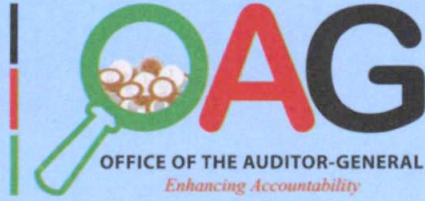


REPUBLIC OF KENYA



REPORT

187

OF

THE AUDITOR-GENERAL

ON

EQUALISATION FUND

FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF NANDI

PAPERS LAID	
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COMMITTEE	
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for



EQUALIZATION FUND ADVISORY BOARD
CHAIRMAN'S OFFICE
10 NOV 2025
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P. O. Box 4579 - 00200, NAIROBI



Nandi County Government
Equalisation Fund

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

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

OFFICE OF THE AUDITOR GENERAL
ELDORET REGIONAL OFFICE
31 OCT 2025
RECEIVED
P. O. Box 2774 - 30100, ELDORET

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ACRONYMS AND DEFINITION OF KEY TERMS

A: ACRONYMS

AGPO	Access to Government Procurement Opportunities
CA	County Assembly
CBK	Central Bank of Kenya
CDF	Constituency Development Fund
CEO	Chief Executive Officer
CECM	County Executive Committee Member
CIDP	County Integrated Development Plan
CRA	Commission on Revenue Allocation
CT	County Treasury
EF	Equalisation Fund
EFAB	Equalisation Fund Advisory board
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
NGO	Non-Governmental Organisation
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PIIC	Project Identification and Implementation Committee
PPE	Property, Plant & Equipment
PPPs	Public Private Partnerships
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
WB	World Bank

B: DEFINITION OF KEY TERMS

Fiduciary Management- Members of Management are directly entrusted with the responsibility of the financial resources of the organization.

Comparative Year- Means the prior period.

1. Key Entity Information and Management

(a) Background information

The Equalisation Fund was established under Article 204 (1) of the Constitution of Kenya (CoK), 2010, and operationalized by the Public Finance Management (Equalisation Fund Administration) Regulations, 2021. The Equalisation Fund (EF) is domiciled in Nandi County, Kenya.

(b) Principal Activities

The EF shall be used to provide basic services, including water, roads, health facilities, and electricity, to marginalized areas to the extent necessary to bring the quality of those services to the level generally enjoyed by the rest of the nation.

(c) Key Management

The *Fund's* management is under the following key organs:

No.	Designation
1.	County Technical Committee
2.	Sub County Technical Committee
3.	Project Identification and Implementation Committee

(d) Fiduciary Management

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

No.	Designation	Name
1.	County Executive Committee Member for Finance	CPA Alfred Lagat
2.	Chief Officer Finance	CPA Prisca Jephchirchir
3.	Head of Procurement	Japhet Tirop

(e) Fiduciary Oversight Arrangements

The Key fiduciary oversight bodies at the county for the quarter ended 30th June, 2025 were;

- Equalisation Fund Advisory Board
- Parliamentary Oversight (Special Funds Committees)
- County Assembly of Nandi
- Budget and Appropriation Committee

(f) Entity Headquarters

County Government of Nandi

P.O. Box 802-30300

Kapsabet, Kenya

(g) Entity Contacts

Telephone:(254) 053 525 2355

E-Mail ; infor@nandi.go.ke

Website: www.nandi.go.ke

(h) Entity Bankers

Central Bank of Kenya Haile Selassie Avenue

P.O. Box 60000

City Square 00200

NAIROBI, 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 and Department of Justice Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya




County Attorney

P.O. Box 802-30300

Kapsabet, Nandi County

2. Key Management Team

Name	Details
------	---------

 <p>CPA Alfred Lagat</p>	<p>CECM, Finance and Economic Planning He was appointed as the CECM, Finance and Economic Planning on 7th APRIL 2025. Before his appointment, he worked as a Senior Associate in Deloitte and Touché. He also worked as an Assistant Finance Manager at Diamond Trust Bank. He was previously the lead consultant for Tullon Consulting Ltd. CPA Alfred holds a Bachelor of Commerce (Finance). He is also a Certified Public Accountant of Kenya (CPAK).</p>
 <p>CPA Prisca Jepchirchir</p>	<p>Chief Officer Finance and Economic Planning She has served in various management positions in Nandi County Government. She has served as the Head of Budget and Director of Economic Planning. She holds a Degree in Bachelors of Business Management and also a Certified Public Accountant of Kenya (CPAK).</p>
 <p>Mr Japhet Tirop</p>	<p>Head of Supply Chain Management He is the Head of Procurement function at the County Government of Nandi. A licenced Member of Kenya Institute of Supply Management with over 15 years of experience.</p>

3. Report of the County Executive Committee Member for Finance

1. Operational Performance.

a. Fund Allocation and Disbursement

During the reporting period, Nandi County received a total allocation of KES 104,413,036.60 from the National Treasury under the Equalization Fund. These funds were earmarked for specific marginalized wards identified through the CRA marginalization policy framework, including areas in Tinderet and Nandi Hills Constituency.

The disbursement of funds was based on partial and complete projects and certificates raised. The county strictly adhered to the Public Finance Management (PFM) Act and other statutory regulations to ensure accountable use of the funds.

b. Project Implementation

The Equalization Funds were directed toward three main sectors:

- Water and Sanitation: Borehole drilling, water piping systems, building of holding tanks, weir protection
- Health: Construction of new Dispensaries.
- Road Infrastructure: Grading and gravelling of rural access roads.

