



LAMU MUNICIPALITY
County Government of Lamu

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2024

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

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1.Acronyms and Definition of Key Terms

A. Acronyms

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

B. Definition of Key Terms

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

Comparative Year- Means the prior period.

2.Key Municipality of Lamu Information and Management

a) Background information

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

b) Principal Activities

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

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

Vision

A centre of excellence in sustainable management of urban development and service delivery.

Mission

To sustainably manage the development of Lamu Municipality and service delivery in the Town through ensuring controlled land use and delivering quality socio-economic, infrastructural environmental services to the Town's residents, traders, and visitors.

Objectives

- a) Promotion, regulation, and provision of refuse collection and solid waste management services;
- b) Promotion and provision of water and sanitation services and infrastructure (in areas within the Municipality not served by the Water and Sanitation Provider);
- c) Construction and maintenance of urban roads and associated infrastructure;
- d) Construction and maintenance of storm drainage and flood controls;
- e) Construction and maintenance of walkways and other non-motorized transport infrastructure;
- f) Construction and maintenance of recreational parks and green spaces;
- g) Construction and maintenance of street lighting;
- h) Construction, maintenance, and regulation of traffic controls and parking facilities;
- i) Construction and maintenance of bus stands and taxi stands;
- j) Regulation of outdoor advertising;
- k) Construction, maintenance, and regulation of municipal markets and abattoirs;
- l) Construction and maintenance of fire stations; provision of fire-fighting services, emergency preparedness and disaster management;
- m) Promotion, regulation, and provision of municipal sports and cultural activities;
- n) Promotion, regulation, and provision of animal control and welfare;
- o) Development and enforcement of municipal plans and development controls;
- p) Municipal administration services (including construction and maintenance of administrative offices);
- q) Promoting and undertaking infrastructural development and services within the municipality;
- r) Any other functions as may be delegated by the County Executive Committee.

Core Value

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

c) Key Management

Ref	Name	Position
1	Hon.Tashrifa Bakari Mohamed	CECM Lands, Physical Planning, Urban Development, Energy, Water and Natural Resources, Infrastructure and Public Works.
2	Mr.Abdalla Fadhil	Ag.Chairman
3	Ms.Ummulkheir Athman Bakar	Member
4	Dr.Abubakar Abdalla	Member
5	Ms.Khadija Shakuwe	Member
6	Dr. Mashrab Muhdhar	Member
7	Ms.Martha Wairimu	Member
8	Mr. Ahmed Mohamed Ali	Chief Officer - Lands, Physical Planning, and Urban Development.
9	Mr. Abdulswamadu A.Ali	Municipal Manager.

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2024 and who had direct fiduciary responsibility were:

Ref	Name	Position
1	Hon.Tashrifa Bakari Mohamed	CECM Lands, Physical Planning, Urban Development, Energy, Water and Natural Resources, Infrastructure and Public Works.
2	Mr. Abdulswamadu A.Ali	Municipal Manager
3	Mr. Ahmed Mohamed Ali	Chief Officer - Lands, Physical Planning, and Urban Development.

e) Fiduciary Oversight Arrangements

- i. Audit and Risk Management Committee
- ii. County Assembly committees

iii. Committees of the Senate

f) Registered Offices

Lamu Municipality
P.O. Box 74- 80500
Amu, Lamu

g) Contacts

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

h) Bankers

Equity Bank Lamu Branch
P.O. Box 191- 80500
Lamu - Kenya.

