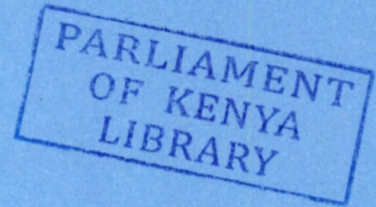


REPUBLIC OF KENYA



Enhancing Accountability

PAPER	REPORT
DATE	28/2/24
TABLED BY	Maj. leader
COMMITTEE	OF
CLERK AT THE TABLE	Angela



THE AUDITOR-GENERAL

ON

LAMU COUNTY EMERGENCY FUND

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



LAMU COUNTY EMERGENCY FUND

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

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



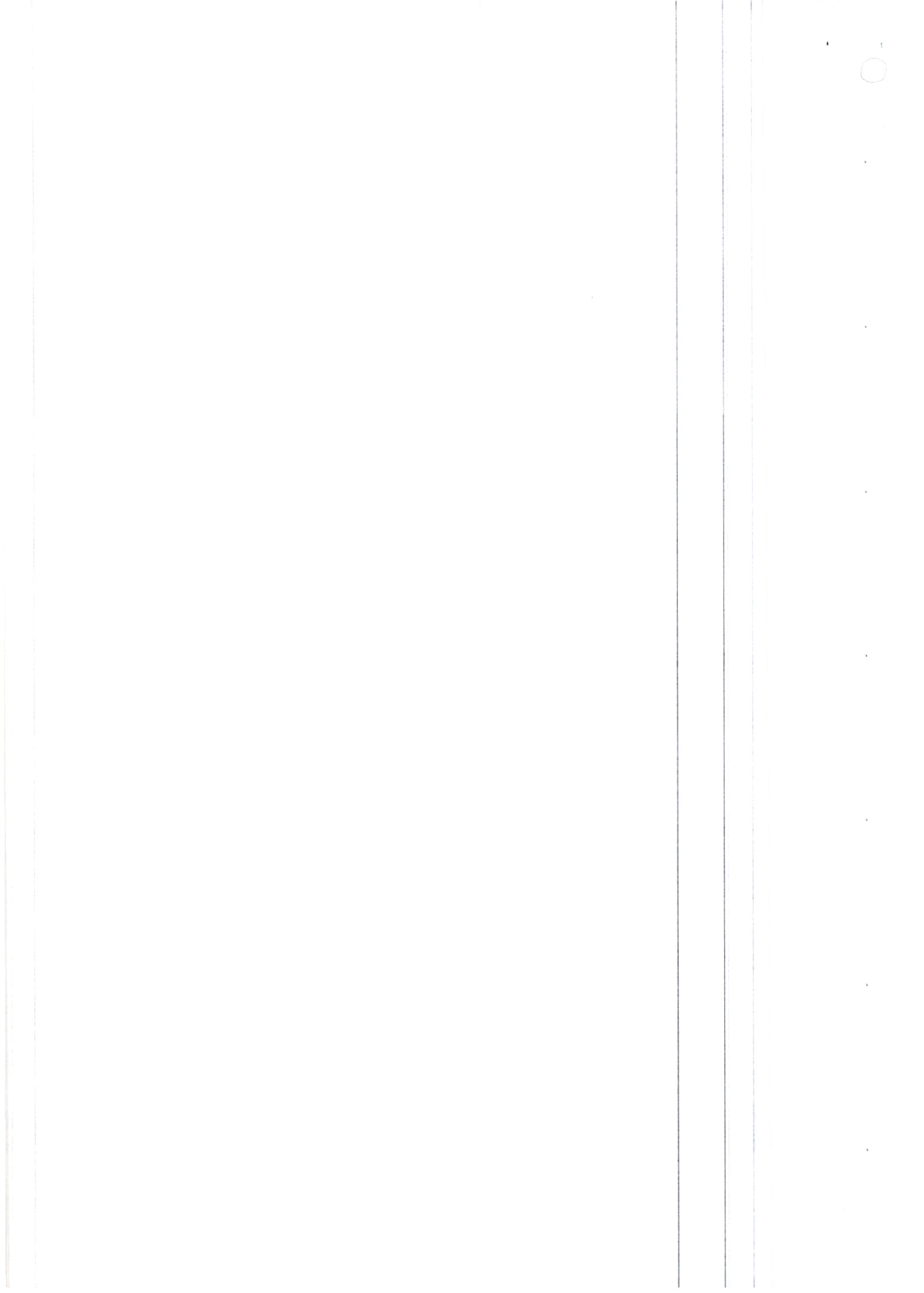


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1. Acronyms and Glossary of Terms

a) Acronyms

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

b. Glossary of Terms

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

a) Background information

Lamu County Emergency Fund was established by the Lamu County Emergency Fund Act of 2017 enacted by the County Assembly of Lamu. The creation of the Fund is enshrined in the PFM Act, 2012 and its regulations. The Fund is wholly owned by the County Government of Lamu and is domiciled in Kenya.

