the original budget by the Lamu County Fisheries Development Agency upon receiving the respective approvals in order to conclude the final budget.

The Lamu County Fisheries Development Agency's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 18 of these financial statements.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Lamu County Fisheries Development Agency recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Intangible Assets

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

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

e) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

f) 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 Fisheries Development Agency 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 Lamu County Fisheries Development Agency and a financial liability or equity instrument of another Lamu County Fisheries Development Agency. At initial recognition, the Lamu County Fisheries Development Agency 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 Fisheries Development Agency 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 Lamu County Fisheries Development Agency's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an Lamu County Fisheries Development Agency 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 Lamu County Fisheries Development Agency 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 Lamu County Fisheries Development Agency manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The Lamu County Fisheries Development Agency 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 Lamu County Fisheries Development Agency recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) .

Significant Accounting Policies (Continued)

Financial liabilities

Classification

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

g) 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 Fisheries Development Agency.

h) Provisions

Provisions are recognized when the Lamu County Fisheries Development Agency has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to

settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Lamu County Fisheries Development Agency expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

i) 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 Fisheries Development Agency 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 Fisheries Development Agency will incur in fulfilling the present obligations represented by the liability.

j) Contingent liabilities

The Lamu County Fisheries Development Agency 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 Fisheries Development Agency 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 Lamu County Fisheries Development Agency 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.

k) Nature and purpose of reserves

The Lamu County Fisheries Development Agency has no reserves.

l) Changes in accounting policies and estimates

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

m) Employee benefits – Retirement benefit plans

The Lamu County Fisheries Development Agency has no retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Lamu County Fisheries Development Agency pays fixed contributions into a separate Lamu County Fisheries Development Agency (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

n) 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.

o) 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.

p) Related parties

The Lamu County Fisheries Development Agency 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 Lamu County Fisheries Development Agency, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

r) Comparative figures

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

5. Significant judgments and sources of estimation uncertainty

The preparation of the Lamu County Fisheries Development Agency's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the

disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made e.g.

a) Estimates and assumptions –

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Lamu County Fisheries Development Agency based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Lamu County Fisheries Development Agency. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Lamu County Fisheries Development Agency
- 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.

6. Notes to the Financial Statements

1. Public contributions and donations

Description	2022-2023	2021-2022
	Kshs	Kshs
Total	-	-

2. Transfers from County Government

Description	2022-2023	2021-2022
	Kshs	Kshs
Total	-	-

3. Fines, penalties and other levies

Description	2022-2023	2021-2022
	Kshs	Kshs
Total	-	-

4. Interest income

Description	2022-2023	2021-2022
	Kshs	Kshs
Total Interest Income	-	-

5. Other income

Description	2022-2023	2021-2022
	Kshs	Kshs
Cash deposit	2,155.00	-
Total Other Income	2,155.00	-

6. Employee Costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Total	-	-

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7. Use of Goods and Services

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Bank Charges	6,479.60	6,468.00
Total	6,479.60	6,468.00

8. Depreciation and Amortization Expense

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Total	-	-

9. Finance costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Total	-	-

10. Gain/(loss) on disposal of assets

Description	2022-2023	2021-2022
	Kshs	Kshs
Total	-	-

11. Gain/ (loss) on Fair Value Investments

Description	2022-2023	2021-2022
	Kshs	Kshs
Total Gain	-	-

12. Cash and cash equivalents

Description	2022-2023	2021-2022
	Kshs	Kshs
Current Account	2,767,651	2,771,976
Total Cash And Cash Equivalents	2,767,651	2,771,976

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

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Financial Institution	Account number	2022-2023	2021-2022
		Kshs	Kshs
a Current Account			
Gulf African Bank	0570005001	2,767,651	2,771,976
Grand Total		2,767,651	2,771,976

13. Receivables from exchange transactions

Description	2022-2023	2021-2022
	Kshs	Kshs
Total Receivables From Exchange Transactions	-	-

14. Prepayments

Description	2022-2023	2021-2022
	Kshs	Kshs
Total	-	-

15. Inventories

Description	2022-2023	2021-2022
	Kshs	Kshs
Total Inventories at The Lower of Cost and Net Realizable Value	-	-

16. Investments in financial assets

Description	2022-2023	2021-2022
	Kshs	Kshs
Grand total	-	-

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17. Property, plant and equipment

	Land and buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Description	Kshs	Kshs	Kshs	Kshs	Kshs
Cost					
At 1 st July 2021	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
At 30th June 2022	-	-	-	-	-
At 1 st July 2022					
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
At 30th June 2023	-	-	-	-	-
Depreciation And Impairment					
At 1 st July 2021	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30th June 2022	-	-	-	-	-
At 1 st July 2022					
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
At 30th June 2023	-	-	-	-	-
Net Book Values					
At 30 th June 2022	-	-	-	-	-
At 30 th June 2023	-	-	-	-	-