i) Independent Auditor




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

j) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya


3. Municipality Board

NAME	PROFILE
 <p>Mr. Abdalla Fadhil Ag. Chairman</p>	<p>Mr. Abdalla Fadhil has a Master of Business Administration & Master of Project Planning Management from the University of Nairobi. He was appointed a member of the Board to represent the private sector in the Lamu Municipality. Mr. Abdalla also serves as the Chairman of the Lamu County Public Service Board</p>
 <p>Ms. Ummulkheir Athman Board Member</p>	<p>Ms. Ummulkheir is appointed as a member of the board to represent informal sectors. She graduated from Kenyatta University with a Bachelor of Science degree in Community Resource Management and Extension. She has worked as a human resource officer intern at KENGEN Company Limited and as a program coordinator with Lamu Youth Alliance. Currently, she is a County Technical Assistant to the KEMSFED world-bank-funded program for fisheries for the Lamu County Government.</p>
 <p>Ms. Khadija Shekue Board Member</p>	<p>Born in 1988 Lamu, she is a graduate from Moi University with a Bachelor of Science degree in wildlife management. Mrs. Shekue is currently pursuing a master's degree in environmental science at Pwani University. Since 2013, Mrs Shekue has been working with Save Lamu (a local NGO) and has raised through ranks from senior administration officer, senior research, and documentation officer to the current position of Programme coordinator. Her appointment to the Board is to represent registered neighborhood associations in the area.</p>

 <p>Dr. Mashrab Sagaf Board member</p>	<p>Mr. Mashrab holds Bachelor of medicine and Bachelor of Surgery from Sumy state university, Ukraine where he graduated in year 2014 as a medical doctor. Prior to his appointment, he was working with the County Government of Lamu as a Medical Superintendent at Lamu Referral Hospital. Mr. Mashrab was competitively appointed to be a member of Lamu Municipality Board.</p>
 <p>Hon. Tashrifa Bakari C.E.C.M-Lands Physical Planning, Urban Development, Energy, Water and Natural Resources, Infrastructure and Public Works</p>	<p>Mrs.Tashrifa Bakari has a Bachelor of Arts in Archaeology and Sociology from Pwani University. Currently working as C.E.C.M of Lands, Physical Planning, Urban Development, Energy, Water and Natural Resources, Infrastructure, and Public Works in Lamu County. She worked in the Ministry of Interior and Coordination of National Government, Department of Correctional Services. From 2016-2017 she worked as Administrator at the Malindi Islamic Center for Orphans, Community Based Organization. Also, she worked at Pwani University, Psychology Department (2015) as a Research Assistant.</p>
 <p>Mrs. Martha Wairimu Board Member</p>	<p>Mrs. Martha Wairimu is a professional in teaching with over 11 years of experience. She holds a Bachelor of Arts in Education from Kenyatta University and was competitively appointed to be a member of the Lamu Municipality Board.</p>

 <p>Mr. Abubakar Abdalla Board Member</p>	<p>Bachelor of Medicine & Surgery and Diploma in Clinical Medicine and Surgery from Moi University. Currently pursuing a Master of Science in Health Service Management at Kenya Methodist University. Mr. Abubakar is the Director of Medical Services at Lamu County Government providing technical leadership to the Department of Health with over 600 staff and 45 public and private facilities. He is also appointed as a Board Member in Lamu Municipality to represent the association of professional societies in East Africa.</p>
 <p>Mr. Ahmed Mohamed Ali Chief Officer- Lands, Physical Planning and Urban Development.</p>	<p>Mr. Ahmed Mohamed Ali holds a Bachelor of Business Administration, a Higher National Diploma in Sales and Marketing, and a Diploma in Sales and Marketing. Currently working in Lamu County as Chief Officer of Land, Physical Planning, and Urban Development. He worked in Lamu County as a Chief Officer of Trade, tourism, and culture from 2013 to 2017. In 2012 -2013 he worked with ABC Bank as a Manager Lamu Branch. He also worked with the postal corporation of Kenya as a sales manager.</p>
 <p>Mr. Abdulswamadu A. Ali Municipal Manager</p>	<p>Mr. Abdulswamadu A. has completed a Bachelor's Degree in Civil Construction and Management from Kenyatta University. Currently working as Municipal Manager Municipality of Lamu in Lamu county Government.</p> <p>2014 to 2015- Site Manager at Jomo Kenyatta Public Beach/senior Engineering Technologist at Mombasa Old Town Conservation Office.</p> <p>2002 to 2013 – Supervisor and reporting to the principle architect in the restoration work of the historical building in Mombasa.</p> <p>2004 to 2005- Supervisor reporting to the principal architect of a road and landscaping project in Mombasa Old Town funded by the European Union.</p>