The Fund's objective is to establish emergency Fund kitty to cater for emergencies within the County.

b) Principal Activities

The Fund's principal activity is as enshrined in the Lamu County Emergency Fund Act, 2017. The purpose of the Fund is to enable payments to be made in respect of a County when an urgent and unforeseen need for expenditure arises for which there is no specific authority.

Core Objectives

To establish emergency fund kitty to cater for emergencies within the County

c) Fund Administration Committee

No.	Name	Designation/Office
1.	H. E Hon. Issa Abdalla Timamy	The Governor
2.	H. E Hon. Raphael Munyua Ndungu	Deputy Governor, CECM Climate Change
3.	Hon. Mohamed Mbwana Ali	CECM Finance, Budget, Strategy and Economic Planning
4.	Hon. Tashrif Bakari Mohamed	CECM Lands, Physical Planning, Urban Development, Energy, Water and Natural Resources, Infrastructure and Public Works.
5.	Hon Owanga Sabastian Aduong'a	CECM Education, IT, Gender, Youth Affairs, Sports, Community Development and Social Services
6.	Hon. Faiz Fankupi Abushiri	CECM Fisheries, Blue Economy, Livestock and Co-operative Development

7.	Hon Mbarak Mohamed Mbarak	CECM Health Services, Sanitation and Environment
8.	Hon. Aisha Abdalla Miraj	CECM Tourism, Culture Trade and Investment.
9.	Hon. James Gichu	CECM Agriculture, Irrigation and Food Security
10.	Hon. Ali Abbas	County Secretary and Head of Public Service

d) Key Management Team

No.	Name	Position
1	Hon. Mohamed Mbwana Ali	CECM Finance, Budget, Strategy and Economic Planning
2	CPA Salma Omar	Chief Officer – Finance, Budget and Economic Planning
3	CPA Mohamed A. Abubakar	Director Accounting Services
4	CPA David Njoroge	Ag. Head of Internal Audit
5	Mr. Swaleh Salad	Ag. Head of Supply Chain

e) Fiduciary Oversight Arrangements

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

f) Registered Offices

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

g) Fund Contacts

Telephone: (254) 715555111/758005005

E-mail: treasury@lamu.go.ke

Website: www.lamu.go.ke

h) Fund Bankers

Diamond Trust Bank

Lamu Branch

P.O. Box 120 - 80500

Lamu, Kenya.

i) Independent Auditors

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GOP 00100

Nairobi, Kenya

j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

3. Fund Administration Committee



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

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



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

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



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

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

With over 15 years of experience, leveraging the unique lessons he learned from the working with the community, Mohamed made a seamless transition to the current position of County CEC. He has grown over the years working with Lamu Education Development Foundation

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



Hon. Aisha Miraj

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

Mrs. Aisha Miraj holds Bachelor Degree in Education. Prior to her appointment, she was a Deputy Principal in Wiyoni Secondary School. She was active participating in different NGOs within Lamu in different capacity.



Hon. Dr. Mbarak M. Mbarak

C.E.C.M - Health Services, Sanitation and Environment

Hon. Dr. Mbarak Mohamed Mbarak Holds Master of Public Health Management from Egerton University, Kenya and Bachelors of Medicine and Bachelor of Surgery. Dr. Mbarak was Medical Superintendent at Coast General Teaching and Referral Hospital Mtongwe satellite also he was facility and program Manager at Lamu Rahab and Health Centre he also worked at The

Mombasa Hospital and Mombasa Dialysis Centre as Physicians Associate and Mewa Hospital as Resident Clinical Officer.



Hon. James Gichu

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

Hon. James Gichu holds Bachelor Degree of Science in Electrical and Electronics before his appointment he participate in oversees preparation and actualisation of Jubilee Youth Group irrigation project also planning and coordinating of Farm input distribution to farmers, participating in testing of Hybrid seeds variety pilot project.



Hon. Faiz Fankupi

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

Hon. Faiz Fankupi holds Bachelor of Education (arts) at Kenyatta University in 2013 attaining Second Class Donors. In 2016, he underwent both courses of Senior Management Course (SMC) and Strategic Leadership Development Programme (SLDP) at Kenya School of Government. In 2017 also, I have undergone a course on Executive Senior Management Programme at Administrative Staff College of India (ASCI) in India. He has been appointed as CECM

Fisheries, Blue Economy, Livestock and Cooperatives Development and before his appointment he was employed by County Government of Lamu as Youth Coordinator from 2014 to 2017 and by 2017 to 2022, he was employed by Kenya Ports Authority (KPA) as a Senior Operation Assistant.



Hon. Owanga Sebastain

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

He is a holder of Masters in Business Administration (Finance option) of Kenya University and Bachelor of Education (Arts) majoring in mathematics and Business studies.

