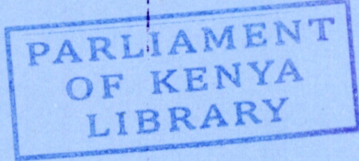
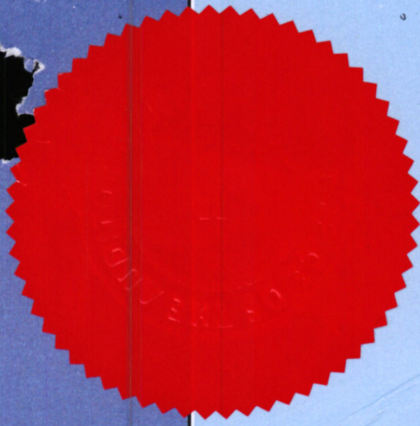
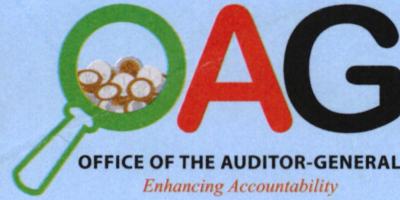


REPUBLIC OF KENYA



REPORT

OF

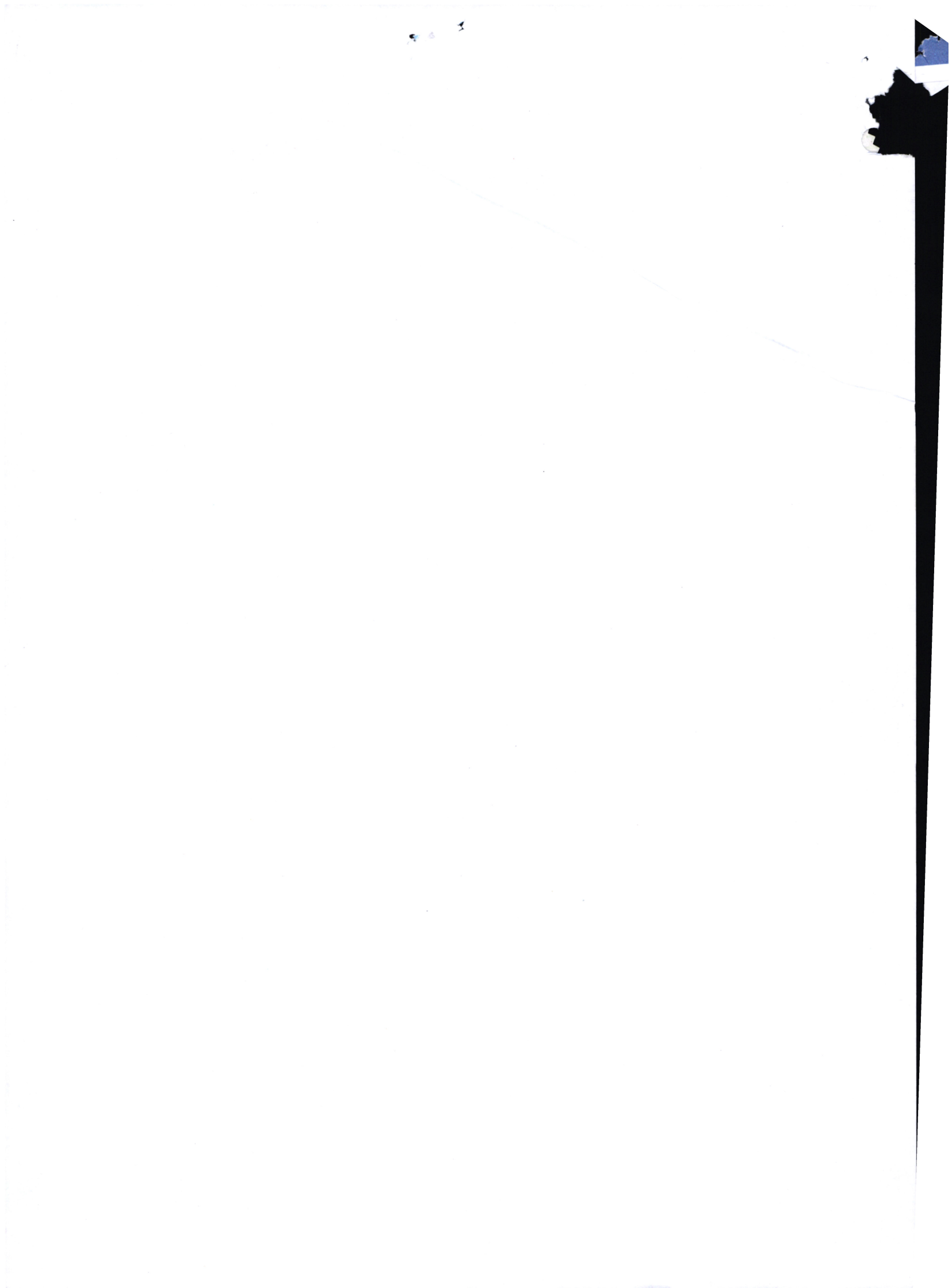
THE AUDITOR-GENERAL

ON

LAMU COUNTY EMERGENCY FUND

FOR THE YEAR ENDED
30 JUNE, 2025

PAPERS LAID	
DATE	4/12/2025
TABLED BY	M/L
COMMITTEE	
CLERK AT THE TABLE	Abdirahman





LAMU COUNTY EMERGENCY FUND

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

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

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1. Acronyms and Definition of Key Terms

a) Acronyms

CECM	County Executive Committee Member
CIDP	County Integrated Development Plan
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
Kshs	Kenya Shillings
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board

b) Definition of Key Terms

Fiduciary Management: The key management personnel who had financial responsibility.