4.Key Management Team

NAME	PROFILE
 <p data-bbox="277 688 691 758">Mr. Abdulswamadu Abdalla Ali Municipal Manager</p>	<p data-bbox="764 315 1487 489">Mr. Abdulswamadu A. Ali has completed Bachelor Degree in Civil Construction and Management from Kenyatta University. Currently working as Municipal Manager Municipality of Lamu in Lamu county Government.</p> <p data-bbox="764 495 1487 598">2014 to 2015- Site Manager at Jomo Kenyatta Public Beach/senior Engineering Technologist at Mombasa Old town Conservation Office.</p> <p data-bbox="764 604 1487 707">2002 to 2013 – Supervisor and reporting to the principle architect in the restoration work of the historical building in Mombasa.</p> <p data-bbox="764 714 1487 816">2004 to 2005- Supervisor reporting to the principal architect of road and landscaping project in Mombasa Old Town funded by the European Union.</p>

5. Municipality Board Chairperson's Report

It is my pleasure to present the annual report and financial statements for Municipality of Lamu, which reflect the fund's financial performance for the period ended June 30, 2024. The Lamu Municipality has been performing regular auditing, reporting, evaluation, and communication with stakeholders to reinforce our commitment to transparency and accountability and ensure that we remain aligned with the best practices in public financial management and in compliance with the principles of fiscal responsibility as spelt out in the Public Finance Management Act (2012) and its regulations.

Among the key milestones the Board has realized in this financial year is the completion of construction of storm water drainage works at Shella and also we appreciate the County Government of Lamu for purchase of tractors and trailers to facilitate easy collection and dumping of wastes. A lot is still to be done upon transfer of functions from the County Government of Lamu to Municipality. This will not only create independency and efficiency in delivery of service but also facilitate attainment of our vision.

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

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

Mr. Abdalla M. A Fadhil

Ag. CHAIRPERSON - MUNICIPALITY OF LAMU

6. Report of the Municipality Manager

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

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

The Municipality Board did not receive funds for UIG and UDG accounts in the financial year 2023/2024. The County Government of Lamu made a final payment of Ksh. 980,134 on behalf of Municipality of Lamu for a donor-funded project ie Storm water drainages works and paving and a total expense of Ksh. 8,372,925 as Use of Goods and Services and Depreciation.

FY 2023/2024 was a good year generally. We have identified gaps and areas to improve on in the subsequent years. I take this opportunity to thank the board members for their support. I would also like to thank all the staff ~~whom~~ who have worked with hand in hand to ensure that the Municipality of Lamu achieves its mission.

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

7. Statement of Performance against Predetermined Objectives for the FY 2023/2024

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

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

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

- o) Development and enforcement of municipal plans and development controls;
- p) Municipal administration services (including construction and maintenance of administrative offices)
- q) Promoting and undertaking infrastructural development and services within municipality;

Progress on the attainment of Strategic development objectives (Adopted from County Government of Lamu Annual Progress Report 2023/2024)

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	CIDP Target 2023/2024	Target 2023/2024	Achievement 2023/2024
Urban planning	To improved urban development	Improved physical planning and Infrastructure Development	Number of plan prepared and approved	6	0	1
General Administration	Administration and Support Services	Staff skills and competences developed	Number of staff recruited	50	20	2
Waste Management	To improved Urban services	Rehabilitation and construction of dumping site perimeter	Improved hygiene and healthy environment	6	2	1
	Purchased of Tractor and Trailer	Purchased of Tractor and Trailer	Number of Tractor and Trailer purchased	6	1	1
Infrastructure Development	To improved Infrastructures development	Improved Storm water drainage systems and roads Infrastructure.	Constructed of Storm Water drainage systems and KM of roads paved	6	0	1

8. Corporate Governance Statement

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

Process of Appointment and Removal of the Board.

