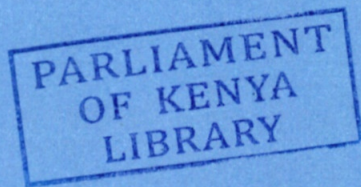


REPUBLIC OF KENYA



*Enhancing Accountability*

PAPERS REPORT	
DATE	28/2/2024
TABLED BY	May. Leader
COMMITTEE	← OF
CLERK AT THE TABLE	Angela



**THE AUDITOR-GENERAL**

**ON**

**RECEIVER OF REVENUE -  
REVENUE STATEMENTS**

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

**COUNTY GOVERNMENT OF LAMU**



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**RECEIVER OF REVENUE**

*County Government of Lamu*

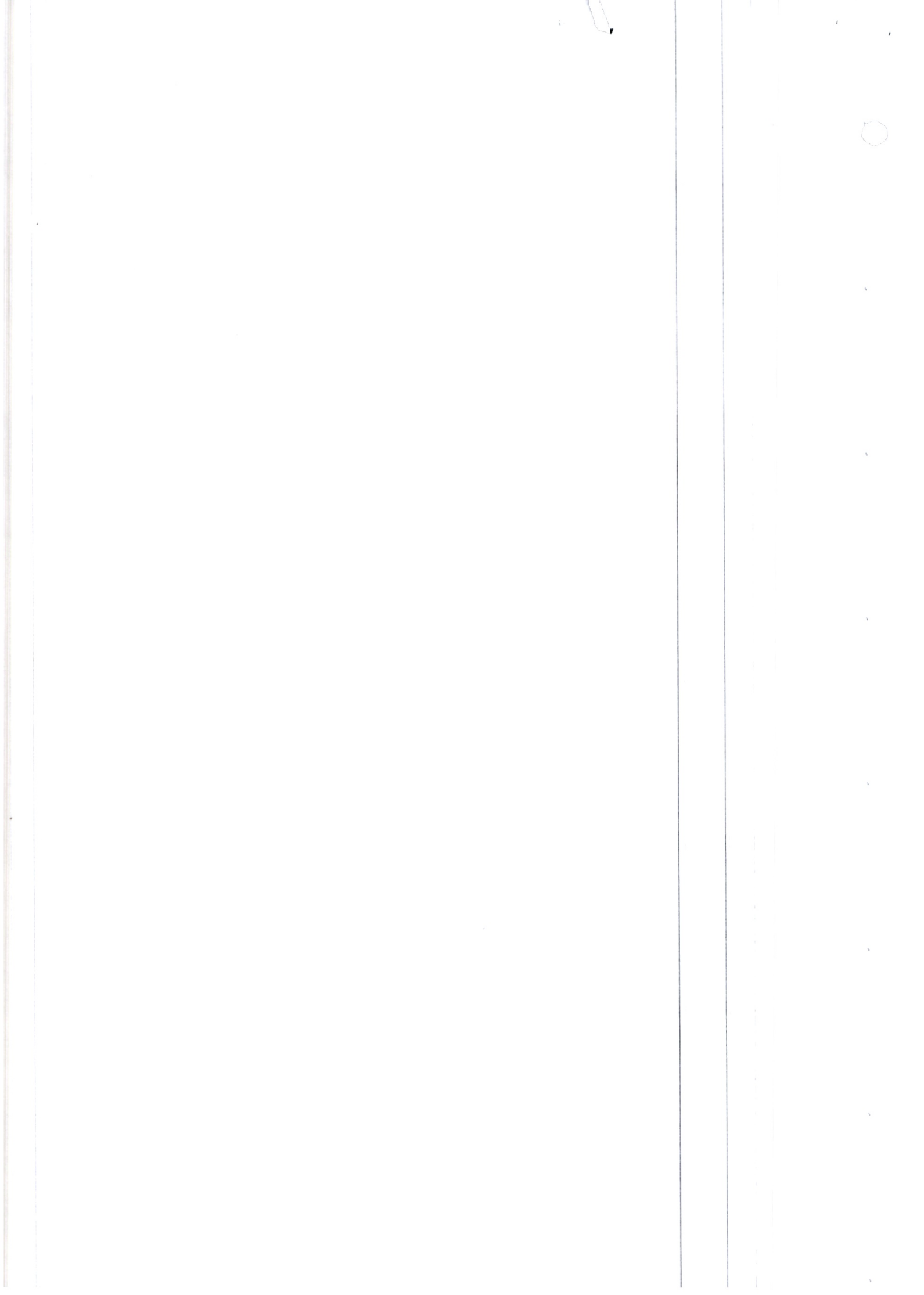
**REVENUE STATEMENTS  
ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2023**

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





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**1. Acronyms and glossary of terms**

*a) Acronyms*

CA	County Assembly
COB	Controller of Budget
CRF	County Revenue Fund
FY	Financial Year
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
OSR	Own Source Revenue
PFMA	Public Finance Management Act
PSASB	Public Sector Accounting Standards Board
ROR	Receiver of Revenue

*b) Glossary of terms*

Comparative FY	Comparative Prior Financial Year
Fiduciary Management	The key management personnel who had financial responsibility

## **2. Key Entity Information and Management**

### **(a) Background information**

The Lamu Receiver of Revenue is under the Department of Finance. At the County Executive Committee level, the Lamu Receiver of Revenue is represented by the County Executive committee member for Finance, Budget, Strategy and Economic Planning, who is responsible for the general policy and strategic direction of the Lamu Receiver of Revenue. The Lamu Receiver of Revenue is designated as receiver revenue of County Government of Lamu by the County Executive Committee member for Finance, in accordance with section 157 of the PFM Act.