Prior to his appointment as CECM he worked in the ministry of Education as a Deputy Director of Education, where he was a team leader in the management of National Education Management information system (NEMIS). As a Deputy Director of Education, he was also appointed as head of secretariat Presidential working party in Education Reforms in Kenya.

He has a wealth of experience in financial matters having been a member of technical working group financing of basic Education in Kenya.



Hon. Tashrifa Bakari

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

Mrs. Tashrifa Bakari has 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 Ministry of Interior and Coordination of National Government, Department of Correctional Services. In 2016-2017 she worked as Administrator in Malindi Islamic Center for Orphans, Community Based Organization. Also she worked in Pwani University, Psychology Department (2015) as Research Assistant.




Hon. Amb. Ali Abbas MBS

County Secretary and Head of Public Service

Hails from Faza Ward in Lamu East, Amb. Ali Abbas is a career diplomat having in the Ministry of foreign affairs of the Republic of Kenya for over 30 years. He holds Bachelor Degree in Arts from university of Nairobi and Postgraduate Diploma in International Relations and Economic Cooperation from Deutsche stiftung Fur Internationale Entwcklung in West Berlin. He was awarded title of Moran of the order of the Burning Spear (MBS) by H.E President Mwai Kibaki in year 2011. He served as Ambassador of Kenya to the Islamic Republic of Iran and the State of Kuwait. He also served in Kenya Missions in Abu Dhabi, Islamabad, Canberra and Dar es Salaam.

4. Management Team

Name	Details of qualifications and experience
 <p>Hon. Mohamed Mbwana CECM-Finance, Budget, Strategy and Economic Planning Fund Administrator</p>	<p>Hon. Mohammed Mbwana Ali Born 21st June 1972 is the CECM responsible for Finance, Budget Strategy and Economic Planning in the County Government of Lamu. He holds a bachelor (degree) of Sciences in Development Studies. Prior to his current position as CECM, he was previously a Lecturer at the Technical university of Mombasa. In 2013 Mohamed worked as the Personal Assistant to the Governor of Lamu County.</p> <p>With over 15 years of experience, leveraging the unique lessons he learned from the working with the community, Mohamed made a seamless transition to the current position of County CEC. He has grown over the years working with Lamu Education Development Foundation Trust- he has overseen the creation of Village Banks under the Bengi Investment Group (BIG) model in Lamu County, designed and implemented community projects to improve livelihoods of the people of Lamu County. He also worked as the government financial intermediary managing the Poverty Eradication Fund under the state department of planning and development.</p>

 <p>Mrs. Salma Omar Chief Officer Budget, Strategy & Economic Planning and Ag. Finance</p>	<p>Mrs. Salma Omar Ahmed Born 17th July 1985 is a Certified Public Accountant of Kenya and holds Bachelor's degree in Business Administration in Finance and Accounting from Moi University. She also holds certificate in Senior Management and Strategic Leadership from Kenya School of Government. She is a member of ICPAK. Prior to her appointment as Chief Officer, she was Ag. Director Accounting Service, Principal Finance Officer for the County Treasury and served. She is Redcross Lamu Branch Treasurer from year 2015 upto date. CPA Salma brings to the Board vast experience in technical and senior managerial skills having worked in both Private and Public Institutions</p>
 <p>Mr. Mohamed A. Abubakar Director Accounting Services</p>	<p>Mr. Mohamed A. Abubakar Born 29th June 1988 holds Master of Business Administration (MBA) in Finance from University of JKUAT and Bachelor's Degree in Business Administration in Finance and Accounting from Zanzibar University. He is a member of ICPAK. Before his appointment as Director of Accounting Services he was the Head of Accounting Service and Head of Financial Reporting Unit.</p>

5. Fund Chairperson's Report

In our pursuit to improve on transparency and accountability in public financial management, I present the 2022/2023 financial year report for the Lamu County Emergency Fund that provides in summary statements of financial performance, financial position, changes in Assets and Statements of Cash flows.

The Lamu County Emergency Fund has and will continue to manage its finances in accordance with the principles of fiscal responsibility as spelt out in the public finance management Act (2012) and its regulations and other applicable laws. In addition, the County Treasury will endeavour to comply with the Lamu County Emergency Fund Act, 2017 and sections 114(1) and 115(1) & (2) of the PFM Act, 2012.

Our achievement as the Board must be acknowledged in the context of those that supported as through the year. More specifically, may I appreciate His Excellency the Governor, County Executive Committee and most importantly the Finance staff that rise through the challenge of making the Board achieve its mandate.



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

6. Report of the Fund Administrator

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

The Lamu County Emergency Fund has and will continue to manage its finances in accordance with the principles of fiscal responsibility as spelt out in the public finance management Act (2012) and its regulations and other applicable laws. In addition, the County Treasury will endeavour to comply with the Lamu County Emergency Fund Act, 2017 and sections 114(1) and 115(1) & (2) of the PFM Act, 2012.