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

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

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

Board and Member Performance

During the year under review Municipality of Lamu Board was fully constituted with an exception of Board Chair. The members of the Board who served are shown on page v. The Board has 4 standing committees which are required to meet at least quarterly or as required. The committees have been set up with clear terms of reference to facilitate efficient and effective decision making.

The committee and their chairperson composition are as shown below:

Ref	Name of the Committee	Chairperson	No.of meetings held during the year
1	Finance & Economic Planning	Khadija Shekuwe	1
2	Town planning & Infrastructure	Martha Wairimu	1
3	Environment & Health, Trade, Tourism, and Investment	Abdalla Fadhil	1
4	Legal, ICT & Public Participation	Ummulkheir Bakari	0

Internal Control and Risk Management

Standing Instructions

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

Organization Structure

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

Internal Control Framework

The Board continues to review its internal control to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed in an ongoing basis. No significant failings or weaknesses were identified during the FY 2023/2024.

Risk Management

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

Management Team

The management team headed by the Chairman, the Manager and Chief Officer for Municipality of Lamu implements the board decisions and policies through action plans. The team meets regularly

to review these action plans to ensure that the board objectives are achieved effectively and efficiently.

Auditor

The fund is audited by the Auditor-General.

9. Management Discussion and Analysis

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

Operational and financial performance of the Fund/Board

The Board did not receive fund for UIG and UDG accounts in the financial year 2023/2024. The Municipality of Lamu had a total expense of Ksh. 8,372,925 as use of goods and service and depreciation. Also, the Municipality of Lamu incurred Ksh. 980,134 as cost for the purchase of properties, plant and equipment (PPE).

Key projects or investments decision implemented or ongoing

1. Construction of storm water drainage works and paving's at Shella Ward-100%

Compliance with statutory requirements

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

- Lamu Municipality Act 2019
- Public Finance Management Act 2012
- Public procurement disposal Act 2015.

Conclusion

We appreciate the unrelenting support from the board of trustees, management, staff, the county government, development partners and all the key stakeholders. We look forward to continuing partnership and cooperation in areas of mutual interest in the FY 2023/2024.

10. Environmental and Sustainability Reporting

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

a. Sustainability strategy and profile

Municipality of Lamu is established by and derives its authority and accountability from Urban Areas and Cities Act No.13 of 2011(amended 2019) and cities and Municipal Charter on 30th day January. This act has put in place good governance structure. The Municipal is independent, it has a Municipal Manager and an independent board of management.

Furthermore, the Municipality has risk management framework which guides the fund in identifying, assessing and managing the risks and prescribe mitigating measures of all risks both external and internal

b. Environmental performance

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

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

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

c. Employee welfare

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

d. Market place practices

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

e. Community Engagements

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

11. Report of the Municipality Board Members

The Board submitted their report together with the audited financial statements for the year ended June 30, 2024 which showed the state of the Fund affairs.

Principal activities

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

Performance

The performance of the Fund for the year ended June 30,2024 is set out on page 1 – 5.

Board

There were no changes in the board of management of the Municipality of Lamu.

Auditors

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

By Order of the Board

Mr. Abdalla M.A Fadhil

Ag. Chairperson

Municipality of Lamu

12. Statement of Management’s Responsibilities

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

The Municipality of Lamu manager is responsible for the preparation and presentation of the Municipality’s financial statements, which give a true and fair view of the state of affairs of the Municipality for and as at the end of the financial year ended on June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Municipality of Lamu, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the Municipality of Lamu, (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Municipality of Lamu Manager accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *Urban Areas and Cities Act No. 13 of 2011*. The Municipality of Lamu Manager is of the opinion that the financial statements give a true and fair view of the state of Municipality’s transactions during the financial year that ended June 30, 2024, and the financial position as at that date.