As of the end of the period under review, over 100% of the planned projects had been initiated, with 90% completed and the remainder in various stages of implementation. Project monitoring and evaluation frameworks were instituted in collaboration with the County and Equalisation Fund Board Monitoring and Evaluation Unit to ensure transparency and quality assurance.

2. Financial Performance

a. Budget Utilization

Out of the total allocation of Ksh. 116,745,012, Ksh.104,413,036.60 had been expended by the close of the financial year, translating to a budget absorption rate of 89%. This reflects a commendable level of efficiency in fund utilization, considering procurement processes, community engagement requirements, and implementation timelines.

Sector	Allocated (Ksh.)	Expended (Ksh.)	% Utilized
Water & Sanitation	28,527,024	23,045,912	80%
Health	25,481,110	13,480,815	52%
Roads	62,726,878	56,422,755	89%

b. Procurement and Value for Money

All procurement processes followed the guidelines set by the Public Procurement

and Asset Disposal Act (PPADA) 2015. Competitive bidding and community involvement ensured both transparency and the realization of value for money. Where possible, local contractors and suppliers were engaged, stimulating the local economy and enhancing community ownership.

3. Successes and Milestones

Several key successes were realized through the effective deployment of Equalization Funds:

- Improved Access to Water: Over 8 Water projects significantly reducing the average distance to the nearest water point from 5km to 1.2km in target areas.
- Enhanced Health Service Delivery: The construction of four dispensaries to enhanced increased outpatient visit within Tindiret and Nandi Hills Sub- Counties.

4. Challenges Faced

- Delayed Disbursements: Disbursement from the National Treasury was not always timely, affecting project timelines and contractor scheduling.
- Logistical Challenges: Difficult terrain in some remote areas delayed project delivery, particularly road and water projects.
- Community Expectations: The scope of the Equalization Fund is limited, yet community needs are extensive, leading to dissatisfaction in areas not prioritized.
- Weather-Related Disruptions: Unexpected heavy rains during the second quarter halted progress on several infrastructure projects.

5. Recommendations and Way Forward

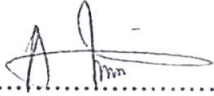
To build on the progress made and address the highlighted challenges, the following recommendations are proposed:

- Timely Disbursement: Continued engagement with the National Treasury to ensure the timely release of funds.
- Capacity Building: Strengthening the technical and project management capacities of county staff involved in Equalization Fund projects.
- Enhanced Community Engagement: Improve sensitization efforts to manage expectations and foster greater ownership of projects.
- Robust M&E Systems: Institutionalize data-driven monitoring and evaluation for evidence-based reporting and course correction.
- Sustainability Planning: Ensure that all completed infrastructure projects have a maintenance and sustainability framework.

Conclusion

The Equalization Fund remains a critical tool in bridging regional disparities and accelerating inclusive development. The Nandi County Government remains committed to transparency, accountability, and community-driven development in

the administration of these funds. While challenges persist, the positive impacts already recorded affirm the fund's importance and potential. We look forward to sustained collaboration with the national government, development partners, and our communities to optimize the benefits of the Equalization Fund.



.....
CECM Finance & Economic Planning

4. Statement of Performance against Predetermined Objectives for FY 2024/2025

This statement outlines the performance of Nandi County Government under the Equalization Fund for the FY 2024/2025. In accordance with Section 164(2)(f) of the Public Finance Management Act, 2012, the Accounting Officer presents the County's performance against predetermined objectives as captured in the County Integrated Development Plan (CIDP), Annual Development Plan (ADP), and Sector Work Plans.

The performance evaluation was based on quarterly assessments, aligned to strategic pillars identified in the CIDP 2023–2027 and reflected in the Annual Work Plans. The Equalization Fund is specifically targeted towards marginalized areas in the county, with an aim to fast-track provision of basic services such as water, roads, health facilities, and electricity.

The County identified three strategic themes under which the Equalization Fund was applied for the period under review:

Pillar 1. Improve access to basic infrastructure in marginalised areas

Ensure improved road connectivity and infrastructure in underserved wards | - Km of road constructed / rehabilitated

- One footbridge built
- 100 % completion of road works | - Grading and murraming of rural roads
- Construction of culverts

Pillar 2: Enhanced Access to Clean and Safe Water

Ease access to potable water in water-scarce areas

- Households with access to water by Drilling and equipping of borehole
- Construction of water storage infrastructure
- Spring protection and distribution of water to communities

- Over 1,200 households gained direct access to clean water

Pillar 3: Improved Access to Health Services

Enhance access to essential health services in marginalized areas

- Staff to be deployed to new constructed dispensaries
- Construction of new Dispensaries

Alignment to Performance Contracts

All activities were aligned with sector-specific performance contracts signed between the County Executive Committee Members (CECMs) and the Governor. Quarterly monitoring and reporting ensured accountability and performance tracking, with

implementation data feeding into the County's Monitoring & Evaluation Management Information System (C-MEMIS).

The Equalization Fund performance indicators are also integrated into the County Performance Management Framework, ensuring transparency, citizen participation, and responsiveness to the needs of marginalized communities.