Financial Performance Trend

A) Revenue

During the year under review the Fund had an approved budget of Ksh. 10,614,658 that comprises of Ksh. 10,000,000.00 being transfers from the County Government and Ksh. 614,658 as balance from the previous financial year. The table below show budget and expenditures performance from financial year 2020/2021 to 2022/2023.

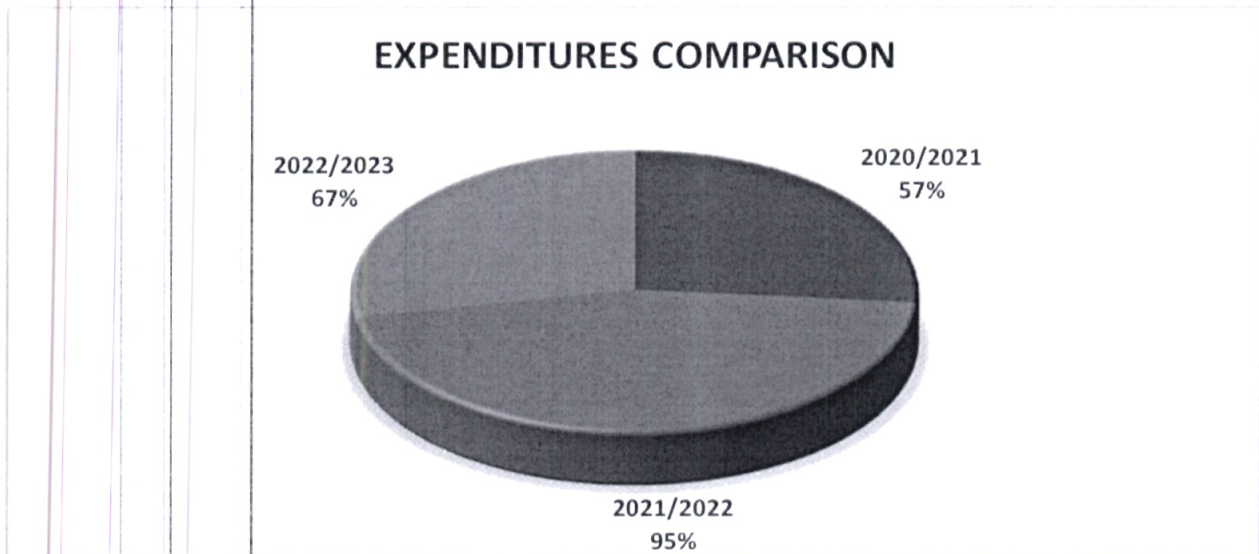
FY	Transfers	Balance b/d	Total Budget	Expenditure	% Utilization
	Ksh.	Ksh	Ksh.	Ksh.	%
2020/2021	5,000,000	6,873,750	11,873,750	6,738,444	57
2021/2022	7,000,000	5,135,306	12,135,306	11,520,648	95
2022/2023	10,000,000	614,658	10,614,658	7,161,500	67

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



B) Expenditures

The total expenditures during the period amounted to Ksh 7,161,500 which is expenditure on use of goods and services. The expenditure translates to 67% utilization on the total budget. Below is presentation of the same.



Future Outlook

The dynamics in weather pattern because of global warming and climate change will always be a threat not only to animals but human life as well. As Fund we will ensure readiness in handling of disasters in a more coordinate and efficient manner to protect destruction of property and any loss of life.



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

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

Introduction

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

Program	Objective	Outcome	Indicator	Performance
Emergency	enable payments to be made in respect of a County when an urgent and unforeseen need for expenditure arises for which there is no specific authority	Emergency handled	Number of activities undertaken	3

8. Corporate Governance Statement

The Fund

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

Roles and Functions of the Committee

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

Powers of the County Executive Committee Member

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

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

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

Fund Meetings

The Fund Administration committee confirms that the Fund has throughout the FY 2022/2023 complied with all statutory and regulatory requirements and that the Fund has been managed in accordance with the principles of good corporate governance. The Fund held 8 committee meetings during the financial year 2022/2023.

Internal Control and Risk Management

Internal Control Framework

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

Risk Management

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

Management Team

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

Auditor

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

9. Management Discussion and Analysis

Operational and financial performance FY 2022/2023

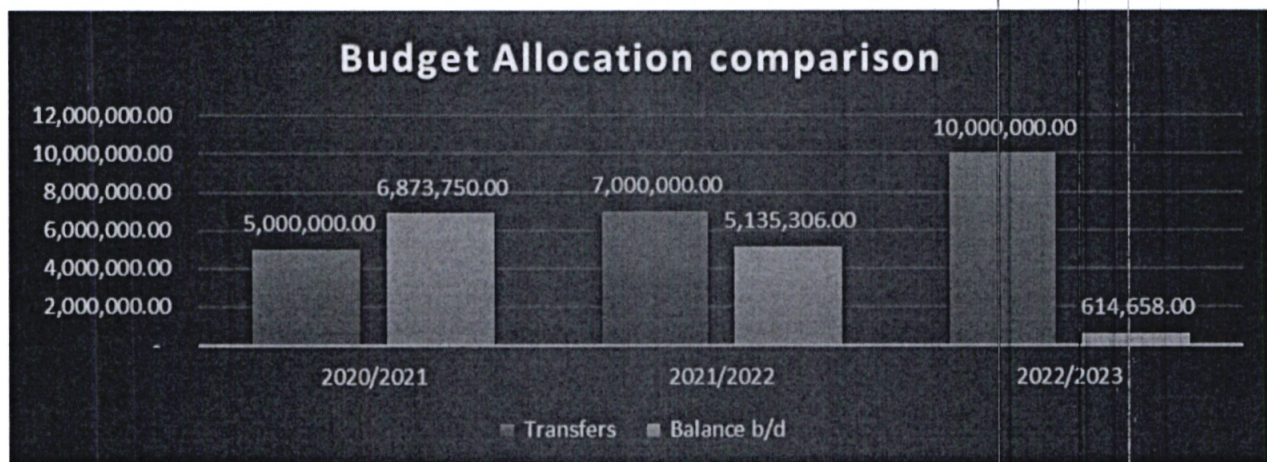
Financial Performance Trend

Revenue

During the year under review the Fund had an approved budget of Ksh. 10,614,658 that comprises of Ksh. 10,000,000.00 being transfers from the County Government and Ksh. 614,658 as balance from the previous financial year. The table below show budget and expenditures performance from financial year 2020/2021 to 2022/2023.

FY	Transfers	Balance b/d	Total Budget	Expenditure	% Utilization
	Ksh.	Ksh	Ksh.	Ksh.	%
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2021/2022	7,000,000.00	5,135,306.00	12,135,306.00	11,520,648.00	95
2022/2023	10,000,000.00	614,658.00	10,614,658.00	7,161,500.00	67

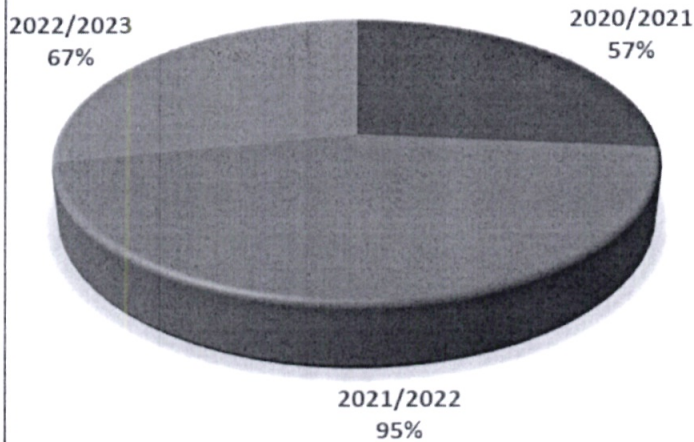
Below is the graphical presentation of budget allocation for the last three financial years



Expenditures

The total expenditures during the period amounted to Ksh 7,161,500 which is expenditure on use of goods and services. The expenditure translates to 67% utilization on the total budget. Below is presentation of the same.

EXPENDITURES COMPARISON



Fund compliance with statutory requirements

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

- Lamu County Emergency Fund Act 2017
- Public Finance Management Act 2012

Major Risk and Challenges

The Fund seeks to develop of Risk Management Policy Framework to provide a structured and systematic approach to identifying, assessing, and mitigating risks. The policy will help to navigate uncertainties, make informed decisions, and enhance overall resilience, contributing to their long-term success.

10. Environmental and Sustainability Reporting

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

i. Sustainability strategy and profile -

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

ii. Environmental performance

The fund ensures conserving of environment use of environmentally friendly products.

iii. Employee welfare

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

iv. Community Engagements-

Lamu County Executive visit the affected culprit affected by calamities to console them during difficult times. The County Government of Lamu also distributed to the community public health equipment, chemicals and net in response to floods as seen below



11. Report of the Fund Administration

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

Principal activities

The Fund's principal activity is as enshrined in the Lamu County Emergency Fund Act, 2017. The purpose of the Fund is to enable payments to be made in respect of a County when an urgent and unforeseen need for expenditure arises for which there is no specific authority.

Results

The results of the Fund for the year ended June 30, 2023, are set out on page 1 - 5

Trustees

The members of the Fund who served during the year are shown on page vi – xi. There were no changes in the fund administration committee during the financial year.

Auditors

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

By Order of the Fund



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

12. Statement of Management's Responsibilities

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

The Administrator of the Lamu County Emergency Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023. This responsibility includes:

- i. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.
- ii. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund.
- iii. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud.
- iv. Safeguarding the assets of the Fund.
- v. Selecting and applying appropriate accounting policies; and
- vi. Making accounting estimates that are reasonable in the circumstances.

The Administrator of the Lamu County Emergency Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in

the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

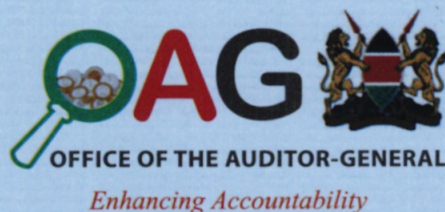
The Fund's financial statements were approved by the Board on 22nd September 2023 and signed on its behalf by:



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

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON LAMU COUNTY EMERGENCY FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Lamu County Emergency Fund set out on pages 1 to 34, which comprise of the statement of financial position as at 30 June, 2023 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 effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Lamu County Emergency Fund as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Lamu County Emergency Fund Act, 2017 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Presentation of the Financial Statements

The financial statements presented for audit did not indicate the name of the entity and the year under review on the pages containing the statement of financial performance, statement of changes in net assets and statement of comparison of budget and actual amounts.

In the circumstances, the financial statements were not in compliance with the Annual Financial Reporting Template (Revised June, 2023), issued by the Public Sector Accounting Standards Board.

2. Inaccuracy in the Transfers from Related Parties

Note 26(b) on related party balances reflects nil balance in respect of transfer from related parties. However, the statement of financial performance reflects transfers from the County Government of Kshs.10,000,000 resulting to unexplained variance of Kshs.10,000,000.

In the circumstances, the accuracy of transfers from related parties could not be confirmed.

3. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects comparative balance of Kshs.479,352 in respect of net cash flows from operating activities. However, re-computation of the balance resulted to negative Kshs.4,520,648 resulting to unexplained variance of Kshs.5,000,000.

In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.3,453,158 reflected in the statement of financial position could not be confirmed.

4. Misclassification and Irregular Expenditure on General Office Expenses

The statement of financial performance and Note 7 to the financial statements reflects expenditure of Kshs.7,161,500 in respect of use of goods and services. Included in the expenditure is Kshs.3,465,700 which was paid to a local firm in respect of supply and

delivery of emergency items for disaster response. However, the expenditure was incorrectly classified under general office expenses. In addition, Management did not provide evidence that the relevant department made an application for financing from the County Emergency Fund after failing to identify resources within the department through identification of savings for re-allocation.

Further, the balance includes Kshs.1,200,000 in respect of purchase of two thousand four-hundred (2,400) mosquito nets. However, only one thousand one hundred and seventy-seven (1,177) net were distributed. The balance of one thousand two hundred and twenty-three (1,223) nets worth Kshs.611,500 could not be accounted for.

The payment also included an amount of Kshs.200,000 paid to the supplier for fuel. Management did not provide justifiable explanation for the payment for fuel to the supplier who was not in the business of selling petroleum products. In addition, Management did not provide evidence on delivery of the fuel.

In the circumstances, the accuracy of use of goods and services balance of Kshs.7,161,500 could not be confirmed. In addition, the accountability of Kshs.611,550 spent on unaccounted for two hundred and twenty-three (1,223) nets and Kshs.200,000 paid to the supplier for fuel could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Irregular Cash Payments

During the year under review, an amount of Kshs.3,695,080 was paid towards social benefit expenses as reflected in Note 7 to the financial statements which includes Kshs.2,895,000 spent on financial assistance to households affected by fire instances which was paid to beneficiaries in cash. The amounts paid varied from Kshs.10,000 to Kshs.200,000 per beneficiary. However, out of the total expenditure, an amount of Kshs.2,035,000 was not supported by assessment reports to confirm the extent of damage suffered. Also, there was no report by the Village Administrator or from the local administration that informed the Ward Administrator to initiate the request for payments to the beneficiaries.

In the circumstances, the regularity of expenditure totalling to Kshs.2,895,000 could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Lack of a Risk Management Policy

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

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

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

Responsibilities of Management and 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 Fund's effectiveness of internal controls, risk Management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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



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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit

report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

01 February, 2024

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

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Public Contributions and Donations	1	-	-
Transfers From the County Government	2	10,000,000	7,000,000
Fines, Penalties and Other Levies	3	-	-
		10,000,000	7,000,000
Revenue From Exchange Transactions			
Interest Income	4	-	-
Other Income	5	-	-
		-	-
Total Revenue		10,000,000	7,000,000
Expenses			
Employee Costs	6	-	-
Use of goods and services	7	7,161,500	11,519,400
Depreciation and Amortization Expense	8	-	-
Finance Costs	9	-	1,248
Total Expenses		7,161,500	11,520,648
Other Gains/Losses			
Gain/Loss on Disposal of Assets	10	-	-
Gain /Loss on fair value of investments	11	-	-
Surplus/(Deficit) for the Period		2,838,500	(4,520,648)