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

In preparing the financial statements, the Directors have assessed the Fund’s ability to continue as a going concern. Nothing has come to the attention of the Municipal Manager to indicate that the Municipality of Lamu will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Municipal’s financial statements were approved by the Board on and signed on its behalf by:

.....

Abdalla Fadhil
Ag. Chairperson of the Board

.....

Abdulswamadu Abdalla Ali
Municipal Manager

13. Report of the Independent Auditor for Municipality of Lamu Annual Report and Financial Statement for period ended June 30, 2024.

14. Statement of Financial Performance for The Year Ended 30 June 2024.

Description	Notes	2023/2024	2022/2023
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	-	2,339,115
Total revenue		-	2,339,115
Use of goods and services	7	2,961,525	5,231,979
Depreciation and amortization	8	5,411,400	4,936,311
Repairs and maintenance	9	-	526,240
Total expenses		8,372,925	10,694,530
Other gains/losses		-	-
Surplus/(deficit) for the period		(8,372,925)	(8,355,415)

The notes set out on pages 6 to 22 form an integral part of these Financial Statements. The Municipality of Lamu financial statements were approved on2024 and signed by:

.....

Name: Abdulswamadu A. Ali

Municipality Manager

.....

Name: Mohamed A. Abubakar

Director Accounting Services

ICPAK M/No:23585

15. Statement of Financial Position as at 30 June 2024

Description	Notes	2023/2024	2022/2023
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	10	2,586,951	5,548,476
Total current assets		2,586,951	5,548,476
Non-current assets			
Property, plant, and equipment	11	112,459,165	116,890,431
Total Non-current Assets		112,459,165	116,890,431
Total assets (A)		115,046,116	122,438,907
Liabilities			
Current liabilities			
Total current liabilities		-	-
Non-current liabilities			
Total liabilities (B)		-	-
Net Assets (A-B)		115,046,116	122,438,907
Represented by:			
Development Fund-KUSP		112,107,241	111,127,107
Reserves		-	-
Accumulated surplus		2,938,875	11,311,800
Net Assets/Equity		115,046,116	122,438,907

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Municipality of Lamu financial statements were approved on 2024 and signed by:

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

.....
Name: Mohamed A. Abubakar
Director Accounting Services
ICPAK M/No:23585
Date:.....

16. Statement of Changes in Net Assets for the Year Ended 30 June 2024

Description	Development Fund-KUSP	Revaluation Reserve	Accumulated Surplus	Total
	Kshs.	Kshs.	Kshs.	Kshs.
Balance as at 1 July 2022	111,127,107	-	19,667,215	130,794,322
Deficit for the year	-	-	(8,355,415)	(8,355,415)
Funds received during the year	-	-	-	-
Revaluation gain/loss	-	-	-	-
Balance as at 30 June 2023	111,127,107	-	11,311,800	122,438,907
Balance as at 1 July 2023	111,127,107	-	11,311,800	122,438,907
Deficit for the year	-	-	(8,372,925)	(8,372,925)
Development grants	980,134	-	-	980,134
Revaluation gain/loss	-	-	-	-
Balance as at 30 June 2024	112,107,241	-	2,938,875	115,046,116

The accounting policies and explanatory notes set out on pages 6 to 22 to these financial statements form an integral part of the financial statements. The Municipality of Lamu financial statements were approved on 22nd September 2024 and signed by:

.....

Name: Abdulswamadu A. Ali

Municipality Manager

.....

Name: Mohamed A. Abubakar

Director Accounting Services

ICPAK M/No:23585

17. Statement of Cash Flows for the Year Ended 30 June 2024

Description	Note	2023/2024	2022/2023
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Development grants from the County Government in kind	6	980,134	2,339,115
Total Receipts		980,134	2,339,115
Payments			
Use of goods and services	7	2,961,525	5,231,979
Staff costs		-	-
Repair and Maintenances	9	-	526,240
Total Payments		2,961,525	5,758,219
Net cash flows from operating activities	12	(1,981,391)	(3,419,104)
Cash flows from investing activities			
Purchase of PPE & intangible assets		980,134	22,072,191
Proceeds from sale of PPE		-	-
Net cash flows used in investing activities		(980,134)	(22,072,191)
Cash flows from financing activities			
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash & cash equivalentents		(2,961,525)	(25,491,295)
Cash And Cash Equivalentents At 1 July 2023	10	5,548,476	31,039,771
Cash And Cash Equivalentents At 30 June 2024	10	2,586,951	5,548,476