18. Intangible assets

Description	2022-2023	2021-2022	
	Kshs	Kshs	
NBV	-		-

19. Investment Property

Description	2022-2023	2021-2022	
	Kshs	Kshs	
At end of the year	-		-

20. Trade and other payables from exchange transactions

Description	2022-2023	2021-2022	
	Kshs	Kshs	
Total Trade and Other Payables	-		-

21. Provisions

Description	Leave provision	Bonus provision	Other provision	2022-2023	2021-2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Balance At The End of The Year	-	-	-	-	-

22. Borrowings

Description	2022-2023	2021-2022	
	Kshs	Kshs	
Balance At End of The Period	-		-

23. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	2022-2023	2021-2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Total	-	-	-	-	-

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24. Social Benefit Liabilities

Description	2022-2023	2021-2022
	Kshs	Kshs
Total (tie to totals above)	-	-

25. Cash generated from operations

Description	2022-2023	2021-2022
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	(4,325)	(6,468)
Adjusted For:		
Depreciation	-	-
Amortization	-	-
Gains/ Losses On Disposal Of Assets	-	-
Interest Income	-	-
Finance Cost	-	-
Working Capital Adjustments		
Increase In Inventory	-	-
Increase In Receivables	-	-
Increase In Payables	-	-
Net Cash Flow From Operating Activities	(4,325)	(6,468)

Notes to the Financial Statements (Continued)

1. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The fund/scheme is related to the following entities:

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Board of Trustees; etc.

2. Financial risk management

The Fund's activities have no 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.

Notes to the Financial Statements (Continued)

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 Lamu County Fisheries Development Agency's short, medium and long-term funding and liquidity management requirements. The Lamu County Fisheries Development Agency manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Lamu County Fisheries Development Agency on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Lamu County Fisheries Development Agency'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 Fisheries Development Agency has no 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 Lamu County Fisheries Development Agency's financial condition may be adversely affected because of changes in interest rate levels. The Lamu County Fisheries Development Agency's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk.

Notes to the Financial Statements (Continued)

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.

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 Lamu County Fisheries Development Agency capital structure comprises of the following funds:

Description	2022 - 2023	2021 - 2022
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	2,784,840	2,778,440.00
Accumulated surplus	(17,189)	(6,468.00)
Total funds	2,767,651	2,771,972.00
Total borrowings	-	-
Less: cash and bank balances	(2,767,651)	(2,771,972.00)
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

3. Events after the reporting period

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

4. Ultimate and Holding Lamu County Fisheries Development Agency

The Lamu County Fisheries Development Agency was established by an Act of the County Assembly of Lamu Act No.3, 2015 under the Ministry of fisheries. Its ultimate parent is the County Government of Lamu.

5. Currency

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

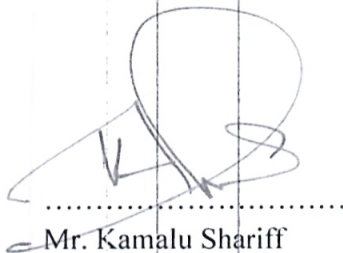
Lamu County Fisheries Development Agency
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20. Annexes

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.0	Non-Disclosure of Debtors in the Financial Statement	The Management will take necessary action	Not Resolved	FY 2023/2024
3.0	Lack of a Risk Management Policy	The Management is in the process to prepare	Not Resolved	FY 2023/2024



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

Lamu County
 Lamu County Fisheries Development Agency
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Annex II: Inter-Fund Confirmation Letter



THE COUNTY GOVERNMENT OF LAMU
 Finance, Strategy & Economic Planning
 COUNTY TREASURY



Telephone: +254-715555111/772576122
 E-mail: treasury@lamu.go.ke

LAMU COUNTY
 P.O. Box 74-80500
 LAMU

Lamu County Fisheries Development Agency
 P.O. Box 74 – 80500,
 Lamu County, Mokowe.

The Lamu County Treasury wishes to confirm the amounts disbursed to you as at 30th June 2023 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 Fisheries Development Agency as at 30 th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by Lamu County Treasury (Kshs) as at 30 th June 2023				Amount Received by Lamu County Fisheries Development Agency As at 30 th June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
Total							
In confirm that the amounts shown above are correct as of the date indicated.							
Fund Administrator:		Name <i>Haruna</i>			Sign <i>[Signature]</i>	Date <i>25/9/2023</i>	

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 Annex III: Reporting of Climate Relevant Expenditures

No expenditure on climate relevant

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

No expenditure on disaster management during the year.

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