(The notes set out on pages 7 to 32 form an integral part of these Financial Statements)



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



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

15. Statement of Financial Position as at 30 June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	12	3,453,158	614,658
Current Portion of Long - Term Receivables From exchange transactions	13	-	-
Prepayments	14	-	-
Inventories	15	-	-
Investments in financial assets	16	-	-
Total current assets		3,453,158	614,658
Non-Current Assets			
Property, Plant and Equipment	17	-	-
Intangible Assets	18	-	-
Long Term Receivables from Exchange Transactions	13	-	-
Investment Property	19	-	-
Total non- current assets		-	-
Total Assets		3,453,158	614,658
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	20	-	-
Current Portion of Borrowings	21	-	-
Employee Benefit Obligations	22	-	-
Social benefit liabilities	23	-	-
Total current liabilities		-	-
Non-Current Liabilities			
Long Term Portion of Borrowings	21	-	-
Non-Current Employee Benefit Obligation	22	-	-
Social benefit liabilities	23	-	-
Total Liabilities		-	-

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Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Net Assets		3,453,158	614,658
Revolving Fund		6,873,750	6,873,750
Reserves		-	-
Accumulated Surplus		(3,420,592)	(6,259,092)
Total Net Assets and Liabilities		3,453,158	614,658

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 22nd September 2023 and signed by:



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



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

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

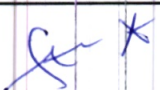
Description	Emergency Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1st July 2021	6,873,750	-	(1,738,444)	5,135,306
Surplus/(Deficit) For the Period	-	-	(4,520,648)	(4,520,648)
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2022	6,873,750	-	(6,259,092)	614,658
Balance As At 1 July 2022	6,873,750	-	(6,259,092)	614,658
Surplus/(Deficit) For the Period	-	-	2,838,500	2,838,500
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2023	6,873,750	-	(3,420,592)	3,453,158


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

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

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

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public Contributions and Donations	1	-	-
Transfers From the County Government	2	10,000,000	7,000,000
Fines, Penalties and Other Levies	3	-	-
Interest Income	4	-	-
Other Income	5	-	-
Total receipts		10,000,000	7,000,000
Payments			
Employee Costs	6	-	-
Use of goods and services	7	7,161,500	11,519,400
Finance Costs	9	-	1,248
Net cash flows from operating activities	25	2,838,500	479,352
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible assets		-	-
Proceeds from sale of property, plant & equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash & cash equivalents		2,838,500	479,352
Cash and cash equivalents at 1 July		614,658	135,306
Cash and cash equivalents at 30 June		3,453,158	614,658


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


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

19. Notes to the Financial Statements

1. General Information

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

2. Statement of compliance and basis of preparation

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

3. Adoption of new and revised standards

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

Standard	Effective date and impact
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for

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

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

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

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

**Lamu County Emergency Fund
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Standard	Effective date and impact:
	present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></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>

(iii) Early adoption of standards

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

1. Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

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

b) Budget information

The original budget for FY 2022-2023 was approved by the County Assembly on June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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

c) Property, plant and equipment

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

d) Intangible Assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange.

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Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

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

e) Investment property

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

f) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The Emergency Fund does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements.* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the

entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

The entity 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 Entity.

h) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a

provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

i) **Social Benefits**

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

Summary of Significant Accounting Policies (Continued)

j) Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

l) Changes in accounting policies and estimates

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

m) Employee benefits – Retirement benefit plans

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

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

n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

o) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is

being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

p) Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

q) Cash and cash equivalents

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

r) Comparative figures

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

5. Significant judgments and sources of estimation uncertainty

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

a) Estimates and assumptions –

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

b) Useful lives and residual values

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

The condition of the asset based on the assessment of experts employed by the Entity

- The nature of the asset, its susceptibility and adaptability to changes in technology and processes

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- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

c) Provisions

No Provisions were raised and management determined an estimate based on the information available.