### **(b) Principal activities**

The receiver of revenue collects revenue and remits to the County Revenue Fund (CRF).

### **(c) Key Management Team**

The County Government of Lamu' day-to-day management of revenue is under the following:

No.	Designation	Name
1.	CECM Finance, Budget, Strategy and Economic Planning	Hon. Mohamed Mbwana Ali
2.	Chief Officer - Finance, Budget, Strategy & Economic Planning	CPA Salma Omar Ahmed
3.	Ag. Chief Officer - Food Security & Co-operatives Development	Mr. James Njoroge
4.	Chief Officer - Medical Service	Dr. Victor Tolle
5.	Chief Officer - Tourism, Culture, Trade, and Investment	Mrs. Joyce Wanjiku Murimi
6.	Chief Officer - Education, Technology, Gender, Youth Affairs, Sports, Community Development and Social Service	Mrs. Hafswa Abdalla Diffini.
7.	Chief Officer - Fisheries, Blue Economy, Livestock, and Co-operative Development	Mr. Kamalu Shariff Mzee
8.	Chief Officer - Public health, environment & Sanitation and environment	Mr. Mohamed Rashid Dirie
9.	Chief Officer - Natural Resources, Lands, Physical Planning and Urban Development	Mr. Ahmed Mohamed Ali

**Receiver Of Revenue  
County Government Of Lamu  
Revenue Statements for the Period Ended 30<sup>th</sup> June 2023**

10.	Ag. Chief Officer - Water Management	Mr. Abarufa Dido
11.	Manager - Municipality of Lamu	Mr. Abduswamad Hussein
12.	Director Accounting Services	CPA Mohamed Abbas Abubakar
13.	Assistant Director Revenue (Head of Revenue Reporting)	CPA Joseph Kamau Muitah

**(d) County Headquarters**

P.O. Box 74-80500  
Mokowe Headquarter  
Lamu-Malindi Road  
Lamu, Mokowe

**(e) County Executive Contacts**

Telephone: (+254) 715555111/758005005  
E-mail: [treasury@lamu.go.ke](mailto:treasury@lamu.go.ke)  
Website: [www.lamu.go.ke](http://www.lamu.go.ke)

**(f) Independent Auditor**

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

**(g) Principal Legal Adviser**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O.BOX 40112  
City Square 00200  
NAIROBI, KENYA

*Receiver Of Revenue  
County Government Of Lamu  
Revenue Statements for the Period Ended 30<sup>th</sup> June 2023*

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**(h) Bankers**

- 1 Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
NAIROBI, KENYA
  
- 2 Kenya Commercial Bank  
P.O.BOX 121-80500  
Lamu Branch  
Kenyatta Avenue
  
- 3 Equity Bank  
P.O.BOX 121-80500  
Lamu Branch  
Kenyatta Avenue
  
- 4 Diamond Trust Bank  
P.O.BOX 60-80500  
Lamu Branch  
Kenyatta Avenue
  
- 5 Corporative Bank  
Mpeketoni Branch  
Lamu, Kenya

### **3. Foreword by the CECM Finance, Budget, Strategy and Economic Planning**

Article 202 of the constitution of Kenya provides that revenue raised nationally shall be shared equitably among National and County Government. Each county Government's equitable share of revenue raised nationally is determined yearly through the County Allocation of Revenue Act (CARA). The revenue sharing formula is developed by the Commission on Revenue Allocation (CRA) and approved by parliament in accordance with Article 217 of the constitution. The county also finances its operations through Own Source Revenues (OSR). These are revenues collected within the county. The key local revenue sources include single business permits, health facilities, land rates, cesses amongst others. The county continues to explore new and innovative ways of increasing its local revenues collections.

The county own source revenue has been on upwards trajectory for the last three years. The County Government of Lamu was managed to collect Ksh. 156,907,245.00 being in this current financial year 2022/2023 being an increase of Ksh. 25,907,245.00 (19%) from the target collection of Ksh. 131,000,000.00. Hospital fees and Single business permit remains to be the highest revenue streams over the last three financial years. The County was able to disburse to the County Revenue Fund (CRF) Account Ksh. 156,484,041.00 that translates to 99% of the total revenue collection.

In the process of executing our revenue collection target during the year, challenges that were hindering the actualization of revenue collection were noted and measures developed to ensure in future they are minimized. We also manage to develop Lamu County Finance Act of 2023 which shall ensure more revenue streams are put on table. Our achievement as the receiver of revenue must be acknowledged in the context of those that supported as through the year. More specifically, may I appreciate His Excellency the Governor, CECMs, County Chief Officers and most importantly the revenue section unit that rise through the challenge of making sure we achieve the target.



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

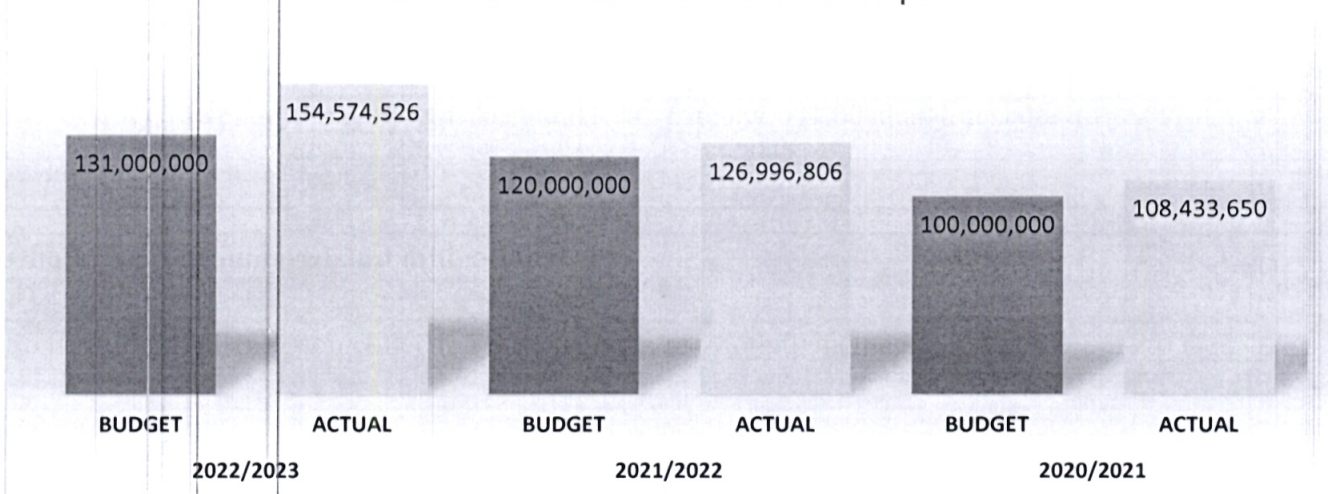
#### 4. Management Discussion and Analysis

##### Own Source Revenue Performance

The County Government of Lamu was managed to achieve and surpass its revenue target for the three consecutive years as per the summary below;

SUMMARY REVENUE COLLECTION						
DESCRIPTION	2022/2023		2021/2022		2020/2021	
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL
OWN SOURCE REVENUE	131,000,000	154,574,526	120,000,000	126,996,806	100,000,000	108,433,650

##### Own Source Revenue Comparison



The county own source revenue has been on upwards trajectory for the last three years. The County Government of Lamu was managed to collect Ksh. 156,907,245.00 being in this current financial year 2022/2023 being an increase of Ksh. 25,907,245.00 (19%) from the target collection of Ksh. 131,000,000.00. Hospital fees and Single business permit remains to be the highest revenue streams with the two contributing to a total of Ksh. 107,260,721 (68%). The County was able to be disbursed to the County Revenue Fund (CRF) Account Ksh. 156,484,041.00 that translates to 99% of the total revenue collection.

##### Challenges encountered and mitigations.

Some of the challenges on collection of revenue in the County include:

*Receiver Of Revenue  
County Government Of Lamu  
Revenue Statements for the Period Ended 30<sup>th</sup> June 2023*

Challenges	Mitigation
Relaying of old Finance Act of 2016 to collect revenue	Update of finance Act. The County has already developed Finance Act and submitted to County Assembly for Approval
Lack of legislation on various revenue streams	The County seeks to develop legislation on various revenue streams
Capacity of staff in the revenue department	Through the department of Finance revenue, a training plan has been developed to capacity build revenue officers in various areas
Lack of enforcement on county revenue legislation	The department will cooperate with the County enforcement unit
Lack of proper facilitation of revenue staff	Budget has been set aside for FY 2023/2024 to procure motorbikes and other equipment's needed by the revenue unit

## **5. Statement of Receiver of Revenue's responsibilities**

Section 165 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, a receiver of revenue for a county government shall prepare an account in respect of the revenue collected, received, and recovered by the receiver during that financial year.

The Receiver of Revenue is responsible for the preparation and presentation of the Lamu County receiver of revenue account, which gives a true and fair view of the state of affairs of the Lamu County receiver of revenue for and as at the end of the financial year (period) 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 statement of assets and liabilities of the entity, (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 entity, (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Receiver of Revenue in charge accepts responsibility for the Lamu's receiver of revenue accounts, which have been prepared on the Cash Basis method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. The Receiver of Revenue is of the opinion that the Lamu's receiver of revenue account gives a true and fair view of the state of Lamu's receiver of revenue transactions during the financial year ended June 30, 2023, and of the Lamu's statement of assets and liabilities as at that date. The Receiver of Revenue further confirms the completeness of the accounting records maintained, which have been relied upon in the preparation of the Lamu County receiver of revenue account as well as the adequacy of the systems of internal financial control.

The Receiver of Revenue confirms that the County Government of Lamu has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable). The Receiver of Revenue confirms that the revenue statements have been prepared in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya.

*Receiver of Revenue  
County Government of Lamu  
Revenue Statements for The Period Ended 30<sup>th</sup> June 2023*

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**Approval of the Revenue Statements**

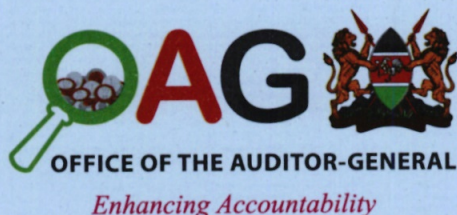
The revenue statements were approved and signed by the Receiver of Revenue on 25<sup>th</sup> September 2023.



.....  
CPA MOHAMED ABBAS ABUBAKAR  
**DIRECTOR ACCOUNTING SERVICES  
FINANCE, STRATEGY AND ECONOMIC PLANNING  
COUNTY GOVERNMENT OF LAMU**

# REPUBLIC OF KENYA

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Anniversary Towers  
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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON RECEIVER OF REVENUE - REVENUE STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023 - COUNTY GOVERNMENT OF LAMU

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### 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 REVENUE STATEMENTS

#### **Adverse Opinion**

I have audited the accompanying Revenue Statements of Receiver of Revenue - County Government of Lamu set out on pages 1 to 17, which comprise the statement of financial

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*Report of the Auditor-General on Receiver of Revenue - Revenue Statements for the year ended 30 June, 2023 - County Government of Lamu*

assets and liabilities as at 30 June, 2023, and the statement of receipts and disbursements, statement of arrears of revenue 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the revenue statements do not present fairly, the financial position of Receiver of Revenue - County Government of Lamu 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 (Cash Basis) and do not comply with the Public Finance Management Act, 2012 and the County Governments Act, 2012.

### **Basis for Adverse Opinion**

#### **1. Unsupported Receipt Amounts**

The statement of receipts and disbursements reflects County own source revenue of Kshs.154,574,526 as detailed in the notes to the financial statements. However, Management did not provide detailed schedules of revenue collection indicating the names of payees, receipts, transaction numbers and the specific amounts collected. In addition, revenue collections were not reconciled against the amount banked or paid through the Mpesa pay bill number as required.

In the circumstances, the accuracy and completeness of receipts in the statement of receipts and disbursements could not be confirmed.

#### **2. Failure to Disclose Arrears of Revenue**

As previously reported, the statement of arrears of revenue reflects Kshs.Nil receipt arrears. However, the property and land rates revenue records indicated that various property owners had arrears of land rates totaling Kshs.630,000,000 as at 30 June, 2022. However, Management did not provide an updated register to ascertain the amount that was collected in the year and the outstanding balance as at 30 June, 2023.

In the circumstances, the accuracy and completeness of receipt arrears could not be confirmed.

#### **3. Unsupported Hospital Fees**

The statement of receipts and disbursements reflects hospital fees balance of Kshs.91,819,260 which relates to revenue collected from level 4 hospitals whose breakdown is not provided in Note 8 to the financial statements. This balance includes Kshs.82,682,198 which relates to claims paid by National Hospital Insurance Fund (NHIF). However, a detailed breakdown and bank statements were not provided to support the NHIF claims received in the year. In addition, Management did not provide

contract agreements entered into with the health insurer and a schedule of unpaid claims as at 30 June, 2023.

In the circumstances, the accuracy and completeness of revenue from hospital fees of Kshs.91,819,260 could not be confirmed.

#### **4. Under Collection of Single Business Permit Fees**

Management invoiced a total of Kshs.13,399,200 in respect of single business permit revenue as recorded in the register. However, only Kshs.13,293,600 was collected in the year leaving a balance of Kshs.105,600 that remained uncollected. No explanations have been provided for the non-collection of revenue and the arrears have not been disclosed in the statement of arrears of revenue.

In the circumstances, the accuracy of revenue amount from single business permit could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Receiver of Revenue - County Government of Lamu 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 adverse 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. Except for the matters discussed in the Basis for Adverse Opinion section, I have determined that there were no key audit matters to report in the year under review.

#### **Other Matter**

#### **Inconsistencies in Mapping of Revenue Sources**

During the year under review, Management realized revenue collection of Kshs.154,574,526 which was above the budgeted amount of Kshs.131,000,000 by Kshs.23,574,526. However, the County integrated development plan covering the period 2023-2027 indicate that the County had anticipated to collect Kshs.350,000,000 per year and therefore it was not clear why the Management set unrealistic revenue target in the development plan.

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

#### **Conclusion**

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on

Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **1. Unauthorized Revenue Waivers**

The statement of receipts and disbursements reflects hospital fees amount of Kshs.91,819,260 which includes Kshs.2,707,920 collected from Mpeketoni Level 4 Hospital. The amount collected from the hospital excluded revenue waivers amounting to Kshs.1,277,862 which were granted by the hospital administrator but which were not approved by the County Executive Member for Finance. In addition, there was no record of waivers granted by the other three level 4 hospitals namely King Fahard, Faza and Witu which recorded revenues of Kshs.7,142,961, Kshs.1,196,020 and Kshs.476,610 respectively. Further, no disclosure has been made in the financial statements on the waivers granted in the year contrary to Section 159(1)(a) of Public Finance Management Act, 2012 requires that any waiver of a county tax or fee or charge be authorized by the County Executive Committee member for finance and that County Treasury is required to maintain a public record of each waiver together with the reason for the waiver.

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

### **2. Delay in Appointment of Receiver of Revenue**

The County Executive Member of Finance appointed the Director of Accounting Services as the receiver of revenue on 15 February, 2023, seven (7) months after the commencement of the financial year. In addition, the appointment letter did not indicate the officers' specific responsibilities and the manner in which the officer was to delegate the duties of collection of revenue to officers under him. It was also noted that the receiver of revenue had not appointed persons collecting revenues at the Sub-Counties as collectors of revenue as required by Section 157(1) of the Public Finance Management Act, 2012 which states that the County Executive Committee Member for finance shall in writing designate persons to be responsible for collecting, receiving and accounting for such County Government revenue.

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

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, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

### **1. Unjustified Return to Manual System from Digital Revenue Collection System**

As reported previously, the Management procured a digital revenue system from three (3) companies at a cost of Kshs.54,000,000. In June, 2020, one of the suppliers was paid Kshs.285,000 as consultancy and maintenance fee. However, Management reverted back to manual collection of revenue which is prone to manipulation.

In the circumstances, the efficiency and effectiveness of the revenue collection could not be confirmed.

### **2. Failure to Update a Valuation Roll**

Included in Note 2 to the financial statements is income from land rates of Kshs.7,388,702. However, the income was collected based on an expired valuation roll that was last updated in the year 2005 by the defunct Municipal Council of Lamu. In addition, Management did not provide the old valuation rolls applied to collect rates in Hindi, Mokowe, Mpeketoni and Witu and did not record any collection of rates from these zones contrary to the provisions of Section 3 of the valuation for rating Act, Cap. 266 laws of Kenya which indicated that the roll was to remain valid for a period of ten (10) years which lapsed in the year 2015. Although Management indicated that they are in the process of revising the valuation rolls, no evidence has been provided to confirm the status so far achieved.

In the circumstances, the efficiency and effectiveness of the valuation roll could not be confirmed.

### **3. Procurement of Receipt Books**

The County purchased accountable documents from the Government printer by use of imprests. The accountable documents included fees and charges receipt books, land rate payment receipts, single business permits and motor cycle stickers. However, Management did not keep any record indicating the quantity and serial numbers of accountable documents purchased from the Government printer during the year contrary to Regulation 117(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that Accounting Officer shall keep his or her stock of accountable documents whether manual under lock and key, issuing them in accordance

with the daily needs of the service, and keeping an accurate up-to-date record of their use by means of continuity control sheets.

The efficiency and effectiveness of the usage of accountable documents could not be confirmed.

#### **4. Failure to Reconcile and Record Revenue Collection**

A review of revenue records maintained revealed the following anomalies:

- i. Revenue collections at the Sub-County level is not supported by collection control sheets, reconciled against Bank/Mpesa deposits and recorded in the cash book on a daily basis.
- ii. The land rate payment receipts were printed without making a provision for date and the amounts received from land rates were not posted to the land rates register.
- iii. According to the Finance Act, the County is required to levy land rates at the rate of 1% of the site value. However, the County did not invoice its ratable customers at the start of the year to establish the annual revenue potential.
- iv. Receipt book serial number 0001-00100 indicate that Kshs.1,628,185 was collected from annual rates. It was however noted that the receipt book also indicated that a similar amount was collected from ground rate arrears which was not supported with Mpesa payment receipt.
- v. The revenue collected from building plans was not approved by the County Executive Committee Member (CECM) for Lands, Physical Planning, Urban Development, and Energy as required.
- vi. The Municipality Manager was overseeing the collection of revenue from buildings plans. However, there was no evidence that the officer had been appointed as a collector of revenue. Also, a register of building plans approved during the year was not maintained.
- vii. An inspection of the fuel register indicated that the Department of Agriculture issued 9904 litres of diesel to the Agricultural Machinery Services (AMS) vide detail order dated 1 October, 2023. However, the fuel drawn from the departmental register was not recorded in the AMS fuel register. The work tickets were not serially filed and fuel consumption was not reconciled on a monthly basis against mileage.

This is contrary to Regulation 63(6) of the Public Finance Management (County Governments) Regulations, 2015 which states that an Accounting Officer or receiver of revenue or collector of revenue shall ensure adequate books of accounts are kept relating to revenue collection and management.

In the circumstances, the revenue due to the County may be prone to misappropriation.

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 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**

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

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

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

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

Those charged with governance are responsible for overseeing the Receiver of Revenue'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**

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

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

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

Because of its inherent limitations, internal 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 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 Receiver of Revenue's ability 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 Receiver of Revenue to cease to sustain its services.

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

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi


11 January, 2024

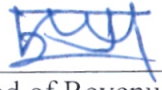
Receiver of Revenue  
County Government of Lamu  
Revenue Statements for The Period Ended 30<sup>th</sup> June 2023

7. Statement of Receipts and Disbursements for the Year Ended 30<sup>th</sup> June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
<b>County Own Source Revenue</b>			
Cess	1	7,057,395	23,529,042
Land Rate	2	7,388,702	6,789,675
Single/Business Permits	3	13,293,600	12,501,700
Property Rent	4	933,800	12,600
Parking Fees	5	1,709,700	1,588,100
Market Fees	6	1,791,550	725,650
Advertising	7	2,970,113	3,374,628
Hospital Fees	8	91,819,260	63,501,169
Public Health Service Fees	9	1,171,600	784,870
Physical Planning and Development	10	3,699,095	2,829,017
Hire Of County Assets	11	14,792,914	6,428,935
Conservancy Administration	12	5,697,079	3,647,011
Administration Control Fees and Charges	13	125,750	346,250
Proceeds from sale of assets	14	-	-
Park Fees	15	-	-
Other Fines, Penalties, And Forfeiture Fees	16	-	-
Miscellaneous receipts	17	2,123,968	2,246,646
<b>Total County Own Source Revenue</b>		<b>154,574,526</b>	<b>128,305,293</b>
<b>Other Receipts</b>			
Donations/Grants Not Received Through CRF	18	-	-
<b>Total Other Receipts</b>		-	-
<b>Total Receipts</b>		<b>154,574,526</b>	<b>128,305,293</b>
Balance b/f at the beginning of the year		<b>2,386,449</b>	1,077,962
<b>Disbursements To CRF</b>		(156,484,041)	(126,996,806)
Bank charges	19	-	-
<b>Balance Due for Disbursement</b>		<b>476,934</b>	<b>2,386,449</b>

The accounting policies and explanatory notes to these revenue statements form an integral part of the revenue statements. These revenue statements were approved on 25<sup>th</sup> September 2023 and signed by:

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

  
Head of Revenue  
Name: CPA Joseph Kamau Muitah  
ICPAK Member No: 30030

Receiver of Revenue  
County Government of Lamu  
Revenue Statements for The Period Ended 30<sup>th</sup> June 2023

8. Statement of Financial Assets and Liabilities as at 30<sup>th</sup> June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
<b>Financial Assets</b>			
<b>Cash And Cash Equivalents</b>			
Bank Balances	20	423,204	2,317,389
Cash In Hand	21	53,730	69,060
<b>Total Financial Assets</b>		<b>476,934</b>	<b>2,386,449</b>
<b>Financial Liabilities</b>			
Payables - Due to CRF	22	476,934	2,386,449
<b>Total Financial Liabilities</b>		<b>476,934</b>	<b>2,386,449</b>

The accounting policies and explanatory notes to these revenue statements form an integral part of the revenue statements. These revenue statements were approved on 25<sup>th</sup> September 2023 and signed by:



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



Head of Revenue  
Name: CPA Joseph Kamau Muitah  
ICPAK Member No: 30030

*Receiver of Revenue  
County Government of Lamu  
Revenue Statements for The Period Ended 30<sup>th</sup> June 2023*

**9. Statement of Comparison of budget vs Actual Amounts for the Period Ended 30<sup>th</sup> June 2023**

Receipt	Original Targets	Adjustments	Final Targets	Actual On Comparable Basis	Budget Realization Difference	% Of Realization
	A	B	C=A+B	D	E=C-D	F=D/C %
	Kshs	Kshs	Kshs	Kshs	Kshs	%
<b>County Own Source Revenue</b>						
Cess	25,000,000	-	25,000,000	7,057,395	17,942,605	28%
Land Rate	6,000,000	-	6,000,000	7,388,702	-1,388,702	123%
Single/Business Permits	10,000,000	-	10,000,000	13,293,600	-3,293,600	133%
Property Rent	-	2,000,000	2,000,000	933,800	1,066,200	47%
Parking Fees	2,000,000	-	2,000,000	1,709,700	290,300	85%
Market Fees	1,000,000	-	1,000,000	1,791,550	-791,550	179%
Advertising	3,000,000	-	3,000,000	2,970,113	29,887	99%
Hospital Fees	60,000,000	2,000,000	62,000,000	91,819,260	-29,819,260	148%
Public Health Service Fees	1,000,000	-	1,000,000	1,171,600	-171,600	117%
Physical Planning and Development	3,000,000	-	3,000,000	3,699,095	-699,095	123%
Hire Of County Assets	6,000,000	-	6,000,000	14,792,914	-8,792,914	247%
Conservancy Administration	-	4,000,000	4,000,000	5,697,079	-1,697,079	142%
Administration Control Fees and Charges	2,800,000	-	2,800,000	125,750	2,674,250	4%
Miscellaneous Receipts	200,000	3,000,000	3,200,000	2,123,968	1,076,032	66%
<b>Total County Own Source Revenue</b>	<b>120,000,000</b>	<b>11,000,000</b>	<b>131,000,000</b>	<b>154,574,526</b>	<b>-23,574,526</b>	<b>118%</b>
<b>Other Receipts</b>						
Donations /Grants Not Received Through CRF	-	-	-	-	-	-
<b>Total Other Receipts</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Receipts</b>	<b>120,000,000</b>	<b>11,000,000</b>	<b>131,000,000</b>	<b>154,574,526</b>	<b>-23,574,526</b>	<b>118%</b>

**Receiver of Revenue**  
**County Government of Lamu**  
**Revenue Statements for The Period Ended 30<sup>th</sup> June 2023**

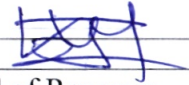
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The accounting policies and explanatory notes to these revenue statements form an integral part of the revenue statements. These revenue statements were approved on 25<sup>th</sup> September 2023 and signed by:



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



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Head of Revenue  
Name: CPA Joseph Kamau Muitah  
**ICPAK Member No: 30030**

*Receiver of Revenue  
County Government of Lamu  
Revenue Statements for The Period Ended 30<sup>th</sup> June 2023*

**10. Statement of Arrears of Revenue as at 30th June 2023**

<b>Classification Of Receipts (Indicate As Applicable)</b>	<b>Balance as at The beginning of the current year (1<sup>st</sup> July 20xx) A</b>	<b>Arrears received during the year. B</b>	<b>Additions in arrears for the current year to June 30, 20xx C</b>	<b>Total arrears as at 30 June 20xx D=A+(B)+C</b>	<b>Measures taken to recover the arrears</b>	<b>Assessment to the recoverability of arrears</b>
Cess	-	-	-	-		
Land rate	-	-	-	-		
Single/Business Permits	-	-	-	-		
Property Rent	-	-	-	-		
Parking Fees	-	-	-	-		
Market Fees	-	-	-	-		
Advertising	-	-	-	-		
Hospital Fees	-	-	-	-		
Public Health Service Fees	-	-	-	-		
Physical Planning and Development	-	-	-	-		
Hire Of County Assets	-	-	-	-		
Conservancy Administration	-	-	-	-		
Administration Control Fees and Charges	-	-	-	-		
Park Fees	-	-	-	-		
Other Fines, Penalties, And Forfeiture Fees	-	-	-	-		
Miscellaneous	-	-	-	-		
<b>Total Arrears</b>	<b>=</b>	<b>=</b>	<b>=</b>	<b>=</b>		

*Receiver of Revenue*  
*County Government of Lamu*  
*Revenue Statements for The Period Ended 30<sup>th</sup> June 2023*

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



Head of Revenue  
Name: CPA Joseph Kamau Muitah  
**ICPAK Member No: 30030**

## **11. Significant Accounting Policies**

The principal accounting policies adopted in the preparation of these revenue statements are set out below:

### **1. Statement of Compliance and Basis of Preparation**

The revenue statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and relevant legal framework of the County Government of Lamu. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Lamu Receiver of Revenue. The accounting policies adopted have been consistently applied to all the years presented.

The revenue statements have been prepared on the cash basis following the standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the Lamu Receiver of Revenue.

### **2. Recognition of Receipts**

The Lamu Receiver of Revenue recognises all receipts from the various sources when the related cash has been received by the Lamu Receiver of Revenue.

### **3. Budget**

The County Revenue budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The County budget was approved as required by law. The original budget was approved by the County Assembly on 15<sup>th</sup> June 2022 for the period 1st July 2022-1 to 30 June 2023 as required by law. There were two supplementary budgets passed in the year. A high-level assessment of the County's actual performance against the comparable budget for the financial year under review has been included in these financial statements.

**4. 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 revenue collection accounts held at Commercial banks.

**5. Revenue in Arrears**

This relates to revenue earned and is yet to be received or collected by the receiver of revenue. These arrears are disclosed under the statement of arrears as required under the PFM Act, 2012 Section 165 (2) (b) which is a memorandum statement.

**6. Disbursements to CRF**

The Receiver of Revenue has an arrangement for transfer of funds from its bank account to the CRF account. Total disbursements to the CRF are because of the transfer arrangement during the year.

**7. Comparative Figures**

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

**8. Subsequent Events**

There have been no events subsequent to the financial year end with a significant impact on the revenue statements for the year ended June 30, 2023

12. Notes to the Financial Statements

1. Cess

Description	2022-2023	2021-2022
	Kshs	Kshs
Farm produce	4,204,325	21,137,148
Livestock	313,070	265,050
Fish farming	1,961,300	1,527,644
Forest	578,700	599,200
<b>Total</b>	<b>7,057,395</b>	<b>23,529,042</b>

2. Land rates

Description	2022-2023	2021-2022
	Kshs	Kshs
Land rates	7,388,702	6,789,675
<b>Total</b>	<b>7,388,702</b>	<b>6,789,675</b>

3. Single /Business Permits

Description	2022-2023	2021-2022
	Kshs	Kshs
Business permit application fees	-	-
Annual Business permit fees	13,293,600	12,501,700
<b>Total</b>	<b>13,293,600</b>	<b>12,501,700</b>

4. Property Rent

Description	2022-2023	2021-2022
	Kshs	Kshs
Stalls/kiosks rent	933,800	12,600
<b>Total</b>	<b>933,800</b>	<b>12,600</b>

Notes to the Financial Statements (continued)

5. Parking Fees

Description	2022-2023	2021-2022
	Kshs	Kshs
Street parking fees	1,709,700	1,588,100
<b>Total</b>	<b>1,709,700</b>	<b>1,588,100</b>

6. Market Fees

Description	Insert	2021-2022
	Kshs	Kshs
Market entry fees	697,800	538,800
Meat inspection fees	144,200	186,850
Slaughtering fees	945,050	419,140
Hide and skin fees	4,500	4,300
<b>Total</b>	<b>1,791,550</b>	<b>725,650</b>

7. Advertising

Descriptions	2022-2023	2021-2022
	Kshs	Kshs
Branding	-	-
Billboard advertising	2,970,113	3,374,628
<b>Total</b>	<b>2,970,113</b>	<b>3,374,628</b>

8. Hospital Fees

Description	2022-2023	2021-2022
	Kshs	Kshs
Level 5 hospitals	-	-
Level 4 hospitals	91,819,260	63,501,169
Others ( <i>Specify</i> )	-	-
<b>Total</b>	<b>91,819,260</b>	<b>63,501,169</b>

Notes to the Financial Statements (Continued)

9. Public Health Service Fees

Description	2022-2023	2021-2022
	Kshs	Kshs
Public health permit	1,151,600	749,070
Rodent Control/Fumigation	-	35,800
Water Desalination Plant	20,000	-
<b>Total</b>	<b>1,171,600</b>	<b>784,870</b>

10. Physical Planning and Development

Description	2022-2023	2021-2022
	Kshs	Kshs
Building plans approval	3,699,095	2,829,017
<b>Total</b>	<b>3,699,095</b>	<b>2,829,017</b>

11. Hire Of County Assets

Description	2022-2023	2021-2022
	Kshs	Kshs
Agricultural Mechanization Services (AMS)	14,456,514	6,070,725
Conference facilities/Agricultural Training Centers (ATC)	336,400	358,210
Others ( <i>Specify</i> )	-	-
<b>Total</b>	<b>14,792,914</b>	<b>6,428,935</b>

12. Conservancy Administration

Description	2022-2023	2021-2022
	Kshs	Kshs
Sand and gravel extraction fees	5,697,079	3,647,011
<b>Total</b>	<b>5,697,079</b>	<b>3,647,011</b>

Notes to the Financial Statements (Continued)

13. Administration Control Fees and Charges

Description	2022-2023	2021-2022
	Kshs	Kshs
Fisheries license	25,050	305,400
Metal scrap	100,700	40,850
<b>Total</b>	<b>125,750</b>	<b>346,250</b>

14. Proceeds from sale of assets.

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>Total</b>	<b>-</b>	<b>-</b>

15. Park Fees

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>Total</b>	<b>-</b>	<b>-</b>

16. Other Fines, Penalties and Forfeitures

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>Total</b>	<b>-</b>	<b>-</b>

17. Miscellaneous Receipts

Description	2022-2023	2021-2022
	Kshs	Kshs
Salary Commissions	1,968,131	2,029,956
Other Miscellaneous	155,837	216,690
<b>Total</b>	<b>2,123,968</b>	<b>2,246,646</b>

Receiver of Revenue  
County Government of Lamu  
Revenue Statements for The Period Ended 30<sup>th</sup> June 2023

18. Donations And Grants Not Received Through CRF

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>Total</b>	-	-

19. Bank Charges

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>Total</b>	-	-

20. Bank Balances

Name of Bank, Account No.	Currency	Exc. rate (if in foreign currency)	2022 - 2023	2021-2022
			Kshs	Kshs
KCB Transition Auth - Lamu County Revenue Account A/C 1140750615	Ksh	-	304,983	(102)
DTB Lamu County Revenue Account 1 A/C 022266001	Ksh	-	-	1886
DTB Lamu County Revenue Account 2 A/C 022266002	Ksh	-	-	30
EQUITY Lamu County Revenue Account 1590265264918	Ksh	-	-367	(371)
KCB Lamu County Medical Superintendent A/C 1211409341	Ksh	-	99,994	1,126,177
KCB Medical Superintendent Mpeketoni A/C 1211639363	Ksh	-	17,507	940,708
KCB Medical Superintendent Faza A/C 1211503658	Ksh	-	1,087	815
KCB Mokowe Health Centre A/C 1103677756	Ksh	-	-	230,705
KCB Witu Health Centre A/C 1104838044	Ksh	-	-	17,542
<b>Total</b>	<b>Ksh</b>		<b>423,204</b>	<b>2,317,389</b>

Notes to the Financial Statement (Continued)

20 (a) Balance carried forward as at 30<sup>th</sup> June 2023 and subsequently transferred

	Ref	Amount (Kshs)	Date subsequently transferred
Disbursement 2		476,934	30 <sup>th</sup> July 2023
	<b>Total</b>	<b>476,934</b>	

21. Cash in hand

Description	2022-2023	2021-2022
	Kshs	Kshs
Cash Balance ( <i>Location</i> )	53,730	39,300
Mobile Money	-	29,760
Others ( <i>Specify</i> )	-	-
<b>Total</b>	<b>53,730</b>	<b>69,060</b>

22. Payables - Due To CRF

Payables	2022-2023	2021-2022
	Kshs	Kshs
Balance b/f at the beginning of the year	2,317,389	1,077,962
Amount collected during the year	154,574,526	128,305,293
Amounts disbursed to CRF during the year	(156,484,041)	(126,996,806)
<b>Balance c/d at the end of the year</b>	<b>476,934</b>	<b>2,317,389</b>

*Receiver of Revenue  
County Government of Lamu  
Revenue Statements for The Period Ended 30<sup>th</sup> June 2023*

**Notes to the Financial Statement (Continued)**

**23. Ageing Analysis of Revenue in Arrears**

<b>Description (indicate as applicable)</b>	<b>Less than 1 year</b>	<b>Between 1-2 years</b>	<b>Between 2-3 years</b>	<b>Over 3 years</b>	<b>Total</b>
Cess	-	-	-	-	-
Land rate	-	-	-	-	-
Single/business permits	-	-	-	-	-
Property rent	-	-	-	-	-
Parking fees	-	-	-	-	-
Market fees	-	-	-	-	-
Advertising	-	-	-	-	-
Hospital fees	-	-	-	-	-
Public health service fees	-	-	-	-	-
Physical planning and development	-	-	-	-	-
Hire of County Assets	-	-	-	-	-
Conservancy administration	-	-	-	-	-
Administration control fees and charges	-	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-
Park fees	-	-	-	-	-
Other fines, penalties, and forfeiture fees	-	-	-	-	-
Miscellaneous receipts	-	-	-	-	-
Others ( <i>Specify</i> )	-	-	-	-	-
<b>Total (agree to statement of arrears)</b>	-	-	-	-	-



24. Appendices

Appendix 1: A Report of Waivers and Variations of Fees or charges granted by the Receiver of Revenue during the year.

There was no waiver during the year


S/No	Name of person / organisation benefitting from waiver/ variation	Year in which waiver/ variation relates	Amount of variation/ waiver (fee or charge)	Reasons for waiver/ variation	The law in terms of which the variation/waiver was granted

.....  
CPA SALMA OMAR AHMED  
**CHIEF OFFICER**  
**FINANCE, BUDGET, STRATEGY AND ECONOMIC PLANNING**  
**COUNTY GOVERNMENT OF LAMU**

**Appendix 2: Progress on follow up of prior Year Auditor 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)
01	Inconsistencies in Mapping of Revenue Sources	The recommendation has been noted and on forward be implemented	Not resolved	2023/2024
02	Lack of Approved Finance Bill	The has come up with Finance Bill	Resolved	2023/2024



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



Head of Revenue  
 Name: CPA Joseph Kamau Muitah  
 ICPAK Member No: 30030