2. Key Entity Information and Management**a) Background information**

The Emergency Fund is established by and derives its authority and accountability from The Lamu County Emergency Fund Act 2017 and section 110 of the Public Finance Management (PFM) Act 2012. The Fund is wholly owned by the County Government of Lamu and is domiciled in Kenya.

b) Principal Activities

The principal activity of the Fund is to enable payments to be made in respect of a County when an urgent and unforeseen need for expenditure arises for which there is no specific authority.

c) Fund Administration Committee

S/No.	Position	Designation/Office
1.	Chairman	H. E Hon. Issa Abdalla Timamy Governor Lamu County
2.	Committee Member	Hon. Mbarak Mohamed Mbarak CECM Health Services, Sanitation and Environment
3.	Committee Member	Hon. Tashrifa Bakari Mohamed CECM Lands, Physical Planning, Urban Development, Energy, Water and Natural Resources, Infrastructure and Public Works.
4.	Committee Member	Hon. Owanga Sabastian Aduong'a CECM Education, IT, Gender, Youth Affairs, Sports, Community Development and Social Services
5.	Committee Member	Hon. Aisha Abdalla Miraj CECM Tourism, Culture Trade and Investment.
6.	Committee Member	Hon. James Gichu CECM Agriculture, Irrigation and Food Security
7.	Committee Secretary	Hon. Amb. Ali Abbas County Secretary and Head of Public Service
8.	Fund Administrator	Hon. Mohamed Mbwana Ali CECM Finance, Budget, Strategy and Economic Planning

d) Key Management Team

S/No.	Position	Name
1	Fund Administrator - CECM Finance	Hon. Mohamed Mbwana Ali
2	Chief Officer Finance	CPA Salma Omar
3	Director Accounting Service	CPA Mohamed A. Abubakar

e) Fiduciary Oversight Arrangements

S/No.	Position	Name
1	Directorate of Accounting Service	The Directorate is headed by the Director of Accounting Services. It derives its mandate from the Constitution 2010, the Public Finance Management Act 2012. The main responsibility of the directorate is the monitoring of expenditure and projects through vote controls, including program implementation on a periodic basis and ensuring that timely corrective action is taken
2	County Directorate of Internal Audit	The Directorate is headed by the Ag. Director Internal Audit to provide independent assurance, advice, and insight in order to enhance and protect organisational value, contribute towards evidence-based decision making, and promote organisational learning, transparency, integrity and accountability
3	County Assembly Public Accounts Investment Committee	The committee is headed by the Chairperson with the primary mandate of overseeing the expenditure of public funds by Lamu County entities, to ensure value for money.
4	Office of the Auditor General (OAG)	The Office is charged with the primary oversight/assurance role of ensuring accountability within the three arms of government, i.e. the Legislature, the Judiciary and the Executive; as well as the Constitutional Commissions and Independent Offices.

5	Office of the Controller of Budget (COB)	The COB actively monitors Budget Implementation Monitoring; Withdrawal Authorization of public funds held in the County Revenue Fund and plays Advisory Role to county governments on improving budget implementation and addressing challenges related to fund utilization. The COB also ensures County Government and Its entities comply with relevant laws and regulations governing public finance management
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f) Registered Offices

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

g) Fund Contacts

Telephone: (254) 715555111/758005005
E-mail: treasury@lamu.go.ke
Website: www.lamu.go.ke

h) Fund Bankers

Diamond Trust Bank
Lamu Branch
P.O. Box 120 - 80500
Lamu, Kenya.

i) Independent Auditors

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

j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya.

k) County Attorney

Director legal service

P.O Box 74 – 80500,

County Government of Lamu.

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 the promulgation of the 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 a Bachelor of Law degree from the University of Nairobi. He is an Advocate of the High Court of Kenya and a member of the Institute of Certified Public Secretaries of Kenya. He was previously chairman of the National Museums of Kenya and held the position of board member in several publicly 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



Hon. Dr. Mbarak M. Mbarak
C.E.C.M - Health Services, Sanitation and Environment

Hon. Dr. Mbarak Mohamed Mbarak, born on 27th February 1981, holds a Master of Public Health Management from Egerton University, Kenya, and a Bachelor of Medicine and Bachelor of

Surgery. Dr. Mbarak was Medical Superintendent at Coast General Teaching and Referral Hospital, Mtongwe satellite, also he was the facility and program Manager at Lamu Rahab and Health Centre, he also worked at The Mombasa Hospital and Mombasa Dialysis Centre as a Physician's Associate, and at Mewa Hospital as a Resident Clinical Officer



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. Born on 21st June 1972. He holds a Bachelor (degree) of Sciences in Development Studies. Before 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 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 the 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. Aisha Miraj

C.E.C.M - Tourism, Culture, Trade and Investment

Mrs. Aisha Miraj, born on 29th August 1990, holds a Bachelor's Degree in Education. Before her appointment, she was a Deputy Principal in Wiyoni Secondary School. She was actively participating in different NGOs within Lamu in different capacities.



Hon. James Gichu

C.E.C.M - Agriculture, Irrigation and Food Security

Hon. James Gichu, born on 1st July 1983, holds a Bachelor's Degree in Science in Electrical and Electronics. before his appointment, he participated in overseas preparation and actualisation of the Jubilee Youth Group irrigation project, also planning and coordinating the distribution of Farm inputs to farmers, and participating in the testing of the Hybrid seeds variety pilot project.