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Name: Abdulswamadu A. Ali

Municipality Manager

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Name: Mohamed A. Abubakar

Director Accounting Services

ICPAK M/No:23585

18. Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2024

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	a	B	c=(a+b)	d	e=(c-d)	f=d/c
Revenue		Kshs.	Kshs.	Kshs.	Kshs.	
Transfers from the County Government	-	-	-	-	-	-
Public contributions and donations	-	-	-	-	-	-
Cash balance b/d	5,548,476	-	5,548,476	5,548,476	-	100 %
Total Revenue	5,548,476	-	5,548,476	5,548,476	-	100%
Expenses						
Use of goods and services	5,548,476	-	5,548,476	2,961,525	2,586,951	46.6%
Board expenses	-	-	-	-	-	-
Staff Costs	-	-	-	-	-	-
Total Expenditure	5,548,476	-	5,548,476	2,961,525	2,586,951	46.6%
Surplus for the period	-	-	-	2,586,951	-	-
Capital Expenditure	980,134	-	980,134	980,134	-	100%

Budget notes

- The cash balance brought forward of ksh.5, 548,476 relate to the prior year's balance.
- Statement of comparison of budget reflect of ksh. 2,586,951 which is at variance with the surplus reflect in the statement of financial performance of -8,372,925 this is because of depreciation of ksh 5,411,400 which is not budgeted as it does not involve cash outflow
- During the year, there was no Cash payment for development expenditures. An amount of ksh 980,134 was directly paid by the County government on behalf of an entity

19. Notes to the Financial Statements

1. General Information

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

2. Statement of Compliance and Basis of Preparation

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Municipality of Lamu.

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

3. Application of New and revised standards (IPSAS)

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2024.

There are no new standards effective in the financial year ended 30th June 2024.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.

Standard	Effective date and impact:
IPSAS 43: Leases	<i>Applicable 1st January 2025</i> 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 Municipality of Lamu. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
IPSAS45: Property Plant and Equipment	<i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for

	<p>infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46: Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47: Revenue</p>	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an Municipality of Lamu shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS48: Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>

IPSAS49:	<i>Applicable 1st January 2026</i>
Retirement Benefit Plans	The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.

iii. Early adoption of standards

The Municipality of Lamu did not early – adopt any new or amended standards in the financial year or the Municipality of Lamu adopted the following standards early (state the standards, reason for early adoption and impact on Municipality of Lamu financial statements).

4. Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services, and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Municipality of Lamu and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

ii) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's

net carrying amount. The method applies this yield to the principal outstanding to determine interest income for each period.

b) Budget information

The original budget for FY 2023/2024 was approved by the County Assembly on June 2023. 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 Municipality of Lamu upon receiving the respective approvals in order to conclude the final budget.

The Municipality of Lamu'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 page 5 of these financial statements.

c) Property, plant and equipment

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

acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Intangible assets

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

e) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Municipality of Lamu does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (Amend as appropriate).

A financial instrument is any contract that gives rise to a financial asset of one Municipality of Lamu and a financial liability or equity instrument of another Municipality of Lamu. At initial recognition, the Municipality of Lamu measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

The Municipality of Lamu classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the Municipality of Lamu management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured

at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual 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 Municipality of Lamu has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying

amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue, and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

The Municipality of Lamu assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The Municipality of Lamu recognizes a loss allowance for such losses at each reporting date.