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6. Notes to the Financial Statements

1. Public contributions and donations

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

2. Transfers from County Government

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers From County Govt. – Operations	10,000,000	7,000,000
Total	10,000,000	7,000,000

3. Fines, penalties and other levies

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

4. Interest income

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

5. Other income

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

6. Employee Costs

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

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7. Use of Goods and Services

Description	2022-2023	2021-2022
	Kshs.	Kshs.
General Office Expenses	3,465,700	11,519,400
Bank Charges	720	-
Social benefit expenses	3,695,080	-
Total	7,161,500	11,520,648

8. Depreciation and Amortization Expense

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

9. Finance costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank Charges	-	1,248
Total	-	1,248

10. Gain/(loss) on disposal of assets

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

11. Gain/ (loss) on Fair Value Investments

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

12. Cash and cash equivalents

Description	2022-2023	2021-2022
	Kshs	Kshs
Current Account	3,453,158	614,658
Total Cash And Cash Equivalents	3,453,158	614,658

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Financial Institution	Account number	2022-2023	2021-2022
		Kshs	Kshs
A) Current Account			
Diamond Trust Bank	0149566001	3,453,158	614,658
Total		3,453,158	614,658

13. Receivables from exchange transaction

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

14. Prepayments

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

15. Inventories

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

16. Investments in financial assets

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

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17. Property, plant and equipment

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

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18. Intangible assets

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

19. Investment Property

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

20. Trade and other payables from exchange transactions

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

21. Provisions

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

22. Borrowings

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

23. Employee benefit obligations

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

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24. Social Benefit Liabilities

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

25. Cash generated from operations

Description	2022-2023	2021-2022
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	2,838,500	(4,520,648)
Adjusted For:		
Depreciation	-	-
Amortization	-	-
Gains/ Losses On Disposal Of Assets	-	-
Interest Income	-	-
Finance Cost	-	-
Working Capital Adjustments		
Increase In Inventory	-	-
Increase In Receivables	-	5,000,000
Increase In Payables	-	-
Net Cash Flow From Operating Activities	2,838,500	479,352

Notes to the Financial Statements (Continued)

26. Related party balances

a) Nature of related party relationships

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

- a) The County Government.
- b) County Treasury.
- c) Key management.
- d) Fund Administration Committee

b) Related party transactions

Description	2022 – 2023	2021 - 2022
	Kshs	Kshs
Transfers From Related Parties'	-	-
Transfers To Related Parties	-	-

c) Key management remuneration

Description	2022 – 2023	2021 - 2022
	Kshs	Kshs
Fund Administration Committee	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

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

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Other Disclosures Continued

e) Due to related parties

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

27. Contingent assets and contingent liabilities

Contingent Liabilities	2022 – 2023	2021 - 2022
	Kshs	Kshs
Total	-	-

28. Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Fund's financial risk management objectives and policies are detailed below:

a) Credit risk

The Fund has no exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, considering its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

The fund administration committee sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

b) Liquidity risk management

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

c) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

i. Interest rate risk

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

Management of interest rate risk

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

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d) Capital risk management.

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

Description	2022 - 2023	2021 - 2022
	Kshs	Kshs
Revaluation reserve	-	-
Emergency fund	6,873,750	6,873,750
Accumulated surplus	(3,420,592)	(6,259,092)
Total funds	3,453,158	614,658
Total borrowings	-	-
Less: cash and bank balances	3,453,158	614,658
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

29. Events after the reporting period

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

30. Ultimate and Holding Entity

The Lamu County Emergency Fund is a County Public Fund established by Lamu County Emergency Fund Act of 2017 enacted by the County Assembly of Lamu under the Ministry of Finance. Its ultimate parent is the County Government of Lamu.

31. Currency

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

20. Annexes

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.1	The fund do not prepare programmed based budget	Do to the nature of the fund it is not possible do prepare budget as the events are unforeseen.	Resolve	2022/2023
4.6	Lack of risk management policy	County is in process of developing risk management policy	Not Resolve	2023/2024

CPA Salma Omar,

Chief Officer – Finance, Budget, Strategy and Economic Planning

Date: 25/9/2023

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 Annex II: Inter - Fund Confirmation Letter



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



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

LAMU COUNTY
 P.O. Box 74-80500
 LAMU

Lamu County Emergency Fund
 P.O Box 74 – 80500,
 Lamu County, Mokowe

The Lamu County Treasury wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by Lamu County Emergency Fund as at 30 th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by Lamu County Treasury (Kshs) as at 30 th June 2023				Amount Received by Lamu County Emergency Fund (KShs) as at 30 th June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
	11/11/2022	1,500,000	-	-	1,500,000	1,500,000	-
	27/03/2023	8,500,000	-	-	8,500,000	8,500,000	-
Total		10,000,000	-	-	10,000,000	10,000,000	-

In confirm that the amounts shown above are correct as of the date indicated.
 Head of Accountants department of beneficiary Fund:
 Name Mohamed Abbas Sign [Signature] Date 28/9/2025

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Annex III: Reporting of Climate Relevant Expenditures

There were no climate relevant expenditures

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

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Annex IV: Reporting on Disaster Management Expenditure

Column I Programme	Column II Sub-programme	Column III Disaster Type	Column IV Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/pr eparedness)	Column V Expenditure item	Column VI Amount (Kshs.)	Column VII Comments
		Fire	Response		1,720,000	
		Attacks	Response		1,325,000	
		Drought	Mitigation		650,080	
		Disease outbreak	Preparedness		3,465,700	
TOTAL					7,161,500	