Hon. Owanga Sebastain

C.E.C.M - Education, ICT, Gender, Youth Affairs, Sports, Community Development and Social Services

Born on 22nd August 1973, He is a holder of a Master's in Business Administration (Finance option) of Kenyatta University and a Bachelor of Education (Arts) majoring in mathematics and Business studies in Kenyatta University. Prior to his appointment as CECM, he worked in the Ministry of Education as a Deputy Director of Education, where he was a team leader in the management of the National Education Management Information System (NEMIS). As a Deputy Director of Education, he was also appointed as head of the secretariat Presidential Working Party on Education Reforms in Kenya. He has a wealth of experience in financial matters, having been a member of the technical working group on financing of basic Education in Kenya.



Hon. Tashrifa Bakari

C.E.C.M - Lands, Physical Planning, Urban Development, Energy, Water and Natural Resources, Infrastructure and Public Works

Mrs. Tashrifa Bakari, born on 25th February 1989, has a Bachelor of Arts in Archaeology and Sociology from Pwani University. Currently working as C.E.C.M of Lands, Physical Planning, Urban Development, Energy, Water and Natural Resources, Infrastructure and Public Works in Lamu County. She worked in the Ministry of Interior and Coordination of the National Government, Department of Correctional Services. In 2016-2017, she worked as an Administrator in Malindi Islamic Center for Orphans, a Community-Based Organization. Also, she worked in Pwani University, Psychology Department (2015) as a Research Assistant.



Hon. Amb. Ali Abbas MBS

County Secretary and Head of Public Service

Hails from Faza Ward in Lamu East, Amb. Ali Abbas, born on 12th February 1958, is a career diplomat, having served in the Ministry of Foreign Affairs of the Republic of Kenya for over 30 years. He holds a Bachelor's Degree in Arts from the University of Nairobi and a Postgraduate Diploma in International Relations and Economic Cooperation from Deutsche Stiftung Fur Internationale Entwicklung in West Berlin. He was awarded the title of Moran of the Order of the Burning Spear (MBS) by H.E. President Mwai Kibaki in 2011. He served as the Ambassador of Kenya to the Islamic Republic of Iran and the State of Kuwait. He also served in Kenya Missions in Abu Dhabi, Islamabad, Canberra, and Dar es Salaam.

4. Key Management Team

Name	Details of qualifications and experience
 <p>Hon. Mohamed Mbwana CECM-Finance, Budget, Strategy and Economic Planning Fund Administrator</p>	<p>Hon. Mohammed Mbwana Ali holds a Bachelor (Degree) of Sciences in Development Studies. He is a former Lecturer at the Technical University of Mombasa and Personal Assistant to the Governor of Lamu County, a position he held from 2013 - 2017. With more than 15 years in community service, Mr Mohamed has grown over the years working with Lamu Education Development Foundation Trust- where he oversees 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.</p>
 <p>CPA. Salma Omar Chief Officer Finance</p>	<p>Mrs. Salma Omar Ahmed is a Certified Public Accountant of Kenya and holds a Master of Business Administration (MBA) in Finance from Kenyatta University and a Bachelor's degree in Business Administration in Finance and Accounting from Moi University. She also holds a certificate in Senior Management and Strategic Leadership from the Kenya School of Government. Before her appointment as Chief Officer, she was Ag. Director of Accounting Service, Principal Finance Officer for the County Treasury, and served. CPA Salma brings to the Board vast experience in technical and senior managerial skills, having worked in both Private and Public Institutions</p>



CPA Mohamed A. Abubakar
Director Accounting Services

Mr. Mohamed A. Abubakar holds a Master of Business Administration (MBA) in Finance from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and a Bachelor's degree in Business Administration (Finance and Accounting) from Zanzibar University. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

Before he was appointed Director of Accounting Services, Mr. Abubakar served as the Head of Accounting Services and also led the Financial Reporting Unit. He brings extensive experience in public sector financial management, reporting, and compliance.

5. Report of the Chairman of the Fund

The Emergency Fund does not have a designated Chairperson position within its governance structure. Oversight and administration responsibilities are collectively undertaken by the Fund Administration in accordance with the relevant legal and regulatory framework. Therefore, no Chairman's report is presented in this financial statement.

6. Report of The Fund Administrator

Lamu County Emergency Fund receives money from the County Treasury through the Department of Finance to enable payments to be made in respect of an urgent and unforeseen need for expenditure that arises for which there is no specific legislative authority. As the Lamu County Emergency Fund Act of 2017 dictates, the payments are made upon approval by the Fund Administrator.

Financial Performance Trend

During the year under review, the Fund had an approved budget of KES 12,773,006, which comprised KES 5,000,000 transferred from the County Government and KES 7,773,006 as a balance from the previous financial year. The total expenditures during the period amounted to KES 11,960,643, which included 11,957,611.00 expenditure on emergency-related expenses, and KES 3,032 on bank charges. The expenditure translates to 94% utilization of the total budget.

Operational and Financial Performance

In the year under review, the Emergency Fund intervened on three major emergency response areas:

i. Drought Intervention:

In response to prolonged drought conditions that adversely affected food security in vulnerable regions, especially in parts of Hindi and Basuba Ward, the Fund successfully facilitated the procurement and distribution of relief food.

ii. Public Health Response:

The Fund allocated resources towards the procurement and distribution of essential medical drugs and supplies to public health facilities. This intervention was crucial in addressing disease outbreaks and supporting ongoing health services to prevent further public health deterioration.

iii. Disaster Response – Fire Incident Relief:

Following a fire incident that resulted in the loss of property and the displacement of affected individual, the Fund disbursed emergency cash relief to support victim.

