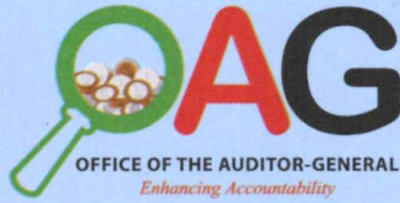


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21

REPORT

OF

THE AUDITOR-GENERAL

PAPERS LAID	
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MUNICIPALITY OF LAMU

FOR THE YEAR ENDED
30 JUNE, 2025

12



LAMU MUNICIPALITY
County Government of Lamu

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

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

County Government of Lamu
Lamu Municipality
Annual Report and Financial Statements for the year ended June 30, 2025

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1. Acronyms and Definition of Key Terms

A. Acronyms

PSASB	Public Sector Accounting Standards Board
Ag	Acting Capacity
FY	Financial Year
OSHA	Occupational Safety & Health Act
IPSAS	International Public Sector Accounting Standard
KUSP	Kenya Urban Support Programme
CECM	County Executive Committee Member
UIG	Urban Institutional Grants
UDG	Urban Development Grants
PFM	Public Financial Management

B. Definition of Key Terms

Fiduciary Management - Members of Management are directly entrusted with the Municipality of Lamu financial resources.

Comparative Year - Means the prior period.

2. Key Municipality of Lamu Information and Management

a) Background information

Municipality is established by and derives its authority and accountability from the Urban Areas and Cities Act No. 13 of 2011 (amended 2019) and the Cities and Municipal Charter on 30th January 2018. The Municipality of Lamu is under the County Government of Lamu and is domiciled in Kenya.

b) Principal Activities

The principal activity/mission/ mandate of the Municipality of Lamu is to;

- i. Provide for efficient and accountable management of the affairs of the Municipality.
- ii. Provide for a governance mechanism that will enable the inhabitants of the Municipality to;
 - a. Participate in determining the social services and regulatory framework that best satisfy their needs and expectations.
 - b. Verify whether public resources and authority are utilized or exercised as the case may be to their satisfaction.
 - c. Enjoy efficiency in service delivery.
- iii. Vigorously pursue the developmental opportunities available in the Municipality and institute such measures necessary for achieving public order and the provisions of civic amenities to enhance the quality of life of the inhabitants of the Municipality.
- iv. Provide a high standard of social services cost-effectively to the inhabitants of the Municipality.
- v. Promote social cohesiveness and a sense of civic duty and responsibility among the inhabitants and the stakeholders in the Municipality in order to facilitate collective action and commitment towards achieving the goal of a harmonious and stable community.
- vi. Providing services, laws and other matters for the Municipality of Lamu benefit.
- vii. Fostering the economic, social and environmental well-being of its community.

Core Value

Upholding values of accountability, transparency, excellence, accessibility, integrity, responsiveness, equity, and teamwork.

c) Key Management

The Municipality of Lamu management is under the following key organs:

Ref	Name	Position
1	Hon.Tashrif Bakari Mohamed	CECM Lands, Physical Planning, Urban Development, Energy, Water and Natural Resources, Infrastructure and Public Works.
2	Ms. Nasra Hussein	Chairperson
3	Ms. Salma Hafidh Ahmed	Member
4	Mr.Abdulmunim Omar	Member
5	Mr.Abdalla Mohamed	Member
6	Ms. Amina Hussein	Member
7	Ms. Ann Mutheu Musyoki	Member
8	Mr. Ahmed Mohamed Ali	Chief Officer - Lands, Physical Planning, and Urban Development.
9	Mr. Abdulswamadu A.Ali	Municipal Manager.

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

Ref	Name	Position
1	Mr. Abdulswamadu A.Ali	Municipal Manager
2	Mr. Ahmed Mohamed Ali	Chief Officer - Lands, Physical Planning, and Urban Development.
3	Ms.Salma Omar	Chief Officer-Finance.

e) Fiduciary Oversight Arrangements

Sno	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 monitoring of expenditure and projects through vote controls, including program implementation on a periodic basis and ensuring that timely corrective action is taken.
2	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 Internal Audit Committee	The committee is responsible for overseeing risk management, internal control, and governance in a county government through reviewing the county government's governance mechanisms, transparency, and accountability Conducting audits to strengthen internal control mechanisms; verifying the existence of county government assets and ensuring their protection; Ensuring the county government follows appropriate policies and procedures; Evaluating the reliability of information available to management; Overseeing the implementation of recommendations from internal and external auditors and recommend decisions to the Governing Body for approval
4	County Assembly Public Accounts Investment Committee	The committee is headed by the Chairperson with primary mandate of oversight the expenditure of public funds by Lamu County entities, to ensure value for money.

County Government of Lamu
Lamu Municipality
Annual Report and Financial Statements for the year ended June 30, 2025

5	Parliamentary committee activities	Senate PAC & PAIC which oversight revenue allocated to County Government, examine report of the Office of the Auditor General on the annual accounts of the County Governments and to exercise oversight on the County Public Funds.
6	Office of the Auditor General	The Office is mandated to audit and report on the use and management of public resources by public entities. Article 229 (6) of the Constitution requires the Auditor-General to confirm whether public money has been applied lawfully and in an effective way.
7	Office of the Controller of Budget	Overseeing budget implementation of County Governments by authorizing withdrawals from public funds and reporting on their utilization. Ensuring that public funds are used in accordance with the law. Submit a report on the implementation of the budgets to each House of Parliament every four months.
8	Development partner oversight activities	Conditional grants conduct their own oversight activities for the projects implemented in the County.

f) Registered Offices

County Government of Lamu
Municipality of Lamu
P.o B0x 74-80500
Lamu

g) Contacts

Telephone: (254) 722677513
Email: lamumunicipality@lamu.go.ke
Website: www.lamu.go.ke

h) Bankers

Equity Bank Lamu Branch

P.O. Box 191- 80500

Lamu - Kenya.

Diamond Trust Bank Lamu Branch

P.O Box 61711-00200

Lamu-Kenya

i) Independent Auditor

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100 - Nairobi, Kenya

j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

k) County Attorney



Director Legal Services

P.O Box 74-80500

Lamu

3. Municipality Board

NAME	PROFILE
 <p data-bbox="331 857 564 920">Ms. Nasra Hussein Chairperson</p>	<p data-bbox="735 465 1466 763">Ms. Nasra Hussein Hassan was born on 26th November, 1996. She has a Bachelor Degree in leadership and economics from the University of Delaware (United States of America) and also has a Bachelor of Science in Public Health from the Jomo Kenyatta University of Agriculture and Technology.</p> <p data-bbox="735 819 1466 902">2023 - 2024: She worked as a Board Member in the United Nations Young Professional Program.</p> <p data-bbox="735 958 1466 1041">2020 - Worked in the Ministry of Health (Tanzania) as a Public Officer.</p> <p data-bbox="735 1097 1466 1180">2019 - 2020: She worked as a Project Manager in Mwanamke na Uongozi.</p> <p data-bbox="735 1236 1466 1319">2017 – 2019: Worked as a Logistics Officer at Abson Motors Ltd</p>
 <p data-bbox="304 1742 635 1805">Ms. Salma Hafidh Ahmed Board Member</p>	<p data-bbox="735 1400 1466 1760">Ms. Salma Hafidh Ahmed was born 21st November, 2000. She is appointed as a member of the board in the Municipality of Lamu. She graduated from Jomo Kenyatta University of Agriculture and Technology with a Bachelor of Science degree in Entrepreneurship. She worked as an attache in the Lamu County Government (Trade Department).</p>

 <p>Mr. Abdulumunim Omar Board Member</p>	<p>Born in 1989 Lamu, He is a graduate from University of Nairobi with a Bachelor of Law (LL.B). Mr. Abdul Munim Omar Mubarak is currently working as the Managing Partner at Abdulmunim Omar and CO. Advocates.</p> <p>2017-2021: He worked as the Chief Legal Officer at the County Government of Lamu.</p> <p>2014-2017: He worked as Assistant County Youth Coordinator in the County Government of Lamu.</p>
 <p>Dr. Abdalla Mohamed Board member</p>	<p>Born on 2nd May, 1952. Dr. Abdalla Mohamed has a master of Education in Quran Commentary and prophetic traditions from the Department of Islamic Studies, College of Education, King Saud University, and Riyadh. Also, he holds a Bachelor of Theology and Preaching from the Faculty of Theology and Preaching, Islamic University in Madina.</p> <p>1985 to 1994: Lecturing at the International Islamic University of Malaysia.</p> <p>1996-2011: Lecturing at the College of Islamic Studies, Mombasa.</p> <p>2016 to 2017: Lecturing at Post-Graduate Centre, RIU Mombasa Branch (MA Program under IUA of Sudan)</p>

 <p>Hon. Tashrif Bakari C.E.C.M.-Lands Physical Planning, Urban Development, Energy, Water and Natural Resources, Infrastructure and Public Works</p>	<p>Mrs.Tashrif Bakari was born on 25th February, 1989.She 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. From 2016-2017 she worked as Administrator at the Malindi Islamic Center for Orphans, a Community-Based Organization. Also, she worked at Pwani University, Psychology Department (2015) as a Research Assistant.</p>
 <p>Mrs.Amina Hussein Board Member</p>	<p>Mrs. Amina Hussein Soud was born on 29th September, 1965.She holds a Master's Degree in Environmental Science from Yale University, CT, USA, and a Bachelor of Science (Double Math/Chemistry) from the University of Nairobi.</p> <p>2020 up to date: She worked as a Manager of Voter Education in the Independent Electoral and Boundaries Commission.</p> <p>2009 to 2012: Monitor and supervise Electoral and Boundaries activities in the three counties of Mombasa, Kwale, and Taita Taveta</p> <p>2007 to 2009: She worked as a Branch Coordinator in the Kenya Red Cross Society</p>

 <p>Ms. Ann Mutheu Musyoki Board Member</p>	<p>Ms. Ann Mutheu Musyoki was born on 1st January, 1973. She holds a certificate in Early Childhood Education from Kilifi District.</p> <p>In May 2023: World Vision Kenya Lamu ADP parenting Program Mentor (Go Baby GO)</p> <p>August 2021: Trainer of trainers on Cashew Value Chain</p> <p>March 2021: Member of Hindi Bursary Committee representing persons with disabilities.</p> <p>2017 up to date: Working as an ECDE Teacher at Ungu Primary School.</p> <p>2006 to 2016: Worked as an ECDE Teacher at Safirishi Primary School</p>
 <p>Mr. Ahmed Mohamed Ali Chief Officer- Lands, Physical Planning and Urban Development.</p>	<p>Mr. Ahmed Mohamed Ali holds a Bachelor of Business Administration, a Higher National Diploma in Sales and Marketing, and a Diploma in Sales and Marketing. Currently working in Lamu County as Chief Officer of Land, Physical Planning, and Urban Development. He worked in Lamu County as the Chief Officer of Trade, Tourism, and Culture from 2013 to 2017. In 2012 - 2013, he worked with ABC Bank as a Manager Lamu Branch. He also worked with the Postal Corporation of Kenya as a sales manager.</p>



Mr. Abdulswamadu Abdalla Ali
Municipal Manager


Mr. Abdulswamadu A.Ali born in 1971 Lamu, He has completed a Bachelor's Degree in Civil Construction and Management from Kenyatta University. Currently working as Municipal Manager Municipality of Lamu in Lamu county Government.

2014 to 2015: Site Manager at Jomo Kenyatta Public Beach/senior Engineering Technologist at Mombasa Old Town Conservation Office.

2002 to 2013: Supervisor and reporting to the principle architect in the restoration work of the historical building in Mombasa.

2004 to 2005- Supervisor reporting to the principal architect of a road and landscaping project in Mombasa Old Town funded by the European Union.

4. Key Management Team

NAME	PROFILE
 <p data-bbox="248 770 657 837">Mr. Abdulswamadu Abdalla Ali Municipal Manager</p>	<p data-bbox="730 430 1436 680">Mr. Abdulswamadu A. Ali was born 9th June, 1971. He has completed Bachelor Degree in Civil Construction and Management from Kenyatta University. Currently working as Municipal Manager Municipality of Lamu in Lamu county Government.</p> <p data-bbox="730 730 1436 869">2014 to 2015: Site Manager at Jomo Kenyatta Public Beach/senior Engineering Technologist at Mombasa Old town Conservation Office.</p> <p data-bbox="730 918 1436 1057">2002 to 2013: Supervisor and reporting to the principle architect in the restoration work of the historical building in Mombasa.</p> <p data-bbox="730 1106 1436 1245">2004 to 2005: Supervisor reporting to the principal architect of road and landscaping project in Mombasa Old Town funded by the European Union.</p>
 <p data-bbox="277 1756 660 1823">Mr. Ahmed Mohamed Kombo Principal Administrator</p>	<p data-bbox="730 1339 1436 1509">Mr. Ahmed Mohamed Kombo was born on 29th June, 1988. He has a master of Science in Information Technology. Currently working as Principal Administrator, Municipality of Lamu in Lamu County Government.</p> <p data-bbox="730 1545 1436 1612">2017 to 2019: Research Assistant at the Kenya National Bureau of Statistics.</p> <p data-bbox="730 1648 1436 1715">2016 to 2017: County Coordinator at the Office of the Registrar of Political Parties.</p> <p data-bbox="730 1751 1436 1818">2015 to 2016: Part-time lecturer at Jomo Kenyatta University of Agriculture and Technology.</p>



**Ms. Zulfa Musa Hassan
Human Resource Assistant II**

Mrs. Zulfa Musa Hassan was born on 23rd August, 1983. She holds a Bachelor degree of Business Administration (Human resource option) at Technical University of Mombasa. Currently working as Human Resource Assistant Municipality of Lamu in Lamu County Government.

2022 to 2023: She worked as Human Resource Assistant II department of Public Service Management in Lamu County Government.

2014 to 2022- She worked as Human Resource Assistant II department of Medical Service in Lamu County Government

5. Municipality Board Chairperson's Report

It is my pleasure to present the annual report and financial statements for Municipality of Lamu, which reflect the fund's financial performance for the period ended June 30, 2025. The Lamu Municipality has been performing regular auditing, reporting, evaluation and communication with stakeholders to reinforce our commitment to transparency, accountability and ensure that we remain aligned with the best practices in public financial management and in compliant with the principles of fiscal responsibility as spelt out in the Public Finance Management Act (2012) and its regulations.

Among the key milestones the Board has realized in this financial year is the completion of the Improvement of Drainage System and Walkways along the Road Adjustment to Amu Market and Construction of Chicken Cage. A lot is still to be done upon transfer of functions from the County Government of Lamu to Municipality. This will not only create independency and efficiency in delivery of service but also facilitate attainment of our vision.

In the process of executing our mandate during the year, many challenges arose including limited staff personnel and ICT infrastructure. Indeed, whereas the Board mandate has expanded in the recent past the resource available has not been commensurate. Technology by the use of systems will not only ensure efficiency and effectiveness in the service delivery but also provides data backup for future reference by the Board. However, our commitment is resolute and we will continue to leverage on the power of synergy and escalate our stakeholder's engagements.

Our achievement as the Board must be acknowledged in the context of those that supported us throughout the year. More specifically, may I appreciate His Excellency the Governor, CECM Lands, Board Members and most importantly the secretariat staff that rise through the challenge of making the Board achieve its mandate.



.....
Name: Nasra Hussein

Chairperson of the Board

6. Report of the Municipality Manager

The Municipality of Lamu was established to sustainably manage the development of Lamu Municipality and service delivery in the town through ensuring controlled land use and delivering quality socio-economic, infrastructural environmental services to the Town's residents, traders and visitors. This is in recognition that urban development is a key factor to ensure attainment of National Development Goals.

During the year under review, there was active engagement with the County Government of Lamu to pave the way for the transfer of remaining functions to the Municipality of Lamu to enable maximum operational and attainment of objectives that are enshrined in the Municipal Charter. The engagement saw the transfer of enforcement function to the Municipality of Lamu in the area under its jurisdiction.

The Municipality Board received Ksh 32,310,100 under the Urban Institutional Grant (UIG) for the financial year ended June 30, 2025. No funds were received under the Urban Development Grant (UDG) during the same period. The Municipality of Lamu completed a project involving the Improvement of the Drainage System and Walkways along the Road adjacent to Amu Market and Construction of Chicken Cage at a total cost of Ksh.1,232,616 and acquisition of Computer and IT equipment at a total cost of Ksh.498,800. Additionally, there were expenditures of Ksh. 727,966 on the Use of Goods and Services and Ksh 4,878,548 was recorded as a Depreciation.

Financial year 2024/2025 was a good year generally. We have identified gaps and areas to improve on in the subsequent years. I take this opportunity to thank the board members for their support. I would like to thank all the staff whom we have worked with hand in hand to ensure that the Municipality of Lamu achieves its mission.



.....
Mr. Abdulswamadu Abdalla Ali
Municipal Manager.



7. Statement of Performance against Predetermined Objectives for the Financial Year ended June 30, 2025.

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that at the end of each financial year, the Accounting Officer for the Municipality of Lamu shall prepare financial statements in respect to the Municipality of Lamu in formats to be prescribed by the Accounting Standards Board including a statement of the Municipality of Lamu performance against predetermined objectives.

The key development objectives of the Municipality of Lamu as stated in the Municipal Charter is to:

- a. Promotion, regulation and provision of refuse collection and solid waste management services;
- b. Promotion and provision of water and sanitation services and infrastructure (in areas within the Municipality not served by the Water and Sanitation Provider).
- c. Construction and maintenance of urban roads and associated infrastructure.
- d. Construction and maintenance of storm drainage and flood controls.
- e. Construction and maintenance of walkways and other non-motorized transport infrastructure.
- f. Construction and maintenance of recreational parks and green spaces.
- g. Construction and maintenance of street lighting.
- h. Construction, maintenance and regulation of traffic controls and parking facilities.
- i. Construction and maintenance of bus stands and taxi stands.
- j. Regulation of outdoor advertising.
- k. Construction, maintenance and regulation of municipal markets and abattoirs.
- l. Construction and maintenance of fire stations; provision of fire-fighting services, emergency preparedness and disaster management.
- m. Promotion, regulation and provision of municipal sports and cultural activities.

*County Government of Lamu
Lamu Municipality
Annual Report and Financial Statements for the year ended June 30, 2025*

- n. Promotion, regulation and provision of animal control and welfare.
- o. Development and enforcement of municipal plans and development controls.
- p. Municipal administration services (including construction and maintenance of administrative offices); and Promoting and undertaking infrastructural development and services within the municipality.

Progress on the attainment of Strategic development objectives (Adopted from County Government of Lamu Annual Progress Report 2024/2025)

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	CIDP Target 22/27	Target 24/25	Achievement 24/25
Urban planning	To improved urban development	Improved physical and Infrastructure Development	Number of plan prepared and approved	5	2	0
General Administration	Administrati on and Support Services	Staff skills and competences developed	Number of staff recruited	174	52	40
Waste Management	To improved Urban services	Rehabilitation and construction of dumping site perimeter	Improved hygiene and healthy environment	5	1	0
	Purchased of Tractor and Trailer	Purchased of Tractor and Trailer	Number of Tractor and Trailer purchased	5	2	0
Infrastructure Development	To improved Infrastructure development	Improved Storm water drainage systems and roads Infrastructure.	Constructed of Storm Water drainage systems and KM of roads paved	5	1	1

8. Corporate Governance Statement

Municipality of Lamu is established by Urban Areas and Cities Act 2012 and derives its authority and accountability from the Act. The Board objectives vigorously pursue the developmental opportunities which are available in the Municipality and to institute such measures as are necessary for achieving public order and the provisions of civic amenities, to enhance the quality of life of the inhabitants of the Municipality among others. The Board is committed to ensuring compliance with the Urban Areas and Cities Act 2012. Essential to the Act is to ensure that management together with the board of trustees is at its apex.

Process of Appointment and removal of the Board.

The Board of the Municipality shall be composed of nine (9) members. Four (4) members of the Board of the Municipality shall be appointed through a competitive process by the County Assembly through vetting. Five (5) members of the Board shall be nominated by the following umbrella bodies:

- (a) an umbrella body representing professional associations in the area;
- (b) an association representing the private sector in the area;
- (c) a cluster representing registered associations of the informal sector in the area;
- (d) a cluster representing registered neighborhood associations in the area; and
- (e) an association of the Municipality. and appointed by the County Executive Committee with the approval of the County Assembly

The board members are responsible for the long-term strategic direction. The board members exercises leadership, integrity and judgment in directing the Municipality. The day-to-day running of the operations of the fund is vested on the Municipal Manager.

Board and member performance

During the year under review Municipality of Lamu was fully constituted. The Board has 4 standing committees which are required to meet at least quarterly or as required. The committee have been set up with clear terms of reference to facilitate efficient and effective decision making.

The chairperson of each sub Committee are as shown below:

Ref	Name of the Committee	Chairperson	No.of meetings held during the year
1	Finance & Economic Planning and Administration Committee	Ms. Amina Hussein	0
2	Environment, Climate Resilience and sanitation Committee	Ms. Ann Mutheu Musyoki	0
3	Environment & Health, Trade, Tourism, and Investment	Mr. Abdul Munim	0
4	Human Resource, Staff welfare and Public relations Committee	Mr. Abadalla Mohamed	0

Internal Control and Risk Management

Standing Instructions

The Municipal is in the process to develop Code of Ethics and Service Charter that will be applicable to all employees. This will entail a number of standing instructions to employees of the Municipal designed to enhance internal control.

Organization Structure

The Board has an approved organizational structure that clearly detail lines of authority and control responsibilities in line with the Urban and Cities Act 2012.

Internal Control Framework

The Board continues to review its internal control to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed in an ongoing basis. No significant

failings or weaknesses were identified during the financial year ended June 30, 2025.

Risk Management

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

Management Team

The management team is headed by the Manager, the Principal Administrator and Human Resource of the Municipality of Lamu implements the board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the board objectives are achieved effectively and efficiently.

Auditor

The fund is audited by the Office of the Auditor-General.

9. Management Discussion and Analysis

The Municipality of Lamu has continued to grow over the years and the management has put measures in place to safeguard risks. The management has ensured that we comply with statutory requirements relating to the functions of the fund.

Operational and financial performance of the Fund

The Municipality Board received Ksh 32,310,100 under the Urban Institutional Grant (UIG) for the financial year 2024/2025. No funds were received under the Urban Development Grant (UDG) during the same period. The Municipality of Lamu complete a project involving the Improvement of the Drainage System and Walkways along the Road adjustment to Amu Market and Construction of Chicken Cage at a total cost of Ksh.1, 232,616 and acquisition of Computers and IT Equipment at a total cost of Ksh.498, 800. Additional, there was an expenditures of Ksh. 727,966 on the Use of Goods and Services and ksh 4,878,548 was recorded as a Depreciation.

Key projects or investments decision implemented or ongoing

1. Improvement of the Drainage System and Walkways Along the Road Adjustment to Amu Market and Construction of Chicken Cage

Compliance with statutory requirements

The Fund complied with the following listed requirements but not limited to:

- Lamu Municipality Act 2019
- Public Finance Management Act 2012
- Public Procurement Disposal Act 2015.

Conclusion

We appreciate the unrelenting support from the board of trustees, management, staff, the county government, development partners and all the key stakeholders. We look forward to continuing partnership and cooperation in areas of mutual interest in the FY 2025/2026.

10. Environmental and Sustainability Reporting

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

a. Sustainability strategy and profile

Municipality of Lamu is established by and derives its authority and accountability from Urban Areas and Cities Act No.13 of 2011(amended 2019) and cities and Municipal Charter on 30th day January, 2018. This act has put in place good governance structure. The Municipal is independent, it has a Municipal Manager and an independent board of management. Furthermore, the Municipality has risk management framework which guides the fund in identifying, assessing and managing the risks and prescribe mitigating measures of all risks both external and internal.

b. Environmental performance

Towards environmental performance Municipality of Lamu has several policies to guide waste management and land use for environmental sustainability. Policies and plans are:

- Lamu Island Integrated Development Plan
- Lamu Solid Waste management policies
- Lamu Island local use and physical development plan.
- Zoning standard and regulation guideline for Lamu old town and Wiyoni.

Furthermore, the Municipality has a cleaning unit that ensure streets are clean.

c. Employee welfare

Through the department of Public Services Board hiring process is inconformity with recruitment and selection policies for Lamu County Public Service and labour laws of Kenya. County employee are continuous capacity build with and effort to improve staff skills. The working environment is ensured to be conducive and friendly to employees. Furthermore, employees are timely paid and provide with medical cover together with their independents.

d. Market place practices

Municipality of Lamu uses County pre-qualified suppliers to procure goods and services. The awarding is done competitively, fair and transparent in accordance with the procurement Act 2015. Similarly, all the Contracts signed by the respective suppliers are always honoured.

e. Community Engagements

The Municipality of Lamu engage community through Public Participation and Barraza's in each project planning and implementation stages.

11. Report of the Municipality of Lamu Board Members

The Board submitted their report together with the audited financial statements for the year ended June 30, 2025 which showed the state of the Fund affairs.

Principal activities

Municipality of Lamu Board is established by Urban Areas and Cities Act 2012 and derives its authority and accountability from the Act. The Board objectives seek to provide an enabling environment for development of economic opportunities available within the Municipality and to institute measures necessary for achieving public order while enhancing provisions of civic amenities and access to basic social services. The goal of the board is to improve the quality of life of the residents of the Municipality of Lamu.

Performance

The performance of the Fund for the year ended June 30, 2025 is set out on page 1 – 5

Board

The Members of the Board who served during the year ended June 30, 2025 are shown on page viii-xii.

Auditors

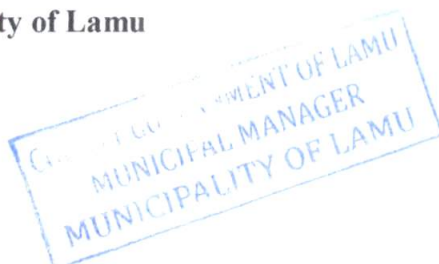
The Auditor General is responsible for the statutory auditing of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act, 2015.

By Order of the Board

.....
Mr. Abdulswamadu A. Ali

Municipal Manager

Municipality of Lamu



12. Statement of Management's Responsibilities

Section 180 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer of the Municipality of Lamu established by Urban Areas and Cities Act No. 13 of 2011 shall prepare financial statements in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Municipality of Lamu manager is responsible for the preparation and presentation of the Municipality's financial statements, which give a true and fair view of the state of affairs of the Municipality 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 Municipality of Lamu, (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 Municipality of Lamu, (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Municipality of Lamu Manager accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *Urban Areas and Cities Act No. 13 of 2011*. The Municipality of Lamu Manager is of the opinion that the financial statements give a true and fair view of the state of Municipality's transactions during the financial year that ended June 30, 2025, and the financial position as at that date.

The Municipality of Lamu Manager further confirms the completeness of the accounting records which have been relied upon in the preparation of financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern. Nothing has come to the attention of the Municipal Manager to indicate that the

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Municipality of Lamu 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 Municipality of Lamu financial statements were approved by the Board on 26/08/2025 and signed on its behalf by:



.....
Nasra Hussein
Chairperson of the Board



.....
Abdulswamadu Abdalla Ali
Municipal Manager



REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MUNICIPALITY OF LAMU FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Municipality of Lamu set out on pages 1 to 29, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Municipality of Lamu 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 Urban Areas Act, 2011, Lamu County Subsidiary Legislation, 2018 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Inaccurate Expenditure

The statement of financial performance reflects expenditure totalling Kshs.5,606,514. Review of records revealed that municipality payments totalling to Kshs.79,362,954 was processed through the Integrated Financial Management System (IFMIS) under vote 3229-3229000101-00001001-0101013210. However, the expenditure was not included in the expenditure of the Municipality and Management avers that the Municipality was not operating as an independent reporting entity and functioned as a department within the County Executive.

In the circumstances, the accuracy and completeness of expenditure totalling to Kshs.5,606,514 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.32,310,100. However, the Municipality spent Kshs.2,459,382 against actual receipts of Kshs.32,310,100 resulting to under-utilization of Kshs.29,850,718 or 92% of the total revenue received.

The under-utilization affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effects of the matter described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the prior year audit report, one (1) issue was raised under the Report on Financial Statements and two (2) issues under Report on Lawfulness and Effectiveness in Use of Public Resources. These include undisclosed property, plant and equipment, lack of operational independence of the Municipality and irregular contract for zoning standards, regulations and guidelines. Review of the status during audit of the Municipality in 2024/2025 revealed that the matters remained unresolved.

Other Information

The Management is responsible for the Other Information set out on page iii to xxvi which comprise of Key Entity Information and Management, Municipality Board, Key Management Team, Municipality Board Chairperson's Report, Report of the Manager, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Municipality Board Members 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 Municipality's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report,

I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Lack of Operational Independence of the Municipality

The statement of financial performance reflects expenditure totalling to Kshs.727,966 on use of goods and services. Review of records revealed that municipality payments totalling to Kshs.79,362,954 was processed through the Integrated Financial Management System (IFMIS) under vote 3229-3229000101-00001001-0101013210. As previously reported, Municipality of Lamu was established on 23 July, 2018 through Municipality of Lamu Charter and gazettelement of Municipality of Lamu Board on 27 September, 2019. Review of records revealed that the municipality is mandated to undertake various functions. However, the functions were undertaken by the department of Lands, Physical Planning, Urban Development and Infrastructure of the Lamu County Executive on behalf of the Municipality. This was contrary to Section 170 of the Public Finance Management Act, 2012 which states that the Accounting Officer for an urban area or city shall be designated as provided in Section 148 of this Act, and as Accounting Officer shall exercise the functions and powers assigned to an Accounting Officer in terms of this Act; and be responsible and accountable to the County Assembly for the financial management and administration of the urban area or city.

In the circumstances, the operational independence of the Municipality could not be confirmed and Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 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 Municipality'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 Municipality'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

Report of the Auditor-General on Municipality of Lamu for the year ended 30 June, 2025

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

04 December, 2025

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

Description	Note	2024-2025	2023-2024
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	32,310,100	-
		32,310,100	-
Revenue from exchange transactions			
		-	-
Total revenue		32,310,100	-
Expenditure			
Use of goods and services	7	727,966	2,961,525
Depreciation and amortization	8	4,878,548	5,411,400
Total expenses		5,606,514	8,372,925
Other gains/losses			
Surplus/(deficit) for the period		26,703,586	(8,372,925)

The notes set out on pages 6 to 28 form an integral part of these Financial Statements. The Municipality of Lamu financial statements were approved on 26/08/2025 and signed by:

.....
 Name: Abdulswamadu A. Ali
 Municipality Manager

.....
 Name: Mohamed O. Mohamed
 Head of Financial Reporting
 ICPAK M/No:24281



15. Statement of Financial Position as At 30 June 2025

Description	Note	2024-2025	2023-2024
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	9	32,437,669	2,586,951
Total current assets		32,437,669	2,586,951
Non-current assets			
Property, plant, and equipment	10	109,312,033	112,459,165
Total Non-current Assets		109,312,033	112,459,165
Total assets (A)		141,749,702	115,046,116
Liabilities			
Current liabilities			
Total current liabilities		-	-
Non-current liabilities			
Total liabilities (B)		-	-
Net Assets (A-B)		141,749,701	115,046,116
Represented by:			
Development Grant		112,107,241	112,107,241
Reserves		-	-
Accumulated surplus		29,642,461	2,938,875
Net Assets/Equity		141,749,702	115,046,116

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Municipality of Lamu financial statements were approved on 26/08/2025 and signed by:



Name: Abdulswamadu A. Ali
Municipality Manager



Name: Mohamed O. Mohamed
Head of financial Reporting
ICPAK M/No:24281



16. Statement of Changes in Net Assets for the Year Ended 30 June 2025

Description	Development Grant	Revaluation Reserve	Accumulated Surplus	Total
		Kshs.	Kshs.	Kshs.
Balance as at 1 July 2023	111,127,107	-	11,311,800	122,438,907
Surplus/(deficit) for the year	-	-	(8,372,925)	(8,372,925)
Development Grants	980,134	-	-	980,134
Revaluation gain/loss	-	-	-	-
Balance as at 30 June 2024	112,107,241	-	2,938,875	115,046,116
Balance as at 1 July 2024	112,107,241	-	2,938,875	115,046,116
Surplus/(deficit) for the year	-	-	26,703,586	26,703,586
Funds received during the year	-	-	-	-
Revaluation gain/loss	-	-	-	-
Balance as at 30 June 2025	112,107,241	-	29,642,461	141,749,702



.....
Name: Abdulswamadu A. Ali
Municipality Manager



.....
Name: Mohamed O. Mohamed
Head of Financial Reporting
ICPAK M/No:24281

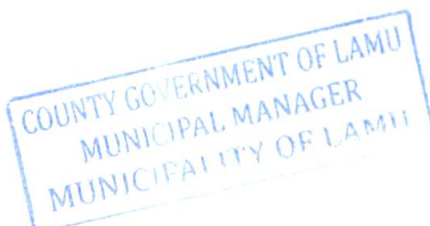


17. Statement of Cash Flows for the Year Ended 30 June 2025

Description	Note	2024-2025	2023-2024
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government	6	32,310,100	980,134
Total Receipts		32,310,100	980,134
Payments			
Use of goods and services		727,966	2,961,525
Total Payments		727,966	2,961,525
Net cash flows from operating activities	11	31,582,134	(1,981,391)
Cash flows from investing activities			
Purchase of PPE & intangible assets		1,731,416	980,134
Net cash flows used in investing activities		(1,731,416)	(980,134)
Cash flows from financing activities			
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash & cash equivalents		29,850,718	(2,961,525)
Cash And Cash Equivalents At 1 July 2024	9	2,586,951	5,548,476
Cash And Cash Equivalents At 30 June 2025	9	32,437,669	2,586,951

Name: Abdulswamadu A. Ali
Municipality Manager

Name: Mohamed O. Mohamed
Head Of Financial Reporting
ICPAK M/No:24281



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18. Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2025

Description	Original	Adjustments	Final budget	Actual on	Performance	% of
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	a	b	c=(a+b)	d	e=(c-d)	f=d/c
Budget carryovers from the Financial Year 2023/2024	2,586,951	-	2,586,951	2,586,951	-	100%
Receipts						
Transfers from the County Government	32,310,100	-	32,310,100	32,310,100	-	100%
Public contributions and donations	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Miscellaneous income (<i>specify</i>)	-	-	-	-	-	-
Total Receipts	32,310,100	-	32,310,100	32,310,100	-	100%
Payments						
Use of goods and services	33,162,477	-	33,162,477	727,966	32,434,511	2.2%
Board expenses	-	-	-	-	-	-
Staff Costs	-	-	-	-	-	-
Finance costs	-	-	-	-	-	-
Total expenditure Payments	33,162,477	-	33,162,477	727,966	32,434,511	2.2%
Capital Expenditure Payments	1,734,574	-	1,734,574	1,731,416	3,158	99%
Surplus for the period	-	-	-	32,437,669	32,437,669	

Budget notes

The under absorption of 99% is due to the late disbursement of funds amounting to 32,309,300 which were received on 30 June, 2025.

19. Notes to the Financial Statements

1. General Information

Section 9 of the Urban Areas and Cities Act empowers the County Governor, on the resolution of the County Assembly, to confer on a qualifying town, the status of a Municipality by grant of a Charter in the prescribed form. Section 9 (1) of the Urban Areas and Cities Act, (No. 13 of 2011) as complemented by section 72 of the Interpretations and General Provisions Act (Chapter 2) and all other enabling provisions of law, the County Governor of Lamu County Gants the Municipality of Lamu this charter on this 30th day of January 2018.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts, and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the Municipality of Lamu accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Municipality of Lamu.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Application of New and revised standards (IPSAS)

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2025.***

There were no new and amended standards issued in the financial year.

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

Standard	Effective date and impact:
IPSAS 43: Leases	<p>Applicable 1st January 2025</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 cash flows of a Municipality of Lamu.</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- Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p> <p>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>
IPSAS 45: Property Plant and Equipment	<p>Applicable 1st January 2025</p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be 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></p> <p>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></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that Municipality of Lamu shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48: Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
<p>IPSAS 49: Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public</p>

	sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
IPSAS 50:	Applicable 1st January 2027
Exploration For & Evaluation of Mineral Resources	<p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <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 Municipality of Lamu 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 Municipality of Lamu did not early – adopt any new or amended standards in the financial year or the Municipality of Lamu adopted the following standards early (state the standards, reason for early adoption and impact on Municipality of Lamu financial statements.)

4. 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 Municipality of Lamu and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability

to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

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 for each period.

b) Budget information

The original budget for the financial year ended June 30, 2025 was approved by the County Assembly on June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by Municipality of Lamu upon receiving the respective approvals in order to conclude the final budget.

The Municipality of Lamu 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. 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 has been presented under page 5 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, Municipality of Lamu 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) Biological Assets

The Municipality of Lamu recognizes biological assets when it controls the assets due to past events, it is probable that future economic benefits associated with the asset will flow to the Municipality of Lamu, and when the fair value or cost of the asset can be measured reliably. Biological assets are initially and subsequently measured at fair value less costs to sell, except where fair value cannot be reliably determined. In such cases, the asset is measured at its cost less accumulated depreciation and any accumulated impairment losses. Changes in fair value less costs to sell are recognized in surplus/deficit in the period in which they occur.

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 Municipality of Lamu 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 Municipality of Lamu and a financial liability or equity instrument of another Municipality of Lamu. At initial recognition, the Municipality of Lamu 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 Municipality of Lamu 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 Municipality of Lamu 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 cash flows 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 a Municipality of Lamu 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 Municipality of Lamu 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 Municipality of Lamu manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through a 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 Municipality of Lamu 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 Municipality of Lamu recognizes a loss allowance for such losses at each reporting date.

Financial liabilities

Classification

The Municipality of Lamu 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 Municipality of Lamu

h) Provisions

Provisions are recognized when Municipality of Lamu 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 Municipality of Lamu 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 needs of society as a whole. The Municipality of Lamu recognises a social benefit as an expense for the social benefits 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 Municipality of Lamu will incur in fulfilling the present obligations represented by the liability.

j) Contingent liabilities

Municipality of Lamu 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.

k) Contingent assets

Municipality of Lamu 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 Municipality of Lamu 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

l) Nature and purpose of reserves

Municipality of Lamu creates and maintains reserves in terms of specific requirements.

m) Changes in accounting policies and estimates

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

n) Employee benefits – Retirement benefit plans

Municipality of Lamu provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which Municipality of Lamu pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if Municipality of Lamu does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to scheme 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 benefits 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.

o) 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.

p) 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.

q) Related parties

Municipality of Lamu regards a related party as a person or a Municipality of Lamu with the ability to exert control individually or jointly, or to exercise significant influence over the Municipality of Lamu, or vice versa. Members of key management are regarded as related parties and comprise the Board members, Municipality of Lamu Managers and Municipality of Lamu Accountant.

r) 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 various commercial banks at the end of the financial year.

s) Comparative figures

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

t) Events after the reporting period

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorized for issue. Two types of events can be identified:

(a) Those that provide evidence of conditions that existed at the reporting date.

(b) Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Municipality of Lamu should indicate whether there are material adjusting and non- adjusting events after the reporting period.

u) Currency

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

5. Significant judgments and sources of estimation uncertainty

The preparation of the Municipality of Lamu 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.

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. Municipality of Lamu 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 Municipality of Lamu Such changes are reflected in the assumptions when they occur.

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:

- i) The condition of the asset based on the assessment of experts employed by the Municipality of Lamu
- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- iii) The nature of the processes in which the asset is deployed.
- iv) Availability of funds to replace the asset.
- v) Changes in the market in relation to the asset.

6. Transfers from the County Government

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	32,310,100	-
Payments by County on behalf of the entity	-	980,134
Unconditional development grants	-	-
Total	32,310,100	980,134

7. Use of Goods and Services

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Utilities, supplies and services	-	-
Communication, supplies and services	-	-
Domestic travel and subsistence	525,166	-
Foreign travel and subsistence	-	-
Printing, advertising, supplies & services	-	-
Rent and rates	-	-
Training expenses	-	-
Hospitality supplies and services	-	-
Insurance costs	-	-
Specialized materials and services	-	-
Office and general supplies and services	202,800	-
Fuel, oil and lubricants	-	-
Other operating expenses (Specify)	-	-
Routine Maintenance– vehicles	-	-
Routine maintenance – other assets	-	-
Contracted Professional Services	-	2,958,000
Audit fees	-	-
Hire of Transport, equipment etc	-	-
Bank Charges	-	3,525
Social Benefit expenses*	-	-
Total	727,966	2,961,525

8. Depreciation and Amortization

Description	2024-2025	2023-2024
	KShs	KShs
Property, plant and equipment	4,878,548	5,411,400
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	4,878,548	5,411,400

9. Cash and cash equivalents

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Fixed deposit account	-	-
On-call deposits	-	-
Current account	32,437,669	2,586,951
Others(<i>specify</i>)	-	-
Total cash and cash equivalents	32,437,669	2,586,951

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

Financial institution	Account number	2024-2025	2023-2024
		Kshs.	Kshs.
a) Fixed deposits account			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
Sub- total		-	-
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
Sub- total		-	-
c) Current account			
Equity Bank - UIG	1590279012840	126,411	2,546,936
Equity Bank - UDG	1590279012879	1,958	40,015
Diamond Trust Bank-UIG	0257993001	32,309,300	
Sub- total		32,437,669	2,586,951
d) Others(specify)			
Cash in transit		-	-
Cash in hand		-	-
Sub- total		-	-
Grand total		32,437,669	2,586,951

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10. Property, Plant and Equipment

Description	Building	Infrastructure	Furniture and fittings	Computers and Equipment's	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	
Depreciation Rate	2%	2%	12.50%	30%		
As at 1 July 2023	88,290,572	-	6,879,400	7,701,917	22,774,321	125,646,210
Additions	-	980,134	-	-	-	980,134
Transfers/adjustments	-	22,774,321	-	-	(22,774,321)	-
As at 30th June 2024	88,290,572	23,754,455	6,879,400	7,701,917	-	126,626,344
Additions for the year	-	1,232,616	-	498,800	-	1,731,416
Transfer/adjustments	-	-	-	-	-	-
As at 30th June 2025	88,290,572	24,987,071	6,879,400	8,200,717	-	128,357,760
Depreciation and impairment						
At 1 July 2023	3,531,622	-	1,610,538	3,613,619	-	8,755,779
Depreciation	1,765,811	475,089	859,925	2,310,575	-	5,411,400
Impairment	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-
As at 30 June 2024	5,297,433	475,089	2,470,463	5,924,194	-	14,167,179
Depreciation for the year	1,765,811	475,089	859,925	1,777,723	-	4,878,548
Transfer/adjustment	-	-	-	-	-	-
As at 30th June 2025	7,063,244	950,178	3,330,388	7,701,917	-	19,045,727
NBV as at 30th Jun 2024	82,993,139	23,279,366	4,408,937	1,777,723	-	112,459,165
NBV as at 30th Jun 2025	81,227,328	24,036,893	3,549,012	498,800	-	109,312,033

Property, Plant and Equipment Notes

During the financial year ended June 30 2025, the existing computers and equipment were fully depreciated. However, in June 2025, the Municipality of Lamu acquired infrastructure worth Ksh 1,232,616 and computers worth Ksh 498,800. These assets were not depreciated in the current year as they were acquired at the end of the financial year.

11. Cash generated from operations

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Surplus/ (deficit) for the year before tax	26,703,586	(7,392,791)
Adjusted for:		
Depreciation	4,878,548	5,411,400
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	31,582,134	(1,981,391)

12. Related party balances

a) Nature of related party relationships

Entities and other parties related to Municipality of Lamu 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 Municipality of Lamu scheme is related to the following entities:

- a) The County Government.
- b) The Parent County Government Ministry.
- c) County Assembly.

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d) Key management.

e) Municipality of Lamu Board;

b) Related party transactions

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Transfers from related parties'	-	-
Transfers to related parties	-	-

c) Key management remuneration

Description	2024/2025	2024/2025
	Kshs.	Kshs.
Board Members	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

Description	2024/2025	2023/024
	Kshs.	Kshs.
Due from parent Ministry	-	-
Due from County Government	-	-
Due from County Assembly	-	-
Total	-	-

e) Due to related parties

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Due to County Assembly	-	-
Total	-	-

13. Financial risk management

The Municipality of Lamu activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Municipality of Lamu overall risk management programme focuses on the 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. Municipality of Lamu 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 Municipality of Lamu financial risk management objectives and policies are detailed below:

I. Credit risk

Municipality of Lamu 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 assessments in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Municipality of Lamu management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the Municipality of Lamu maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
At 30 June 2025				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	32,437,669	-	-	-
Total	32,437,669	-	-	-
At 30 June 2024				

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Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	2,586,951	-	-	-
Total	2,586,951	-	-	-

II. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with Municipality of Lamu Manager, who has built an appropriate liquidity risk management framework for the management of the Municipality of Lamu short, medium and long-term liquidity management requirements. Municipality of Lamu manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

III. Market risk

The Board has put in place an internal audit function to assist it in assessing the risk faced by Municipality of Lamu 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 Municipality of Lamu income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Municipality of Lamu Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Municipality of Lamu exposure to market risks or the manner in which it manages and measures the risk.

IV. Foreign currency risk

Municipality of Lamu has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The carrying

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amount of the Municipality of Lamu foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Foreign currency sensitivity analysis

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

V. Interest rate risk

Interest rate risk is the risk that the Municipality of Lamu's financial condition may be adversely affected as a result of changes in interest rate levels. The Municipality of Lamu 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.

VI. Capital risk management.

The objective of the Municipality of Lamu capital risk management is to safeguard the Municipality of Lamu ability to continue as a going concern. Municipality of Lamu capital structure comprises of the following Municipality of Lamu:

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Revaluation reserve	-	-
Development Grants	112,107,241	112,107,241
Accumulated surplus	29,642,461	2,938,875
Total Funds	141,749,702	115,046,116
Total borrowings	-	-

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Less: cash and bank balances	(32,437,669)	(2,586,951)
Net debt/(excess cash and cash equivalents)	109,312,033	112,459,165
Gearing	-	-

14. Program for Results (PforR) Disclosure

Name of the PforR: Kenya Urban Support Programme	
Financing Partners: Kenya Urban Support Programme	
Purpose of the PforR: Facilitate effective and empowered urban planning and management system.	
Expenditure Details	Amount in Kshs
Cumulative actual expenditures for the previous years	160,879,271
Actual expenditure in the current financial year.	
1. Employee Cost	-
2. Use of Goods and Services	727,966
3. Grants and Subsidies	-
4. Building of ECDE facilities	-
5. Others (specify)	-
Sub-total	161,607,237
Cumulative Actual Expenditures to date	161,607,237

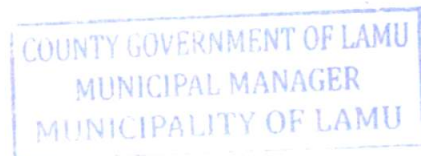
20. Appendices

Appendix 1. Progress on Follow-up of Auditors' 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	Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
OAG/NERQ/AUD/ML/2023/2024/(27)	Lack of Operational Independence of the Municipality	The Management has taken a corrective measures	Resolved	
	Irregular Contract for Zoning Standards, Regulations, and Guidelines	The Management has taken a corrective action	Resolved	

.....
 Abdulswamadu Abdalla Ali
 Municipal Manager



.....
 Mohamed Omar Mohamed
 Head of financial reporting

Appendix 3: Reporting of Climate-Relevant Expenditures

Name of the Organization: Municipality of Lamu
 Telephone Number: 0722677513
 Email Address: maawy006@gmail.com
 Name of Municipal Manager: Abdulswamadu Abdalla Ali

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

Appendix 4: Disaster Expenditure Reporting Template

Date:

Municipality of Lamu

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