Financial liabilities

Classification

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

f) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

Raw materials: purchase cost using the weighted average cost method

Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Municipality of Lamu.

g) Provisions

Provisions are recognized when the Municipality of Lamu has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Municipality of Lamu expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

h) Social Benefits

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

i) Contingent liabilities

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

j) Contingent assets

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

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits – Retirement benefit plans

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

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

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

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 various commercial banks 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.

s) Events after the reporting period

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

- (a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- (b) Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

t) Currency

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

5. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made.

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 Municipality of Lamu based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Municipality of Lamu. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

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

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

6. Transfers from the County Government

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	-	2,339,115
Payments by County on behalf of the Municipality of Lamu	980,134	-
Unconditional development grants	-	-
Total	980,134	2,339,115

7. Use of Goods and Services

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Utilities, supplies and services	-	-
Communication, supplies and services	-	-
Domestic travel and subsistence	-	-
Foreign travel and subsistence	-	-
Printing, advertising, supplies & services	-	-
Rent and rates	-	-
Training expenses	-	-
Hospitality supplies and services	-	108,750
Insurance costs	-	-
Specialized materials and services	-	172,240
Office and general supplies and services	-	728,400
Fuel, oil and lubricants	-	-
Other operating expenses (<i>Specify</i>)	-	-
Routine maintenance -vehicle and other	-	-
Routine maintenance – other assets	-	-
Contracted Professional Services	2,958,000	4,211,789
Audit fees	-	-
Hire of Transport, equipment etc	-	-
Bank Charges	3,525	10,800
Social Benefit expenses*	-	-
Total	2,961,525	5,231,979

8. Depreciation and amortization

Description	2023/2024	2022/2023
	KShs	KShs
Property, plant and equipment	5,411,400	4,936,311
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	5,411,400	4,936,311

9. Repairs and Maintenance

Description	2023/2024	2022/2023
	KShs	KShs
Property- Buildings	-	526,240
Office equipment	-	-
Furniture and fittings	-	-
Motor vehicle expenses	-	-
Maintenance of civil works	-	-
Total repairs and maintenance	-	526,240

10. Cash and cash equivalents

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Fixed deposits account	-	-
On – call deposits	-	-
Current account	2,586,951	5,548,476
Others(<i>specify</i>)	-	-
Total cash and cash equivalents	2,586,951	5,548,476

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

Financial institution	Account number	2023/2024	2022/2023
		Kshs.	Kshs.
a) Fixed deposits account			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
Sub- total		-	-
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
Sub- total		-	-
c) Current account			
Equity Bank - UIG	1590279012840	2,546,936	5,507,261
Equity Bank - UDG	1590279012879	40,015	41,215
Sub- total		2,586,951	5,548,476
d) Others(specify)			
Cash in transit		-	-
Cash in hand		-	-
Mobile Money		-	-
Sub- total		-	-
Grand total		2,586,951	5,548,476

County Government of Lamu
Municipality of Lamu
Annual Report and Financial Statements for the year ended June 30, 2024

11. Property, Plant and Equipment

Description	Buildings	Infrastructure	Furniture and fittings	Computers and Office equipment	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs
As at 1 July 2022	88,290,572		6,004,900	4,343,480	4,935,067	103,574,019
Additions	-	-	874,500	3,358,437	17,839,254	22,072,191
Transfers/adjustments	-	-	-	-	-	-
As at 30th June 2023	88,290,572	-	6,879,400	7,701,917	22,774,321	125,646,210
Additions for the year	-	980,134	-	-	-	980,134
Transfer/adjustments	-	22,774,321	-	-	(22,774,321)	-
As at 30th June 2024	88,290,572	23,754,455	6,879,400	7,701,917	-	126,626,344
Depreciation and impairment						
At 1 July 2022	1,765,811	-	750,613	1,303,044	-	3,819,468
Depreciation	1,765,811	-	859,925	2,310,575	-	4,936,311
Transfers/ Adjustments	-	-	-	-	-	-
As at 30 June 2023	3,531,622	-	1,610,538	3,613,619	-	8,755,779
Depreciation for the year	1,765,811	475,089	859,925	2,310,575	-	5,411,400
Transfer/adjustment	-	-	-	-	-	-
As at 30th June 2024	5,297,433	475,089	2,470,463	5,924,194	-	14,167,179
NBV as at 30th June 2023	84,758,950	-	5,268,862	4,088,298	22,774,321	116,890,431
NBV as at 30th June 2024	82,993,139	23,279,366	4,408,937	1,777,723	-	112,459,165