Conclusion

Nandi County Government made significant progress in addressing infrastructure, health, and water access disparities in marginalized areas through the Equalization Fund during FY 2024/2025. The performance outcomes outlined above demonstrate a strong alignment to the County's strategic objectives and national development goals aimed at reducing inequality and improving service delivery at the grassroots level.

5. Corporate Governance Statement

a) Composition of Committees.

County Technical Committee

1. County Commissioner-Chairperson
2. County Executive Committee Member for Finance.
3. Constituency Development Fund managers.
4. Representative of County Assembly.
5. Representatives of implementing sectors with prioritized Projects.
6. Chairperson of the Constituency Development Fund (CDF)

Sub-County Technical Committee

1. Sub-County Commissioner-Chairperson.
2. Four technical officers from ministries relevant to funding priorities.
3. Chairpersons of Project Identification and Implementation Committees within the sub-county.
4. Secretary of the Constituency

Project Identification and Implementation Committee

1. Assistant Sub-County Commissioner-Chairman
2. The village administrators of areas defined by the Commission on Revenue Allocation as marginalized.
3. Representative of the women, youth, minorities and persons with disabilities from marginalized areas.
4. A representative of the Constituency Development Fund committee member at the sub-county level; A representative of religious group or local Non-Governmental Organisation (NGO) with office at ward level

Functions of Committees County Technical Committee

1. Approving all projects to be financed from the Fund.

Sub-County Technical Committee.

1. Receive project funding proposals from respective Project Identification and Implementation committees.
2. Evaluate and prioritize all development proposals from the Project Identification and Implementation Committees.
3. Assess the feasibility and cost all project proposals received from the Project Identification and Implementation Committees.
4. Submit project proposals and funding requests received from the Project Identification and Implementation Committees to the county government.
5. Monitor all projects being undertaken and ensure they meet the objectives they are originally meant to achieve.
6. Prepare quarterly reports on funds received and implementation status of all projects financed by the Fund to the county technical committee with a copy to the County Executive Committee Member responsible for matters relating to finance.
7. Prepare and submit annual reports on implementation of all projects financed by the Fund to the county technical committee with a copy to the County Executive Committee Member for Finance.

Project Identification and Implementation Committee.

1. Undertake public participation, in beneficiary areas.
2. Identify and prioritize project in beneficiary areas in line with guidelines issued by the administrator of the Fund.
3. Prepare and submit project funding proposals to sub-county technical committee.
4. Provide oversight on project implementation.

Management Discussion and Analysis

SECTION A

The Fund's operational and financial performance

During the reporting period, the Equalization Fund for Marginalized Areas in Nandi County made steady progress in fulfilling its mandate to address infrastructural and service delivery gaps in underserved regions. Operations were aligned with the County Government's strategic goals as outlined in the County Integrated Development Plan (CIDP).

Key Performance Indicators (KPIs):

- Project Execution Rate: 90% of planned projects completed.
- Disbursement Rate: 89% of allocated funds utilized.
- Community Satisfaction Index (CSI): (based on M&E report)

Financial Performance:

- Total Allocation: KES 116,745,012/=
- Total Expenditure: KES 104,413,036.78/=
- Unutilized Funds: KES 12,331,975/= awaiting approval for disbursement
- Net Cash Flow Position: Positive, supported by strict budgetary controls

Observations: The Fund maintained prudent financial practices with no recorded overspending. Cash flows were managed efficiently despite delayed disbursements from the National Treasury and Equalisation Fund Board during the first and the second quarter. The performance trends suggest a strong likelihood of continued effective fund absorption, provided disbursements remain timely.

Growth and Strategy: The Fund aims to scale its impact by:

Exploring blended financing for long-term sustainability. Emerging development trends, such as climate-resilient infrastructure and participatory budgeting, are being explored for future integration.

Challenges and Opportunities:

- **Challenges:** disbursement delays, inflationary pressure on materials, and limited technical capacity at local level. Administration cost has been main challenge
- **Opportunities:** Increasing support for decentralized development and climate financing offers avenues for expansion and innovation.

SECTION B

Fund's compliance with statutory requirements

The Equalisation Fund remained largely compliant with statutory obligations during the reporting period. All returns were submitted to relevant oversight agencies on time, and the procurement process followed Public Procurement and Asset Disposal Act (2015) guidelines and regulations.

Non-compliance Issues:

- No major non-compliances or court cases were reported.
- The Fund is not currently exposed to any contingent liabilities.

SECTION C

Key projects the Fund is implementing.

The Fund implemented the following flagship projects during the period:

1. Water Access Projects (Borehole Drilling & Spring protection) and Construction water Tanks – Tindiret ,Chemelil/Chemase and Songor/Soba Wards)
 - a. Viability: High – serves residents
 - b. Sustainability: Community water committees established for maintenance.
2. Rural Roads Construction (Chemase/Chemelil and Wards)
 - a. Viability: Enhanced access to markets and health facilities
 - b. Sustainability: To be Integrated into County Road Maintenance Plan
3. Construction of Dispensaries
 - a. Viability: To be operational in remote wards, reducing emergency response times.
 - b. Sustainability: To be Staffed by County Health Department.
4. These projects directly support the Fund's mandate by improving access to basic services in marginalized areas, contributing to inclusive development.

SECTION D

Major risks facing the Fund.

The Fund's risk management framework identifies and mitigates the following risks:

- Market Risk: Inflation affects cost estimates and project budgets.
- Capital Risk: Relatively low, as the Fund is fully government-financed.
- Credit Risk: Minimal, given the non-lending nature of operations.
- Liquidity Risk: Moderate – dependent on timely release of funds from the National Treasury and the Equalisation Fund Board.
- Risk mitigation measures include quarterly risk reviews, enhanced internal controls, and stakeholder engagement.

SECTION E

Material arrears in statutory/financial obligations

As of the end of the reporting period:

- Tax Compliance: Up-to-date. No known defaults with KRA or other regulatory bodies.
- Other Arrears: None reported.

SECTION F

The Fund's financial probity and serious governance issues

The Fund upholds transparency and integrity in its operations.

- Governance: No reported incidents of conflict of interest or management misconduct.
- Oversight: Active monitoring by the Audit Committee and the County Treasury.

6. Environmental and Sustainability Reporting

i) Sustainability strategy and profile

The accounting officer should make a broad overview about global political and macroeconomic trends affecting sustainability priorities, e.g. climate change, make reference to international sustainability best practices frameworks e.g. Sustainable Development Goals (SDG) and the entity's sustainability priorities and policy framework. Discuss the entity's key achievements, failures and mitigation measures during the reporting period. Provide information on the entity's service delivery charter and procedures on contracts management e.g. proportion of contracts allocated to local suppliers/contractors/ special groups (Youth, Women) and PWD categories.

ii) Environmental performance

Outline clearly the environmental policy guiding the organization and provide evidence of

implementation of the policy. Outline successes, shortcomings, and mitigation measures, efforts to manage biodiversity, effective waste management (reduce, reuse, recycle, disposal methods) and efforts to reduce the environmental impact of the organization's products (e.g. automation of systems-paperless offices, reduced use of plastic bottles, provision of bins for segregation of waste in the compound, packaging that is biodegradable, maintaining vehicles to reduce Co2 emissions). Discuss initiatives around climate change (e.g. climate smart technologies- drought resistant crop varieties, eco-toilets, eco jikos, green buildings- designed with automated lightings, open areas with natural lights, solar lighting and heating system)

iii) Employee welfare

Give an account of the policies guiding the hiring process and whether they take into account the gender ratio (male, female, youth) and PWD, whether they take in stakeholder engagements, and how often the policies are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA. Include a review of work-related injuries and evidence of efforts to minimise this.

iv) Marketplace practices-

The organization should outline its efforts to:

a) Responsible competition practice.

Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition-open tendering and respect for competitors or outline how the entity ensures improved service delivery practices (e.g. Service charter information, Service automation-self-service, Anti-corruption-reporting, brand protection mechanism, cashless payment, public sensitization/outreach, etc.)

b) Responsible Supply chain and supplier relations

Explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts, respecting payment practices and allowing competitive procurement of services.

c) Responsible marketing and advertisement or Responsible engagement with the citizens

Outline efforts to maintain ethical marketing practices (e.g. avoiding false or exaggerated promises, avoiding anti-social advertisement, giving adequate information, respecting consumers) Or discuss how the entity's efforts in ensuring its outreach and sensitization practices are ethical and responsible (regular media, website briefs, holding consultative

forums, avoiding false or exaggerated promises, giving adequate information, respecting diversity)

d) Product stewardship or Awareness Creation

Outline efforts to safeguard consumer rights and interests issues include protection of health and safety, providing adequate product information, dispute resolution and redress, consumer data and privacy protection) or how the entity safeguards citizens' rights and interests (Providing adequate service information e.g. NHIF, NSSF, application of licenses, ID, Passport, logbook, connection to power, water, right to representation when arrested/ bail, right to peaceful demonstration, dispute resolution and redress, whistle blowers rights, citizen data and privacy protection)

7. Statement of Management Responsibilities

Section 168 of the Public Finance Management Act, 2012 requires that, at the end of financial year, the Administrator of a County Equalisation Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Management of the County Equalisation Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial period ended 30th June, 2025. This responsibility includes:

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

The Management of the County Equalisation Fund accepts responsibility for the Fund's 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). The Management of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of the Fund's transactions during the Period ended 30th June, 2025, and of the Fund's financial position as at that date. The Management further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in

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

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

Approval of the financial statements

The Fund's financial statements were approved by the Management on 26th September 2025 and signed on its behalf by:

CPA Alfred K. Lagat

Name 

CECM Finance and Economic Planning

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON EQUALISATION FUND FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF NANDI

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Equalisation Fund - County Government of Nandi set out on pages 1 to 22, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison

Report of the Auditor-General on Equalisation Fund for the year ended 30 June, 2025 - County Government of Nandi

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of Equalisation Fund - County Government of Nandias at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Public Finance Management Act, 2012 and the Public Finance Management(Equalisation Fund Administration) Regulations, 2021.

Basis for Opinion

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.116,745,012 and Kshs.104,413,037 respectively resulting to under receipts of Kshs.12,331,975 or 11% of the budget. Similarly, the Fund spent Kshs.92,949,483 against actual receipts of Kshs.104,413,037 resulting to under expenditure of Kshs11,463,544 or 11% of the budget.

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

My opinion is not modified in respect to this matter.

Key Audit Matters

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

Other Information

The Management is responsible for the Other Information set out on page iii to xvii which comprise of Key Entity Information and Management, Key Management Team, Report of the County Executive Committee Member for Finance, Statement of Performance Against Predetermined Objectives, Corporate Governance Statements, Environmental and

Sustainability Reporting and, Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Lack of Land Ownership Documents

The statement of financial performance reflects use of goods and services amount of Kshs.104,413,037 as disclosed in Note 7 to the financial statements. Included in the amount is Kshs.15,808,477 which relates to certified works for health facilities. This expenditure was incurred for the construction of four (4) dispensaries. However, no title deeds or supporting ownership documents were presented for audit verification for land which the four (4) dispensaries were constructed. Further, review of supporting documents provided revealed a payment of Kshs.4,797,400 to a company for drilling of borehole. However, evidence of land ownership was not obtained before award of the drilling contracts. This was contrary to regulation 139(1) of the Public Finance Management Regulations states that an Accounting Officer may not authorize payment out of funds earmarked for specific activities for purposes other than those activities, except as provided for in the Act and the Regulations.

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

2. Unused Completed Health Facilities

The statement of financial performance reflects use of goods and services amount of Kshs.104,413,037 as disclosed in Note 7 to the financial statements. Included in the amount is Kshs.15,808,477 which relates to certified works for health facilities. Review of records revealed that Kshs.4,951,896 and Kshs.4,892,061 was incurred on the construction of Koitabmoset dispensary and Cheptonon dispensary respectively, both

totaling to Kshs.9,843,95.7 the two (2) projects were completed. However, physical verification revealed that the dispensaries were not in use. No medical staff had been deployed, and essential equipment had not been installed. This was contrary to Section 68(1) of the Public Finance Management Act, 2012 which states that the accounting should ensure that the resources are used lawfully.

In the circumstances, Management was breach of the law.

3. Delayed/Stalled Projects

The statement of financial performance reflects use of goods and services amount of Kshs.104,413,037 as disclosed in Note 7 to the financial statements. Included in the amount is Kshs.15,808,477 in respect of certified works for health facilities. Review of specific project contracts and site inspections revealed the following anomalies;

3.1 Sigoria Dispensary

Review of contract documents revealed that a contract was awarded to a contractor on 2 July, 2024 for a period of six months ending 2 January, 2025 at a contract sum of Kshs.6,017,540 for the construction of Sigoria Dispensary. However, Audit inspection carried out in the month of September, 2025 revealed that the project was incomplete, the contractor was not on site, and works had stalled leading to unjustified delay of 9 months. At the time of review Kshs.2,514,520 had been made, representing 42% of the contract sum. Despite payments made, the contractor was still not on site. The contract management was done contrary to Regulation 22(1)(b) of the Public Finance Management (County Government) Regulations, 2015 requiring that Accounting Officer to maintain effective system of internal control in the management of the contract.

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

3.2 Kapkoros Maternity and General Wards

Review of contract documents revealed that a contract was awarded to a contractor in the month of March, 2024 for a period of 6 months at a contract sum of Kshs.9,006,010 for the construction of Kapkoros Dispensary. Audit inspection carried out in the month of September, 2025 revealed that the project was incomplete, the contractor was not on site, and works had stalled, however, a total of Kshs.3,450,000 had been paid representing 38% of the contract sum. This was contrary to Regulation 22(1)(b) of the Public Finance Management (County Government) Regulations, 2015 requiring that Accounting Officer to maintain effective system of internal control in the management of the contract.

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

4. Non-Compliance with Financial Statement Presentation Requirements

Review of the financial statements revealed several deviations from the prescribed format including wording "revised 30th June 2025" on the cover page, misalignment of the Table of Contents, a blank page iii, omission of the year end date under fiduciary management, misalign in key management team and inconsistent formatting where contents under subtitles in the report of the County Executive Member for Finance and Management

Discussion and Analysis were bolded. Further, the statement of performance against predetermined objectives was not presented in the prescribed Public Sector Accounting Standards format contrary to Section 80(1) of the Public Finance Management Act, 2012 requiring the Nandi County Government Equalisation Fund to prepare clear and comprehensive annual financial statements in accordance with formats prescribed by the Public Sector Accounting Board (PSASB).

5. Delayed Disbursement of Funds

Review of construction projects for Kapkoros Dispensary and Sigoria Dispensary–revealed that the works had stalled. The projects, implemented by two contractors, required Kshs.2.8 million and Kshs.2.5 million respectively totalling to Kshs.5.3 million to be completed. However, the Equalisation Fund Advisory Board at the National Treasury and Planning had not released the required funds. At the time of review, the projects were 38% and 42% complete respectively, and the contractors had withdrawn from site due to non-payment. The Board contravened to Section 8 of the Public Finance Management Equalisation Fund Administration Regulation 221 requiring the Board to put in place measures ensuring transparency and accountability in the implementation of the Equalisation fund projects.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

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

Responsibilities of the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

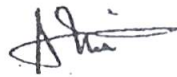
Nairobi

02 December, 2025

8. Statement of Financial Performance for the year ended 30 June 2025

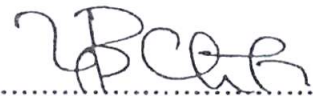
	Note	2024-2025	2023-2024
		Kshs	Kshs
Revenue from Non-Exchange Transactions			
Transfers from Equalisation fund	6	104,413,037	-
Total revenue		104,413,037	
Expenditure			
Use of goods and services	7	104,413,037	-
Total expenditure		104,413,037	
Surplus/(deficit) for the Period			

The notes set out on pages 1 to 4 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 4 were signed by:



CPA Alfred Lagat
 CECM-Finance
 ICPAK M/No: 9500

Date.....30.10.2025



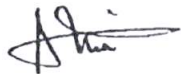
CPA Prisca Jepchirchir
 Fund Accountant
 ICPAK M/No: 11360

Date.....30.10.2025

9. Statement of Financial Position as at 30 June 2025

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Assets			
Current Assets			
Cash And Cash Equivalents	8	11,463,554	-
Total Current Assets		11,463,554	-
Total Assets (A)		11,463,554	-
Liabilities			
Current Liabilities			
Certificates Payable	9	7,671,173	-
Retention	11	3,792,381	-
Total Current Liabilities		11,463,554	-
Total Liabilities (B)		11,463,554	-
Net Assets (A-B)		-	-
Represented By:			
Accumulated Surplus		-	-
Net Assets		-	-

The financial statements set out on pages 1 to 4 were signed by:



.....
 CPA Alfred Lagat
 CECM-Finance
 ICPAK M/No: 9500

Date 30.10.2025



.....
 CPA Prisca Jepchirchir
 Fund Accountant
 ICPAK M/No: 11360

Date 30.10.2025

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

Description	Accumulated surplus
	Kshs
Prior Year	
Balance As At 1 July 2024	-
Surplus/(Deficit) For the Year	-
Balance As At 30 June 2024	-
Current Year	
Balance As At 1 July 2024	-
Surplus/(Deficit) For The Year	-
Balance As At 30 June 2025	-

11. Statement of Cash Flows for the year ended 30 June 2025

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Cash flows from operating Activities			
Receipts			
Receipt from Equalisation Fund		104,413,037	-
Total Receipts		104,413,037	-
Payments			
Use of goods and services		92,949,483	-
Net cash flows (to)/from operating activities (a)	12	11,463,554	-
Cash flows from investments			
		-	-
Net cash flows (to)/from investing activities (b)		-	-
Cash flows from financing			
		-	-
Net cash flows (to)/from financing activities (c)		-	-
Movement in cash and cash equivalents			
Net increase/ decrease in cash and cash equivalents. (d) = (a) + (b) +(c)		11,463,554	-
Cash and cash equivalents at July 1 st	8		
Cash and cash equivalents at June 30 th	8	11,463,554	-

12. Statement of Comparison of Budget and Actual Amounts for the Year ended 30 June 2025

	Original budget(s)) As Appropriated in current Year	Balance from Previous Years	Final budget of Total funds appropriated	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
Receipts	a	b	c=(a+b)	d	e=(c-d)	f=d/c*100
Transfers from EF	116,745,012	-	116,745,012	104,413,037	12,331,975	89
Expenses						
Road projects	62,736,878	-	62,736,878	56,422,755	6,314,123	90
Water project	28,527,024	-	28,527,024	23,045,912	5,481,112	81
Health facilities	25,481,110	-	25,481,110	13,480,815	12,000,295	53
Total Expenditure	-	-	-	92,949,483	-	-
Surplus/Deficit	-	-	-	11,463,554	12,331,975	-

13. Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	11,463,554
	Closing Cash and Cash Equivalent as per the statement of Cash flows	11,463,554

14. Notes to the Financial Statements

1. General Information

Equalisation Fund is established by and derives its authority and accountability from section 205

(1) of the Public Finance Management Act, 2012, The Entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Entity's principal activity is equality.

2. Statement of Compliance and Basis of Preparation

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

3. Adoption of New and Revised Standards

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

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

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

Standard	Effective date and impact:
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<p>IPSAS 43 Leases</p>	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
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Standard	Effective date and impact:
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
<p>IPSAS 45- Property Plant and Equipment</p>	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>

IPSAS 46 Measurement	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>Standard</p>	<p>Effective date and impact:</p>
IPSAS 47- Revenue	<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 entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48- Transfer Expenses	<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>

Standard	Effective date and impact:
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>

the amount is recorded in the statement of financial position and realized in the statement of financial performance upon fulfilling the conditions set. Revenue shall be recognised upon submission and approval of the payment request by the transferring agency (Equalisation Fund).

b) Certified Works

Certified works are recognized when the works can be measured reliably and/ or when certificates of work done are received and approved by the Equalisation Fund.

c) Budget information

The Appropriation Act for the FY was passed by Parliament. The allocation shall continue in force until all projects identified are completed.

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. Included in the budget statement are balances of appropriations from previous years, not yet disbursed.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts, and the actuals as per the statement of cash flows.

d) 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. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the Fund 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.

i) Financial assets

Classification of financial assets

The Fund classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

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.

Fair value through surplus or deficit

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

Impairment

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

ii) Financial liabilities

Classification

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

e) Changes in accounting policies and estimates

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

f) Related parties

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

g) Cash and cash equivalents.

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at the Central Bank of Kenya special purpose account and the deposit account at the end of the financial year.

h) Comparative figures

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

i) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 20xx.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

6. Transfers from Equalisation Fund

Description	2024/2025	2023/2024
	Kshs	Kshs
Transfers for roads	60,737,873	-
Transfers for water projects	27,866,687	-
Transfers for health facilities	15,808,477	-
Total	104,413,037	-

7. Use of Goods and Services

Description	2024/2025	2023/2024
	Kshs	Kshs
Certified works for roads	60,737,873	-
Certified works for water project	27,866,687	-
Certified works for health facilities	15,808,477	-
Total	104,413,037	-

8. Cash and Cash Equivalents

Description	2024/2025	2023/2024
	Kshs	Kshs
Special Purpose Account	11,463,554	-
Deposit Account	-	-
Cash balances	-	-
Total Cash and cash equivalents	11,463,554	-

9. Certificates Payable

Description	2024/2025	2023/2024
	Kshs	Kshs
Certificates payables	7,671,173	-
Total Payables	7,671,173	-

10. Ageing analysis of certificates payable

Description	2024/2025		2023/2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	7,671,173	100%	-	-
Between 1- 2 years	-	-	-	-
Between 2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total	7,671,173	100%	-	-

11. Retention

Description	2024/2025		2023/2024	
	Kshs		Kshs	
	Current FY	% of the Total	Comparative FY	% of the Total
Retention monies	3,792,381		-	
Total retention money	3,792,381		-	
Ageing analysis: (Retention deposits)				
Under one year	3,792,381	100%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	3,792,381	100%	-	

12. Cash Generated from Operations

Description	2024/2025		2023/2024	
	Kshs		Kshs	
Surplus for the year before tax	-		-	
Adjusted for:				
Working capital adjustments				
Increase in receivables	-		-	
Increase in payables	11,463,554		-	
Net cash flow from operating activities	11,463,554		-	

13. Financial Risk Management

The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The fund's financial risk management objectives and policies are detailed below:

iv) Credit risk

The entity 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, as well as receivables. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

Financial Risk Management

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 entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from . The Board of Directors sets the entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

v) Liquidity risk management

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 th June 2024/2025				
Payables	7,671,173	-	-	7,671,173
Total	-	-	-	-
As at 30 th June 2023/2024	-	-	-	-
Payables	-	-	-	-
Total	7,671,173	-	-	7,671,173

vi) **Market risk**

The Entity has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Entity'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 entity's exposure to market risks or the way it manages and measures the risk.

a) **Interest rate risk**

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

Management of interest rate risk

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

Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity

analysis. This involves determining the impact on the surplus or deficit of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs xxx (Current FY: Kshs xxx). A rate increase/decrease of five percent would result in a decrease/increase in surplus before tax of Kshs xxx (Current FY – Kshs xxx)

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value. Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *Entity's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *Entity* considers relevant and observable market prices in its valuations where possible.

There were no transfers between levels 1, 2 and 3 during the year. Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

vii) Capital Risk Management

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

Description	2024-2025	2023-2024
	Kshs	Kshs
Accumulated surplus	-	-
Total Funds	-	-
Total Borrowings	-	-
Less: Cash and Bank Balances	-	-
Net Debt/(Excess cash and cash Equivalents)	-	-
Gearing	-	-

14. Related Party Disclosures

a) Nature of related party relationships

Entities and other parties related to Nandi County Equalization Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

b) County Government of Nandi

The county Government of Nandi is the principal shareholder of the Nandi County Equalization Fund, holding 100% of the Equalization Fund equity interest. The County Government has provided full guarantees to all long-term lenders of the entity.

c) Other related parties include:

- i) The Parent Department.
- ii) County Governments
- iii) Other County Corporations
- iv) Key management.

d) Transactions with related parties

Description	2024-2025	2023-2024
	Kshs	Kshs
a) Grants /transfers from the government		
Grants from EF	104,413,037	-
Total	104,413,037	-

15. Events after the Reporting Period

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

16. Ultimate And Holding Entity

The Entity is a Fund under the Department of finance and Economic Planning. Its ultimate parent is the County Government of Nandi.

17. Currency

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

17. Appendices

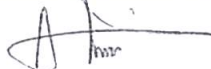
Appendix 1: Implementation Status of Auditor General's Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management.
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Entity responsible for the implementation of each issue.
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report.



.....
County Executive Committee Member for Finance Date:

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Appendix II: Projects Implementation Status Report.

S/N o.	Project Name (A)	Sector (B)	Constituency (C)	Ward (D)	Approved Budget/total allocation (E)	Contract Sum (F)	Amount certified (G)	Amount Paid (H)	Payable amount I=(G-H)	% Status of implementation (J)
1	Koita bmo se t Dispensary	Health	Tindiret	Songor /Soba	4,961,220/=	4,951,896/=	4,951,896/=	4,951,896/=	4,951,896/=	100%
2	Chepkikwen y Water Project	Water	Tindiret	Songor /Soba	2,025,127/=	1,995,010/=	1,995,010/=	1,995,010/=	1,995,010/=	100%
3	Kapkoros Dispensary	Health	Nandi Hills	Kapch orwa	9,516,940/=	9,006,010/=	3,450,000/=	3,450,000/=	3,450,000/=	70%
4	Lengon- Kapchanga Road- Kapchelongo n Road	Roads	Nandi Hills	Kapch orwa	2,879,333/=	2,761,788.90/=	2,761,788.90/=	2,761,788.90/=	2,761,788.90/=	100%
5	Kapkitany - Olomotit Road	Roads	Tindiret	Songor / Soba	2,785,740/=	2,741,132/=	2,741,132/=	2,741,132/=	2,741,132/=	100%
6	Soba sec - Kichaba River Road	Roads	Tindiret	Songor / Soba	2,094,090/=	2,009,874/=	2,009,874/=	2,009,874/=	2,009,874/=	100%

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7	Swag Bridge Construction	Roads	Tindiret	Chemelil/Che mase	6,854,881/=	5,841,504.80 /=	5,841,504.80 /=	5,841,504.80 /=	5,841,504.80 /=	100%
8	Chepkaroi Water Project	Water	Tindiret	Tindiret	3,315,267/=	3,309,460/=	3,309,460/=	3,309,460/=	3,309,460/=	100%
9	Sosok-Kipkuress Pri-Katiat Centre Road	Roads	Tindiret	Songor/Soba	2,515,750/=	2,490,667/=	2,490,667/=	2,490,667/=	2,490,667/=	100%
10	Cheptaburbur Water Project	Water	Tindiret	Tindiret	2,901,117/=	2,875,250/=	2,875,250/=	2,875,250/=	2,875,250/=	100%
11	Siguria Dispensary	Health	Tindiret	Songor/Soba	6,041,730/=	6,017,540/=	6,017,540/=	6,017,540/=	6,017,540/=	80%
12	Taunet-Koromi-Chemogoch-Cheboing'ong Road	Roads	Tindiret	Songor/Soba	3,330,215/=	3,312,711/=	3,312,711/=	3,312,711/=	3,312,711/=	100%
13	Mohoroni border - Soba Bridge	Roads	Tindiret	Songor/Soba	2,144,550/=	2,085,100/=	2,085,100/=	2,085,100/=	2,085,100/=	100%
	- Chepngorngor Road									

21	Sitet Centre-Kipkures Primary	Roads	Tindiret	Songor / Soba	3,824,810/=	3,808,184/=	3,808,184/=	3,808,184/=	3,808,184/=	100%
22	Sach 4-Mining Buch-Kolongei-Uson Primary	Roads	Tindiret	Songor / Soba	4,994,090/=	4,994,000/=	4,994,000/=	4,994,000/=	4,994,000/=	100%
23	Chebibi-Kaphilemon-korara-kerewa Centre Road	Roads	Tindiret	Songor / Soba	2,551,760/=	2,522,501/=	2,522,501/=	2,522,501/=	2,522,501/=	100%
24	Cheptonon Dispensary	Health	Tindiret	Songor / Soba	4,961,220/=	4,892,061/=	4,892,061/=	4,892,061/=	4,892,061/=	100%
25	Kiplelgut-Kibukwo	Water	Tindiret	Songor / Soba	2,025,127/=	1,935,840/=	1,935,840/=	1,935,840/=	1,935,840/=	100%
	Water Project									
26	Korosiot-Kapteldon Water Project	Water	Tindiret	Songor / Soba	8,339,967/=	7,970,517/=	7,970,517/=	7,970,517/=	7,970,517/=	100%

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27	Seiyot Water Project	Water	Tindiret	Songor / Soba	2,720,000/=	2,705,190/=	2,705,190/=	2,705,190/=	2,705,190/=	100%
28	Siguria Water Project	Water	Tindiret	Songor / Soba	2,324,947/=	2,278,020/=	2,278,020/=	2,278,020/=	2,278,020/=	100%
29	Tulwabmoi-Maraba Road	Roads	Tindiret	Tindir et	2,153,443/=	2,146,104/=	2,146,104/=	2,146,104/=	2,146,104/=	100%
30	Kabisaga-Kendubeiwe k-sigowet-Kipyao road	Roads	Tindiret	Tindir et	3,292,950/=	3,205,975/=	3,205,975/=	3,205,975/=	3,205,975/=	100%

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Appendix III: Transfers from Government Entities

Name of the Entity Transferring the funds	Date received as per bank statement	Total Amount - KES	Where Recorded/recognized		
			Statement of Financial Performance	Receivables	Total Transfers during the Year
Equalisation fund Board	22/10/2024	23,498,244.00	23,498,244.00	-	23,498,244.00
	17/01/2025	44,921,118.60	44,921,118.60	-	44,921,118.60
	09/04/2025	14,897,447.00	14,897,447.00	-	14,897,447.00
	24/06/2025	21,096,227.00	21,096,227.00	-	21,096,227.00

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Appendix IV- Inter-Entity Confirmation Letter

Name of transferring entity :Equalisation Fund Board

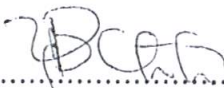
Name of beneficiary entity:Nandi County Government

Confirmation of amounts received by Nandi County Government as at 30 th June 2025			
Reference Number	Date Received	Total	Remarks
FT24296V9K7S	22-Oct-24	23,498,244.00	Received
FT2501722TYQ	17-Jan-25	44,921,118.60	Received
FT25099DGZ8V	9-Apr-25	14,897,447.00	Received
FT25175508XD	24-Jun-25	21,096,227.00	Received
Total		104,413,036.60	

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

Head of Accounts Department - Disbursing Entity: 

Name KAGO GICHOHI Sign Date 30TH June 2025

Head of Accounts Department - Beneficiary Entity: 

Name PRISCAH JEPCHIRCHIR Sign Date 30TH June 2025

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Appendix V: Funding Summary

Financial Year	Appropriation during the FY a	Funds received during the FY b	Outstanding funds c=a-b
2024/2025	116,745,012	104,413,037	12,331,975
Total	116,745,012	104,413,037	12,331,975

Appendix VI: Reporting of Climate Relevant Expenditures

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

Appendix VII: Reporting on Disaster Management Expenditure

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