Consolidated Successes

- Timely delivery of relief interventions, minimizing the impact of emergencies.
- Enhanced collaboration with county departments, health facilities, and disaster response units.
- Efficient utilization of allocated funds in accordance with the Fund’s mandate and public financial management guidelines.

Challenges Faced

- Limited funding relative to the scale of emergencies, which strained the Fund’s capacity to respond comprehensively.
- Logistical constraints in reaching remote areas during drought response.
- Delays in inter-agency coordination during emergency procurement processes.

Despite these challenges, the Emergency Fund continues to serve as a vital instrument for safeguarding public welfare during emergencies. Going forward, we aim to strengthen fund mobilization efforts, improve response mechanisms, and enhance stakeholder engagement to better prepare for future emergencies.

Trending Issues in Emergency Management

Climate-induced Extremes - The period January, February and March 2025 experienced a very dry spell, and food production was very low, which depleted food stocks in the households. This negatively affected food security.

➤ **Maritime & Coastal Hazards**

With 91% of communities depending on the sea, maritime incidents and coastal flooding are increasing concerns. Another concern is rising levels of sea tides, which cause erosion and destruction to villages adjacent to the sea show including Mkunumbi, Faza, Mkokoni, Kiunga, Ishakani, among others

➤ **Security Threats**

Infrastructure advances under the LAPSSSET corridor, including roads and the port, face recurring threats from Al-Shabaab insurgency, posing challenges to logistics, evacuation, and response. Below-average production and depletion of food stocks at the household level affected food security in the County.

➤ **Environmental Degradation & Development Pressure**

Unchecked coastal development, land encroachment, and potential threats to World Heritage areas are rising concerns. These trends undermine natural buffers like mangroves and coastal habitats.

➤ **Resource-Based Conflicts & Underlying Vulnerabilities**

Climate change-induced drought, crop/pest outbreaks, water scarcity, and land-use may arise conflicts between farmers and livestock keepers/ pastoralists

Future Outlook & Strategic Response

The Fund continues to face resource limitations, constraining its capacity to fully meet emergency needs and maintain adequate reserves. In the coming year, the County aims to strengthen coordination with the County Emergency Operations Centre and pursue strategic donor partnerships to enhance the Fund's resilience and responsiveness.



HON. MOHAMED MBWANA ALI

COUNTY EXECUTIVE COMMITTEE MEMBER

FINANCE, BUDGET, STRATEGY, AND ECONOMIC PLANNING

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

Legal Basis

Section 164 (2)(f) of the Public Finance Management Act, 2012 requires that the Accounting Officer include a statement of performance against predetermined objectives in the financial statements prepared at the end of each financial year.

Fund Development Objectives

The Emergency Fund was established to support emergency preparedness and response across the county. The key strategic objectives of the Fund are:

- i. To enhance timely and coordinated response to emergencies and disasters;
- ii. To safeguard public health and safety during disaster events;
- iii. To support recovery and restoration efforts for affected communities.

Program	Objective	Outcome	Indicator	Performance
Disaster Risk Management	Mitigating emergencies in the County	Well-coordinated emergency response	% of emergency incidents responded to	100% response to drought-related emergencies
				Relief food was distributed in the affected areas
				Medical drugs supplied to public health facilities
				Cash relief provided to fire victims

Remarks

The Emergency Fund achieved full response to the major emergencies reported during the financial year. These included interventions in response to drought through food relief, provision of medical supplies to contain public health threats, and issuance of cash assistance to fire victim.

8. Statement of Corporate Governance

The Fund

Lamu County Emergency Fund was established by the Lamu County Emergency Fund Act 2017 enacted by the County Assembly of Lamu. The creation of the Fund is enshrined in the PFM Act, 2012 and its regulations. The Fund is wholly owned by the County Government of Lamu and is domiciled in Kenya. The Fund's objective is to establish an Emergency Fund kitty to cater for emergencies within the County.

Roles and Functions of the Committee

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 by the mission, vision, and core values of the Fund in the execution of their duties.

Powers of the County Executive Committee Member

- i. The County Executive Committee Member shall be responsible for administering the Fund.
- ii. The County Executive Committee Member shall open and maintain a separate account into which monies appropriated to that Fund shall be paid.

The County Executive Committee Member may make payment from the Fund only if satisfied that

- i. There is an agent and an unforeseen need for the expenditure for which there is no legislative authority.
- ii. It is for the public interest.
- iii. An event has caused damage, loss, hardship, or suffering to residents of the county.
- iv. An event threatens to damage the environment.
- v. An event is limited to the county

Fund Meetings

The Fund Administration committee confirms that the Fund has throughout the FY 2024/2025 complied with all statutory and regulatory requirements and that the Fund has been managed in accordance with the principles of good corporate governance.

Internal Control and Risk Management

Internal Control Framework

The Fund continues to review its internal controls 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 2024/2025.

Risk Management

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

Management Team

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

Auditor

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

9. Management Discussion and Analysis

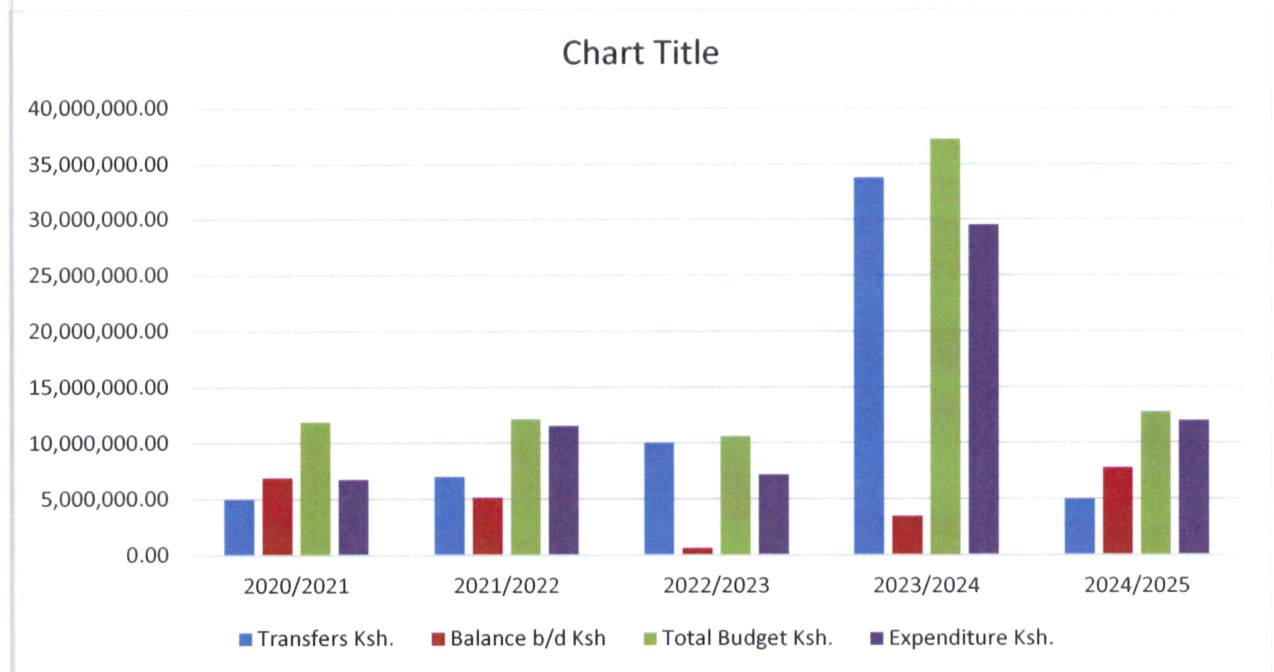
Operational and financial performance FY 2024/2025

a) Financial Performance Trend

The Emergency Fund was established to enable a timely and effective response to unforeseen events affecting the well-being and livelihoods of county residents. The table below shows budget and expenditure performance from financial year 2020/2021 to 2024/2025.

FY	Transfers	Balance b/d	Total Budget	Expenditure	% Utilization
	Ksh.	Ksh	Ksh.	Ksh.	%
2020/2021	5,000,000.00	6,873,750.00	11,873,750.00	6,738,444.00	57%
2021/2022	7,000,000.00	5,135,306.00	12,135,306.00	11,520,648.00	95%
2022/2023	10,000,000.00	614,658.00	10,614,658.00	7,161,500.00	67%
2023/2024	33,800,000.00	3,453,158.00	37,253,158.00	29,480,152.00	79%
2024/2025	5,000,000.00	7,773,006.00	12,773,006.00	11,960,643.00	94%

Below is the graphical presentation of budget allocation for the last five financial years



Revenue

During the year under review, the Fund had an approved budget of Ksh 12,773,006.00 which comprises Ksh 5,000,000 is being transferred from the County Government and KES. 7,773,006 as a balance from the previous financial year.

Expenditures

The total expenditures during the period amounted to Ksh 11,960,643.00, where expenditure on emergency-related expenses is Ksh 11,957,611 and Ksh 3,032.00 being the bank charges. The expenditure translates to 94% utilization of the total budget.

Key Operational Highlights and Interventions

Over the reporting period, the Emergency Fund has undertaken a range of interventions aimed at protecting lives, property, and public infrastructure. Major interventions include:

- **Drought and Flood Response:** Distribution of relief food to affected households.
- **Public Health Emergencies:** Provision of essential medical supplies during cholera and waterborne disease outbreaks.

Fund compliance with statutory requirements

The Fund has largely adhered to key statutory obligations under the **Public Finance Management Act, 2012, and the Lamu County Emergency Fund Act**, and other relevant guidelines. Key achievements in compliance include:

- Lamu County Emergency Fund Act 2017
- Public Finance Management Act 2012
- Preparation and submission of quarterly financial and operational reports.
- Maintenance of a dedicated Emergency Fund account in line with Treasury circulars.
- Annual financial audits by the Office of the Auditor-General.

- Inclusion of performance indicators in financial statements as required by Section 164 of the PFM Act.

Risk Management and Emerging Challenges

The Emergency Fund is exposed to various risks that may affect its ability to meet its objectives:

- Unpredictable emergencies
- Late disbursement and availability of Funds

Conclusion

Management remains committed to improving the efficiency, transparency, and responsiveness of the Emergency Fund. As emergencies continue to evolve, the Fund will prioritize preparedness, accountability, and resilience in all its operations.

10. Environmental and Sustainability Reporting

Below is a brief highlight of our achievements in each pillar.

i. Sustainability strategy and profile -

The Fund administrator has put in place sustainable efforts, and broad trends in political and macroeconomic factors affecting sustainability priorities.

ii. Environmental performance

The fund ensures the conservation of the environment use of environmentally friendly products.

iii. Employee welfare

The fund managed to offer an induction to the members of staff and some board members.

iv. Community Engagements

Lamu County Executive visits the affected culprits affected by calamities to console them during difficult times. The County Government of Lamu also distributed to the community public health equipment, chemicals, and net in response to drought.

11. Report of The Committee

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

Principal activities

The principal activities of the Fund is to enable payments to be made in respect of a County when an urgent and unforeseen need for expenditure arises for which there is no specific authority.

Results

The results of the Fund for the year ended June 30, 2025 are set out on page 1- 8.

Committee

The Fund Committee Members who served during the year are shown on page vi to xiv.

Auditors

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

By Order of the committee



HON. MOHAMED MBWANA ALI
COUNTY EXECUTIVE COMMITTEE MEMBER
FINANCE, BUDGET, STRATEGY, AND ECONOMIC PLANNING

12. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County 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 Emergency Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the Emergency Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 Section 110. 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 the Fund's transactions during the financial year ended June 30, 2025, and of the Fund's financial position as at that date. The Administrator further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Fund's financial statements were approved by the Committee on 25th July 2025 and signed on its behalf by:



HON. MOHAMED MBWANA ALI
COUNTY EXECUTIVE COMMITTEE MEMBER
FINANCE, BUDGET, STRATEGY, AND ECONOMIC PLANNING

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 EMERGENCY FUND FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

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, 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

Opinion

I have audited the accompanying financial statements of Lamu County Emergency Fund set out on pages 1 to 23, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of Lamu County Emergency Fund as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards Accrual Basis and comply with the Lamu County Emergency Act, 2017 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Lamu County Emergency 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, one (1) issue was raised under the Report on Financial Statements and two (2) issues under the Report on Lawfulness and Effectiveness in the Use of Public Resources. These include unsupported emergency payments, non-compliance with public sector accounting standards board reporting requirements and non-notification of emergency payments to County Assembly. Review of the status during audit of the Fund in 2024/2025 revealed that two (2) issues on unsupported emergency payments and non-notification emergency payments to County Assembly remained unresolved.

Other Information

The Management is responsible for the Other Information set out on page iii to xxvii which comprise of Key Entity Information and Management, Fund Administration Committee, Key Management Team, Report of the Fund Administrator, Statement of Performance against Predetermined Objectives, Statement of Corporate Governance, Management Discussion and Analysis, Environmental and Sustainability Reporting,

Report of the Committee 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 effect of the matters 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

1. Irregular and Unapproved Emergency Expenses

Review of the Fund bank account revealed that as at the beginning of the financial year 2024/2025 the Fund had a bank balance of Kshs.7,773,006 after having spent Kshs.29,480,152 in 2023/2024 financial year. However, evidence that the CECM caused a draft of the Appropriation Bill to be introduced in the County Assembly for the appropriation of the money paid for the replenishment of the County Government's Emergency Fund to the extent of the amount of the payment was not provided. This was contrary to Section 114(1) and (3) of Public Finance Management Act, 2012 which states that as soon as practicable after the County Assembly has approved the payment, the County Executive Committee Member for Finance shall cause a draft of the Appropriation Bill to be introduced in the County Assembly for the appropriation of the money paid for the replenishment of the County Government's Emergency Fund to the extent of the amount of the payment.

In addition, during the period under review, Lamu County Emergency Fund paid an amount totalling Kshs.11,960,643 in respect to emergency expenses. The expenditure included mitigation measures in relief food supply, disease outbreak control and monetary relief for victims affected by fire. However, the County had an approved budget during the year under review of Kshs.5,000,000 on drought contingency (item 2640203) Department of Devolution, Disaster Management and Resource Mobilization where this expenditure could have been catered from before utilizing the emergency funds. This was contrary to Section 112 (1) of Public Finance Management Act, 2012 which states that the County Executive Committee Member for Finance may

make payments from the County Government's Emergency Fund only if he or she is satisfied that there is an urgent and unforeseen need for expenditure for which there is no legislative authority and shall be in accordance with operational guidelines made under regulations approved by Parliament and the law relating to disaster management.

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

2. Irregular Procurement of Emergency Relief Food Supplies

Review of records during the period under review revealed that Management paid Kshs.4,728,000 to a local supplier for the supply and delivery of emergency relief food items. The food items were supplied under tender No: CGL/DP/DDMRB/003/2024/2025 which was supported with Local Purchase Order (LPO) No: 3177453/4 dated 10 February, 2025; invoice and delivery note dated 28 February, 2025 and counter receipt voucher (S13) No.2000607/8 dated 28 February, 2025. However, the procurement and prices charged were contrary to directive of the Supplies Branch in the State Department for Public Works under the Ministry of Lands, Public Works, Housing and Urban Development issued through circular Ref: SDPW/SB/001A/22-24 dated 25 September, 2023 which provided the list of suppliers awarded framework contracts and the agreed prices, to user Ministries/Departments, County Governments and all Public Institutions including Schools for a two (2) year period ending 4 September, 2025. In addition, the supplier is not included in the shortlist of firms in the contract and the prices applied in the Local Purchase Order were not supported by market survey.

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

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

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively in all material respects. I believe that the audit

evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The Standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

25 November, 2025

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

Description	Note	FY 2024-2025	FY 2023-2024
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Transfers From the County Government	6	5,000,000	33,800,000
Public Contributions and Donations	7	-	-
		5,000,000	33,800,000
Revenue From Exchange Transactions			
Finance Income	8	-	-
		-	-
Total Revenue		5,000,000	33,800,000
Expenses			
Emergency Expenses	9	11,957,611	29,474,879
Use of goods and services	10	3,022	5,273
Total Expenses		11,960,643	29,480,152
Surplus/(Deficit) for the Year		(6,960,643)	4,319,848



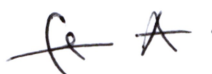
Chief Officer Finance
Name: CPA Salma Omar Ahmed
ICPAK Member No: 15009



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

15. Statement of Financial Position As at 30 June 2025

Description	Note	FY 2024-2025	FY 2023-2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	11	812,363	7,773,006
Receivables from non-exchange transactions	12	-	-
Receivables from exchange transactions	13	-	-
Total current assets		812,363	7,773,006
Total Assets (A)		812,363	7,773,006
Liabilities			
Current Liabilities			
Trade and Other Payables	14	-	-
Total current liabilities		-	-
Total Liabilities (B)		-	-
Net Assets (A-B)		812,363	7,773,006
Represented By:			
Accumulated Surplus		812,363	7,773,006
Net Assets		812,363	7,773,006



Chief Officer Finance
Name: CPA Salma Omar Ahmed
ICPAK Member No: 15009



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

16. Statement of Changes in Net Assets for the year ended 30th June 2025

Description	Accumulated surplus/Deficit
	Kshs
Balance As At 1 July 2023	3,453,158
Surplus/(Deficit) For the Year	4,319,848
Balance As At 30th June 2024	7,773,006
Balance As At 1 July 2024	7,773,006
Surplus/(Deficit) For the Year	(6,960,643)
Balance As At 30th June 2025	812,363

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

Description	Note	FY 2024-2025	FY 2023-2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Receipts From the County Government		5,000,000	33,800,000
Total receipts		5,000,000	33,800,000
Payments			
Emergency Expenses		11,957,611	29,474,879
Use of goods and services		3,032	5,273
Total Payments		11,960,643	29,480,152
Net cash flows from operating activities	15	(6,960,643)	4,319,848
Cash flows from investing activities			
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash & cash equivalent		(6,960,643)	4,319,848
Cash and cash equivalents at 1 July	11	7,773,006	3,453,158
Cash and cash equivalents at 30 June		812,363	7,773,006

Note: (PSASB has prescribed the direct method of cash flow preparation/ presentation for all entities under the IPSAS accrual basis of accounting.)

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						
Transfers From County Govt.	5,000,000	-	5,000,000	5,000,000	-	100
Budget carry-overs from previous years	7,773,006	-	7,773,006	7,773,006	-	100
Total Income	12,773,006	-	12,773,006	12,773,006	-	100
Expenses						
Emergency Expenses	12,773,006	-	12,773,006	11,957,611	815,395	94
Use of goods and services	-	-	-	3,032	(3,032)	
Total Expenditure	12,773,006	-	12,773,006	11,960,643	812,363	94
Surplus For the Period	-	-	-	812,363		

Budget Reconciliation

Description of Particulars	Amount in Kshs
Balance As At 1 July 2024	7,773,006
Surplus/(Deficit) For the Year (Statement of Financial Performance)	(6,960,643)
Balance As At 30th June 2025	812,363
Actual Surplus Amounts as per the statement of Budget	812,363
Closing Cash and Cash Equivalent as per the statement of Cash flows	812,363

19. Notes to the Financial Statements

1. General Information

The Emergency Fund is established by and derives its authority and accountability from Lamu County Emergency Fund Act 2017. 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 financial statements are prepared on an accrual basis, while the cash flow statement is prepared using the direct method.

3. Adoption of new and revised standards

(i) New and amended standards and interpretations in issue effective in the year ended 30 June 2025

There are no new standards effective in the financial year ending 30th June 2025.

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.

Standard	Effective date and impact:
IPSAS 43 Leases	<p><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 an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>

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Standard	Effective date and impact:
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><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.</p>
<p>IPSAS 45- Property Plant and Equipment</p>	<p><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 land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47- Revenue</p>	<p><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</p>

Lamu County Emergency Fund
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Standard	Effective date and impact:
	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 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 that provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
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: <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. 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.

(iii) Early adoption of standards

The Lamu County Emergency Fund did not early adopt any new or amended standards in the financial year.

4. Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Revenue Transfers

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

ii. Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2024/2025 was approved by the County Assembly on June 2024. No subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The Fund'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 cash flows.

c) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The 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 entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

The 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 fund's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

The Fund assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

Financial liabilities

Classification

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

d) Contingent liabilities

The 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 probable.

e) Contingent assets

The 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.

f) Nature and purpose of reserves

The Lamu County Emergency creates and maintains reserves in terms of specific requirements.

g) Changes in accounting policies and estimates

The 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.

h) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

i) Related parties

The 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 directors, the CEO and senior managers.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

k) Comparative figures

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

l) Events after the reporting period

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

m) Currency

The financial statements are presented in Kenya Shillings (Kshs) are rounded off to the nearest shilling.

5. Significant judgments and sources of estimation uncertainty

The preparation of the 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.

State all judgements, estimates and assumptions made

a) Estimates and assumptions –

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

b) Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

c) Provisions

No provisions were raised. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

6. Transfers from the County Government

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Transfers From the Finance County Department (CGL)	5,000,000	33,800,000
Total	5,000,000	33,800,000

7. Public contributions and donations

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

8. Finance Income

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Total Finance Income	-	-

9. Emergency Expenses

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Flood-related expenses	-	27,799,879
Fire-related expenses	500,000	-
Terror-related expenses	-	1,675,000
Drought-related expenses	5,078,000	-
Medical drug-related expenses	6,379,611	-
Total	11,957,611	29,474,879

10. Use of Goods and Services

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Bank Charges	3,032	5,273
Total	3,032	5,273

11. Cash and cash equivalents.

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Current Account	812,363	7,773,006
Total Cash and Cash Equivalents	812,363	7,773,006

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

Financial Institution	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
a) Current Account		
Diamond Trust Bank A/c No 0149566001	812,363	7,773,006
Total	812,363	7,773,006

12. Receivables from non-exchange transactions

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Total Current Receivables	-	-

13. Receivables from exchange transactions

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Total Current Receivables	-	-

14. Trade and other payables

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Total Trade and Other Payables	-	-

15. Cash generated from operations.

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	(6,960,643)	4,319,848
Adjusted For:		
Working Capital Adjustments		
Increase In Receivables	-	-
Increase In Payables	-	-
Net Cash Flow from Operating Activities	(6,960,643)	4,319,848

16. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Fund include those parties that have the 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:

- i. The County Government.
- ii. Fund Administration Committee
- iii. Key management.

b) Related party transactions

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Transfers From Related Parties (CGL)	5,000,000	33,800,000
Total	5,000,000	33,800,000

c) Due from related parties

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

d) Due to related parties

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

17. Contingent assets and contingent liabilities

Contingent Assets/Liabilities	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Total	-	-

18. 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 no 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.

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 committee has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluating and testing the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rates, equity prices, and foreign exchange rates, which will affect the entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance Department is responsible for the development of detailed risk management policies and for the day-to-day implementation of those policies. There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

i. Foreign currency risk

The entity has no transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency.

ii. Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase. A rate increase/decrease of 5% would result in a decrease/increase in profit before tax.

d) Capital risk management.

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

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Accumulated surplus	812,363	7,773,006
Total funds	812,363	7,773,006
Less: cash and bank balances	(812,363)	(7,773,006)
Net debt/ (excess cash and cash equivalents)	-	-
Gearing	-	-

19. Events after the reporting period

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

20. Currency

The financial statements are presented in Kenya Shillings (Kshs)

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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)
1	Unsupported Emergency Payments	<ul style="list-style-type: none"> i) The distribution schedules for relief food have been provided. ii) The chemicals procured were for emergency response to outbreaks of waterborne diseases and other febrile illnesses. iii) Pharmaceutical and non-pharmaceutical items were issued to the beneficiary Health facilities. iv) Payment to a vendor engaged for transport services for the delivery of relief food to affected areas. 	Resolve	2024/2025
	Budgetary Control and Performance	The underutilization of funds remained unspent as there were no unforeseen emergencies or urgent priorities that necessitated their use during the financial period.	Resolve	2024/2025
	Unresolved Prior Year Audit Matters	The issues were resolved	Resolve	2024/2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Non-compliance with the Public Sector Accounting Standards Board (PSASB) Reporting Requirements	The County Executive Committee sits to approve all the Emergency Fund expenses, and the Executive is chaired by H.E. the Governor	Resolve	2024/2025
2	Non-Notification of Emergency Payments to County Assembly	The management has made the notifications to the County Assembly as per section 10 (1) of the Lamu County Emergency Fund Act, 2017. We have submitted the appropriate evidence to demonstrate that the notification was properly issued.	Resolve	2024/2025



HON. MOHAMED MBWANA ALI
Fund Administrator

Date..... 11/09/2025

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Annex II: Inter-Entity Confirmation Letter


Name of transferring entity: County Government of Lamu – County Department of Finance

Name of beneficiary entity: Lamu County Emergency Fund


Confirmation of amounts received by [Lamu County Emergency Fund] as at 30 th June 2025						
Reference Number	Date Disbursed	Amounts Disbursed by Finance County Department (Kshs) as at 30 th June 2025			Amount Received by Lamu County Emergency Fund (KShs) as at 30 th June 2025 (D)	Differences (KShs) (E)=(C-D)
		Recurrent (A)	Development (B)	Total (C)=(A+B)		
1	25/2/2025	5,000,000	-	5,000,00	5,000,000	-
Total		5,000,000	-	5,000,00	5,000,000	-

I confirm that the amounts shown above are correct as of the dates indicated.

Head of Accounts Department - Disbursing Entity:

Name: Salma Omar Ahmed Sign  Date 11/10/2025

Head of Accounts Department - Beneficiary Entity:

Name: Mohamed A. Abubakar Sign  Date 11/10/2025

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Annex III: Analysis of Emergency Expenditure

Date	Payee	Amount	Purpose of Payment	Status (spent/not spent)	Remarks
30-Aug-24	Pharmacy Pharmaceutical Ltd	2,991,300.00	Being payment for the supply of pharmaceutical	Spent	Disease Outbreak
22-Feb-25	Kenya Medical Supplies	1,905,139.00	Being payment for the supply and delivery of medical drugs.	Spent	Disease Outbreak
11-Mar-25	Abdulrahman Abdalla	500,000.00	Cash relief for fire disaster-related expenses	Spent	Fire Disaster-related expenses
21-Mar-25	Emirati General Stores	4,728,000.00	Payment for the supply and delivery of emergency food for drought-related	Spent	Drought Related Expenses
16-May-25	Nasriye Civil works and general supplies	1,483,172.40	Supply assorted materials and chemicals for the malaria outbreak	Spent	Disease Outbreak
20-May-2025	Tawakul General Supply	350,000.00	Transport hire for food distribution	Spent	Drought Related Expenses
Total		11,957,611			



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HON. MOHAMED MBWANA ALI

Fund Administrator

Date..... 11/09/2025