12. Cash generated from operations

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Surplus/ (deficit) for the year before tax	(7,392,791)	(8,355,415)
Adjusted for:		
Depreciation	5,411,400	4,936,311
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	(1,981,391)	(3,419,104)

13. Related party balances

a) Nature of related party relationships

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

- a) The County Government.
- b) The Parent County Government Ministry.
- c) County Assembly.
- d) Key management.
- e) Municipality of Lamu Board; etc.

14. Financial risk management

The Municipality of Lamu's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Municipality of Lamu's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Municipality of Lamu

does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

I. Credit risk

The Municipality of Lamu has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience, and other factors. Individual risk limits are set based on internal or external assessments in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Municipality of Lamu's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the Municipality of Lamu's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Municipality of Lamu has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Municipality of Lamu has significant concentration of credit risk on amounts due from xxx.

The Municipality of Lamu Board sets policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

II. Liquidity risk management

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

The table below represents cash flows payable by the Municipality of Lamu under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

III. Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Municipality of Lamu'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 Municipality of Lamu's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Municipality of Lamu's exposure to market risks or the manner in which it manages and measures the risk.

IV. Foreign currency risk

The Municipality of Lamu has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The carrying amount of the Municipality of Lamu's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Foreign currency sensitivity analysis

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

reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

V. Interest rate risk

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

Management of interest rate risk

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

VI. Capital risk management.

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

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Revaluation reserve	-	-
Development Grants	112,107,241	111,127,107
Accumulated surplus	2,938,875	11,311,800
Total Funds	115,046,116	122,438,907
Total borrowings	-	-
Less: cash and bank balances	(2,586,951)	(5,548,476)
Net debt/(excess cash and cash equivalents)	112,459,165	116,890,431
Gearing		

15. Program for Results (PforR) Disclosure

Name of the PforR:	Kenya Urban Support Programme
Financing Partners:	Kenya Urban Support Programme
Purpose of the PforR:	Facilitate effective and empowered urban planning and management systems.

*County Government of Lamu
Municipality of Lamu
Annual Report and Financial Statements for the year ended June 30, 2024*

Expenditure Details	Amount in Kshs
Cumulative actual expenditures for the previous years	157,917,746
Actual expenditure in the current financial year.	
1. Employee Cost	-
2. Use of goods and Services	2,961,525
3. Grants and Subsidies	-
4. Building of ECDE facilities	-
5. Others (specify)	-
Sub-total	2,961,525
Cumulative Actual Expenditures to date	160,879,271

20. Appendices

Appendix 1. Progress on Follow up of Auditors Recommendations.

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

Reference No. on the external audit Report	Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
OAG/NERO/AUD/ML/2022/2023/(24)	Unsupported Comparative Balances	The error has been corrected in the financial statement for the year ended 30 June 2024.	Resolved	
	Budgetary Control and Performance	The Management has took a corrective actions on this issues.	Resolved	

Appendix 2: Inter-Municipality of Lamu Transfers

MUNICIPALITY OF LAMU NAME:				
Breakdown of Transfers from the County Executive of Lamu County				
FY 2023/2024				
a.	KUSP-Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
		Total	-	
b.	KUSP-Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
		Total	-	
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
		Total	-	

(The above amounts have been communicated to and reconciled with the parent Department in the County.)

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Head of Accounts of the Municipality of Lamu

.....
Head of Accounts of the transferring Entities

Appendix 3: Reporting of Climate Relevant Expenditures

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

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

Appendix 4: Disaster Expenditure Reporting Template

Date:

Municipality of Lamu

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments