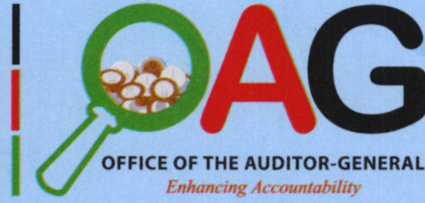
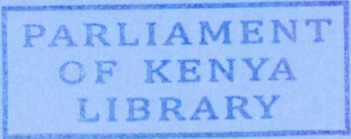


REPUBLIC OF KENYA



REPORT

OF



THE AUDITOR-GENERAL

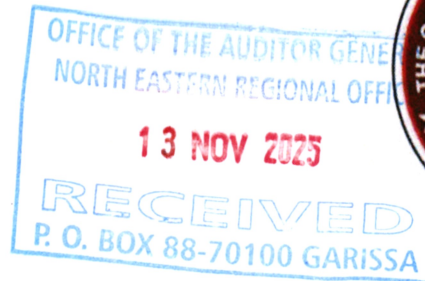
ON

EQUALISATION FUND

FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF GARISSA

| PAPERS LAID | |
|--------------------|------------|
| DATE | 4/12/2025 |
| TABLED BY | M.L |
| COMMITTEE | — |
| CLERK AT THE TABLE | Abdirahman |



**COUNTY GOVERNMENT OF GARISSA
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)**

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1. 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.

Year- Means the prior period.

(This list is an indication of the common acronyms and abbreviations; the Entity should include all from the annual report and financial statements prepared)

2. 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 Garissa 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 | Abass Ismail Khaar |
| 2. | Head of Finance | Abdi Ali Nuriye |
| 3. | Head of Procurement | Mohamed Abdi Hassan |
| 4. | Chief Officer Finance | Abdilatif Mohamed |

(Include positions regarded as top management in running the Fund as per your organizational structure).

Key Entity Information and Management (continued)

(e) Fiduciary Oversight Arrangements

The management of the Fund is subject to a robust fiduciary oversight framework designed to ensure transparency, accountability, and prudent utilization of public resources. The oversight arrangements for the Garissa County Fund operate through multiple levels of governance, as outlined below:

1. Equalisation Fund Advisory Board

Although the Equalization Fund is a national instrument established under Article 204 of the Constitution, its principles and operational framework provide guidance for similar devolved funds, including the Garissa County Fund. The County adopts comparable standards in ensuring that fund utilization targets disadvantaged and marginalized areas. In this regard, the Fund Management Committee aligns its planning, disbursement, and reporting processes to the principles of equity, transparency, and community participation as practiced under the Equalization Fund framework.

2. Parliamentary Oversight (Special Funds Committee)

At the national level, the Parliamentary Special Funds Accounts Committee provides oversight on the management and accountability of public funds, including county-level special purpose funds. Garissa County submits annual financial statements, audit reports, and implementation updates to relevant legislative committees through the Office of the Auditor-General. This ensures that the Fund's operations adhere to the Public Finance Management Act, 2012, and associated regulations.

At the county level, the **County Assembly of Garissa**, through its **Public Accounts and Investments Committee (CPAIC)** and **Budget and Appropriations Committee**, provides oversight on the Fund's performance, approves annual budgets, and reviews the Auditor-General's findings and management responses. This structure ensures legislative scrutiny and transparency in fund management.

3. Other Oversight Arrangements

Additional fiduciary oversight is exercised through:

- **The County Executive Committee (CEC) for Finance and Economic Planning**, which provides policy direction, financial controls, and approval of disbursements.
- **The Internal Audit Unit**, which continuously reviews fund operations, internal controls, and compliance with the Public Finance Management Regulations, 2015.
- **The Office of the Auditor-General**, which conducts independent annual audits to ensure compliance with public finance and procurement laws.
- **The Controller of Budget**, who authorizes withdrawals and ensures that expenditure is within the approved budget framework.

(f) Entity Headquarters

Office of the Governor
Along Lamu Road Opposite Young Muslim Academy
Telephone: (254) 0462102604
E-mail: garissacounty@gmail.com
Website: www.garissa.go.ke

(g) Entity Contacts

Telephone: (254) 0462102604
E-mail: garissacounty@gmail.com
Website: www.garissa.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

1. The Attorney General
State Law Office and Department of Justice
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

2. County Attorney
Office of the Governor
Along Lamu Road Opposite Young Muslim Academy
Telephone: (254) 0462102604
E-mail: garissacounty@gmail.com
Website: www.garissa.go.ke

3. Key Management Team

| Name | Details |
|--|--|
| <p>County Executive Committee Member for Finance</p>  <p><i>Abaas Ismail Khaar</i></p> | <p>Bachelor of Business Management MBA from Kenya Methodist University Diverse experience in financial sectors Participated in drafting and designing numerous financial policies and accounting procedures Worked with various International NGOs in Kenya and Somalia in Finance and grant Management From 2020 to 2023, working with National Drought Management Authority as Program Manager for the Hunger Safety Net Programme Trained as Senior Management course in Kenya School of Government</p> |
| CPA Abdi Ali Nuriye | |
| Mohamed Abdi Hassan | |
| | |

4. Report of the County Executive Committee Member for Finance

1. Introduction

This report presents the financial and operational performance of the Equalization Fund for Garissa County for the financial year under review. It is prepared in accordance with the Public Finance Management Act, 2012, the Constitution of Kenya (2010), and the guidelines issued by the National Treasury regarding the management and reporting of the Equalization Fund.

The report provides an overview of the Fund's objectives, operational context, achievements, and the challenges encountered during the reporting period. It is worth noting that this is the first financial statement for the Garissa County Equalization Fund, marking a significant milestone in the county's commitment to promoting equitable development and addressing historical disparities in access to essential services.

2. Overview of the Equalization Fund

The Equalization Fund was established under Article 204 of the Constitution of Kenya to provide basic services including water, roads, health facilities, and electricity to marginalized areas, to the extent necessary to bring the quality of these services to the level generally enjoyed by the rest of the nation.

Garissa County, being among the designated marginalized counties, is a key beneficiary of this Fund. The County Government has accordingly put in place structures and frameworks to ensure proper planning, implementation, and oversight once funds are disbursed.

3. Financial Performance

During the period under review, no disbursements were received from the National Treasury under the Equalization Fund allocation. Consequently, no expenditures were incurred, and the financial statements reflect a nil balance for both receipts and payments.

However, in readiness for disbursements, the County Treasury has undertaken preparatory measures, including:

- Establishment of an Equalization Fund Account as per the PFM (Equalization Fund Administration) Regulations.
- Development of preliminary frameworks for fund utilization in line with the approved County Integrated Development Plan (CIDP) and the Public Finance Management (County Governments) Regulations, 2015.
- Coordination with line departments to identify priority projects in the sectors of water, roads, education, and health, which are aligned with the objectives of the Fund.

These preparatory steps ensure that once the funds are released, implementation can commence promptly, guided by the principles of transparency, accountability, and value for money.

4. Operational Performance and Institutional Arrangements

While the Fund has not yet received financial inflows, significant progress has been made in strengthening the institutional framework for its management. The following achievements are noteworthy:

- **Establishment of Governance Structures:** The County Treasury has set up a Fund Management Committee to oversee planning, disbursement, and reporting processes upon receipt of funds.
- **Capacity Building and Awareness:** Key officers in the County Departments of Finance, Planning, and Infrastructure have undergone sensitization on the operational modalities of the Equalization Fund.
- **Coordination with National Treasury:** Continuous engagement has been maintained with the National Treasury and Commission on Revenue Allocation (CRA) to fast-track disbursement processes and clarify implementation guidelines.

5. Key Successes and Preparedness Measures

Despite the absence of actual funding, the County Government has achieved several milestones that demonstrate its readiness for the operationalization of the Equalization Fund. These include:

- Development of a pipeline of eligible projects targeting improvement of rural access roads, community water supply systems, and upgrading of health facilities in marginalized areas.
- Establishment of transparent financial management systems, including designated bank accounts and internal control mechanisms.
- Integration of Equalization Fund activities within the County Annual Development Plan (ADP) and Budget Framework Paper (BFP) to ensure alignment with broader county priorities.

These actions reflect the County's proactive approach in ensuring that the Fund, once operationalized, will be efficiently managed and directed toward impactful service delivery.

6. Challenges and Way Forward

The main challenge remains the non-disbursement of funds, which has delayed the intended interventions meant to uplift living standards in marginalized communities. Additionally, lack of clear national-level timelines for allocation and release has affected county-level planning and prioritization.



.....
(The CECM Finance)

5. Statement of Performance against Predetermined Objectives for FY 2024/2025-1

Equalization Fund – Garissa County

Section 164(2)(f) of the Public Finance Management Act, 2012 requires the Accounting Officer to present a statement of performance against predetermined objectives. This statement highlights the Fund’s strategic pillars, objectives, key performance indicators, and achievements for the period under review.

Although the Equalization Fund has not yet received any financial disbursements from the National Treasury, the County Treasury has made significant progress in institutional preparedness, strategic alignment, and operational readiness to implement the Fund upon its activation.

Strategic Overview

The Garissa County Equalization Fund is anchored on the County Government’s broader vision of achieving equitable and inclusive socio-economic development in marginalized and underserved areas. The Fund’s activities are guided by the County Integrated Development Plan (CIDP 2023–2027) and aligned to the Public Finance Management (PFM) Regulations, 2015, and the Equalization Fund Implementation Guidelines issued by the National Treasury.

The Fund’s Strategic Plan is organized around three main pillars, each addressing a core theme of service delivery and institutional strengthening:

Pillar 1: Strengthening Institutional and Governance Frameworks

Pillar 2: Promoting Inclusive Infrastructure Development and Service Delivery

Pillar 3: Enhancing Transparency, Accountability, and Financial Stewardship

Each of these pillars translates into specific objectives, performance indicators, and targeted activities as outlined below.

| Strategic Pillar/Theme/Issues | Objective | Key Performance Indicators | Activities | Achievements |
|--|---|--|---|---|
| Pillar 1: Strengthening Institutional and Governance Frameworks | To establish effective institutional structures for management of | - Fund Management Committee established. - Operational guidelines and | - Formulation and approval of Equalization Fund operational guidelines. | - Fund Management Committee formally constituted. |

County Government of Garissa
 Equalisation Fund

Annual Report and Financial Statements for the year ended June 30, 2025.

| | | | | |
|---|--|--|--|--|
| | the Equalization Fund. | Fund account approved. - Staff sensitized on Fund management. | - Establishment of the Equalization Fund Account. - Conducted orientation and sensitization workshops for key officers in Finance, Planning, and Infrastructure departments. | - Operational manual and Fund account approved. - Staff trained on Fund processes and compliance requirements |
| | | | | |
| Pillar 2: Promoting Inclusive Infrastructure Development and Service Delivery | To identify and prioritize community projects that address inequality in access to basic services. | - Number of projects identified and appraised. - Percentage of sectors aligned with Equalization objectives. - Number of community consultations held. | - Conducted stakeholder engagement across all sub-counties. - Mapped and appraised potential projects in health, roads, water, and education sectors. - Integrated project pipeline into CIDP and ADP. | - 36 priority projects identified and profiled. - Comprehensive project database developed. - Project concept notes prepared for implementation upon fund release. |

Annual Report and Financial Statements for the year ended June 30, 2025.

| | | | | |
|---|---|--|---|---|
| Pillar 3: Enhancing Transparency, Accountability, and Financial Stewardship | To establish transparent systems for fund management and reporting. | <ul style="list-style-type: none"> - Internal control systems established. - Financial reporting templates developed. - Audit readiness status. | Established Equalization Fund accounting structure within IFMIS. <ul style="list-style-type: none"> - Developed internal reporting formats and control procedures. - Initiated preparation of baseline financial statements. | Financial statement for FY 2024/2025 prepared (first in the Fund's history). <ul style="list-style-type: none"> - Audit framework aligned with PFM requirements. - Enhanced financial transparency and compliance readiness. |
| | | | | |

6. 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

b) 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.

Annual Report and Financial Statements for the year ended June 30, 2025.

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.

7. Management Discussion and Analysis

1. Introduction

The Management Discussion and Analysis (MD&A) presents an overview of the operational and financial performance of the Equalization Fund for the financial year under review. It highlights the Fund's key activities, financial position, compliance with statutory requirements, major risks and challenges, and outlines future development plans.

This report is being presented for the first time since the establishment of the Garissa County Equalization Fund, and therefore focuses primarily on institutional readiness, governance framework establishment, and project pipeline development in anticipation of future disbursements from the National Treasury.

2. Operational Performance Overview

During the financial year, the Fund did not receive any allocation or disbursement from the National Treasury. As such, no expenditure activities were undertaken. Nonetheless, management prioritized preparatory and strategic actions necessary for the operationalization of the Fund upon receipt of future allocations.

Key operational achievements for the period include:

| Operational Area | Key Actions Undertaken | Status / Achievement |
|------------------------------|---|--|
| Institutional Framework | Establishment of Fund Management Committee and operational guidelines | Committee constituted and approved; draft guidelines developed |
| Financial Systems | Opening of Equalization Fund Bank Account and integration with IFMIS | Completed |
| Project Pipeline Development | Identification and prioritization of projects under water, roads, health, and education sectors | 36 projects identified across 6 sub-counties |
| Capacity Building | Training and sensitization of technical officers on Fund operations | Completed in Q3 |
| Stakeholder Engagement | Coordination with National Treasury and Commission on Revenue Allocation (CRA) | Ongoing and progressive |

8. Environmental and Sustainability Reporting

(Two to three pages)

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

Annual Report and Financial Statements for the year ended June 30, 2025.

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)

9. Statement of Management Responsibilities

Section 167 of the Public Finance Management Act, 2012 and Sec 20 of the Public Finance Management (Equalisation Fund Administration) Regulations, 2021 requires that, at the end of each financial year, the Administrator of a County Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

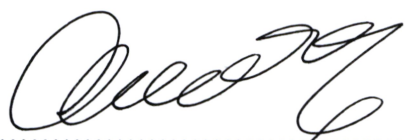
The Management of the County Equalisation Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund as at the end of the financial year ended on June 30, 200. This responsibility includes: (i) maintaining 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 and Public Finance Management (Equalisation Fund Administration) Regulations, 2021. 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 financial year ended June 30, 200, 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 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 10/11 2024 and signed on its behalf by:



.....
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 GARISSA

PREAMBLE

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

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

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 aim to address the Auditor-General's statutory roles and responsibilities 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 County Government of Garissa Equalisation Fund set out on pages 1 to 24 which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained

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

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 County Government of Garissa: Equalisation Fund as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Opinion

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

Emphasis of 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 xviii 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 for FY 2024/2025, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, 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's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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

Management submitted the annual financial statements for the year ended 30 June, 2025 on 11 November, 2025, contrary to paragraph 1.8 of the National Treasury Circular Ref. No. AG.3/88 Vol.II(41) issued on 4 December, 2024, which requires all public sector entities, both at the National and County levels, to prepare and submit annual financial statements by 31 August 2025.

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

2. Non-Compliance with Article 204(1) of the Constitution on the Equalisation Fund

Garissa County Equalisation Fund did not receive the one-half percent (0.5%) of the National Government's revenue for the year under review, contrary to the provisions of Article 204(1) of the Constitution of Kenya, 2010, which establishes the Equalisation Fund and requires that one-half percent (0.5%) of all revenue collected by the National Government each year be paid into the Fund, calculated on the basis of the most recent audited accounts of revenue received and approved by the National Assembly.

In the circumstances, management at the National Treasury 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the 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

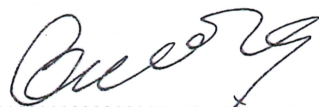
Nairobi

14 November, 2025

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

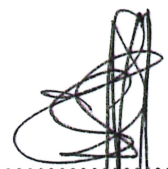
| | Note | 2024-2025 | FY |
|---|------|----------------|----------------|
| | | Kshs | Kshs |
| Revenue from Non-Exchange Transactions | | | |
| Transfers from Equalisation Fund | 6 | 0 | 0 |
| Total Revenue | | 0 | 0 |
| | | | |
| Expenditure | | | |
| Use of goods and services | 7 | 0 | 0 |
| Total Expenditure | | 0 | 0 |
| | | | |
| Surplus/(deficit) for the year | | 0 / (0) | 0 / (0) |

The notes set out on pages 0 to 0 form an integral part of these Financial Statements. The Financial Statements set out on pages 0 to 0 were signed by:



 Name: *Abass Ismail*
 CECM-Finance

Date *10/11/2025*

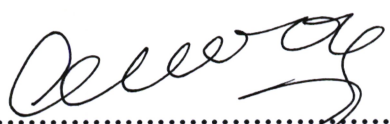


 Name: *Abdi Ali*
 Fund Accountant
 ICPAK M/No: *29047*
 Date *10-11-25*


12. Statement of Financial Position as at 30 June 2025

| Description | Note | 2024-2025 | |
|---------------------------------------|------|-----------|----------|
| | | Kshs | Kshs |
| Assets | | | |
| Current Assets | | | |
| Cash And Cash Equivalents | 8 | 0 | 0 |
| Receivables non-exchange transactions | 9 | 0 | 0 |
| Total Current Assets | | 0 | 0 |
| Total Assets (A) | | 0 | 0 |
| | | | |
| Liabilities | | | |
| Current Liabilities | | | |
| Certificates Payable | 10 | 0 | 0 |
| Retention | 11 | 0 | 0 |
| Total Current Liabilities | | 0 | 0 |
| Total Liabilities (B) | | 0 | 0 |
| | | | |
| Net Assets (A-B) | | 0 | 0 |
| | | | |
| Represented By: | | | |
| Accumulated Surplus | | 0 | 0 |
| Net Assets | | 0 | 0 |

The financial statements set out on pages 0 to 0 were signed by:



 Name: ABASS ISMAIL
 CECM-Finance
 Date: 10/11/2025



 Name: ABDI AZI
 Fund Accountant
 ICPAK M/No: 29047
 Date: 10-11-25

13. Statement of Changes in Net Assets for the year ended 30 June 200

| Description | Accumulated surplus |
|--------------------------------|---------------------|
| | Kshs |
| Prior Year | |
| Balance As At 1 July 200 | 0 |
| Surplus/(Deficit) For the Year | 0 |
| Balance As At 30 June 200 | 0 |
| | |
| 2024-2025 | |
| Balance As At 1 July 200 | 0 |
| Surplus/(Deficit) For The Year | 0 |
| Balance As At 30 June 200 | 0 |

14. Statement of Cash Flows for the year ended 30 June 200

| Description | Note | 2024-2025 | FY |
|---|----------|-----------|----------|
| | | Kshs | Kshs |
| Cash flows from operating Activities | | | |
| Receipts | | | |
| Receipt from Equalisation Fund | | 0 | 0 |
| Total Receipts | | 0 | 0 |
| | | | |
| Payments | | | |
| Use of goods and services | | (0) | (0) |
| | | | |
| Net cash flows (to)/from operating activities (a) | 12 | 0 | 0 |
| | | | |
| Cash flows from investments | | | |
| | | 0 | 0 |
| Net cash flows (to)/from investing activities (b) | | 0 | 0 |
| | | | |
| Cash flows from financing | | | |
| | | 0 | 0 |
| Net cash flows (to)/from financing activities (c) | | 0 | 0 |
| | | | |
| Movement in cash and cash equivalents | | | |
| | | | |
| Net increase/ decrease in cash and cash equivalents. (d) = (a) + (b) +(c) | | 0 | 0 |
| Cash and cash equivalents at July 1st | 8 | 0 | 0 |
| Cash and cash equivalents at June 30th | 8 | 0 | 0 |

(PSASB has now prescribed the direct method of cashflow presentation for all entities under the IPSAS Accrual basis of accounting).

15. Statement of Comparison of Budget and Actual Amounts for the Year ended 30 June 200

| | Original budget(s) As Appropriated in 2024-2025 | 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 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | |
| Expenses | | | | | | |
| Road projects | 0 | 0 | 0 | 0 | (0) | 0 |
| Water project | 0 | 0 | 0 | 0 | (0) | 0 |
| Health facilities | 0 | 0 | 0 | 0 | (0) | 0 |
| Energy | 0 | 0 | 0 | 0 | (0) | 0 |
| Education facilities | 0 | 0 | 0 | 0 | (0) | 0 |
| Others (<i>specify</i>) | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Expenditure | 0 | 0(0) | 0 | 0 | (0) | 0 |
| Surplus/Deficit | 0 | 0 | 0 | A | 0 | 0 |

Budget notes

1. Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization (IPSAS 24.14)
2. Provide an explanation of changes between the original and final budget, indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on a comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

Budget Reconciliation

| | Description of Particulars | Amount in Kshs |
|---|---|----------------|
| | Actual Surplus Amounts as per the statement of Budget | A |
| 1 | Reason for differences | 0 |
| 2 | Reason for differences | 0 |
| 3 | Reason for differences | 0 |
| 4 | Reason for differences | 0 |
| | Closing Cash and Cash Equivalent as per the statement of Cash flows | 0 |

16. Notes to the Financial Statements

1. General Information

0 Entity is established by and derives its authority and accountability from 0 Act. The Entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Entity’s principal activity is 0.

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

(When an IPSAS becomes effective on 1st January 200, it is applicable in Kenya from 1st July 200)

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

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

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

| Standard | Effective date and impact: |
|--------------------|--|
| IPSAS 43 Leases | <p><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> |

Annual Report and Financial Statements for the year ended June 30, 2025.

| Standard | Effective date and impact: |
|--|--|
| | <i>State the expected impact of the standard to the Entity if relevant</i> |
| IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations | <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><i>State the expected impact of the standard to the Entity if relevant</i></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> <p><i>State the expected impact of the standard to the Entity if relevant</i></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> |

Annual Report and Financial Statements for the year ended June 30, 2025.

| Standard | Effective date and impact: |
|--|---|
| | <i>State the expected impact of the standard to the Entity if relevant</i> |
| 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> <p><i>State the expected impact of the standard to the Entity if relevant</i></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> <p><i>State the expected impact of the standard to the Entity if relevant</i></p> |
| IPSAS 49- Retirement Benefit Plans | <p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p> |
| IPSAS 50: Exploration For & Evaluation of Mineral Resources | <p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral |

Annual Report and Financial Statements for the year ended June 30, 2025.

| Standard | Effective date and impact: |
|----------|---|
| | <p>resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p> |

iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity’s financial statements.)*

4. Summary of 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 *Fund* 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 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.

Annual Report and Financial Statements for the year ended June 30, 2025.

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. *The entity 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 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 0*.

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) figures

Where necessary, 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, 200.

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 | FY |
|------------------------------------|-----------|----------|
| | Kshs | Kshs |
| Transfers for roads | 0 | 0 |
| Transfers for water projects | 0 | 0 |
| Transfers for health facilities | 0 | 0 |
| Transfers for energy | 0 | 0 |
| Transfers for education facilities | 0 | 0 |
| Others (<i>specify</i>) | 0 | 0 |
| Total | 0 | 0 |

7. Use of Goods and Services

| Description | 2024-2025 | FY |
|--|-----------|----------|
| | Kshs | Kshs |
| Certified works for roads | 0 | 0 |
| Certified works for water project | 0 | 0 |
| Certified works for health facilities | 0 | 0 |
| Certified works for energy | 0 | 0 |
| Certified works for education facilities | 0 | 0 |
| Others (<i>specify</i>) | 0 | 0 |
| Total | 0 | 0 |

8. Cash and Cash Equivalents

| Description | 2024-2025 | FY |
|--|-----------|----------|
| | Kshs | Kshs |
| Special Purpose Account | 0 | 0 |
| Deposit Account | 0 | 0 |
| Cash balances | 0 | 0 |
| Total Cash and cash equivalents | 0 | 0 |

Provide disclosure on any restricted cash that the entity is holding.

9. Receivables from non-exchange transactions

| Description | 2024-2025 | | FY | |
|------------------------------------|-----------|--|----------|--|
| | Kshs | | Kshs | |
| Receivables from Equalisation Fund | 0 | | 0 | |
| Total receivables | 0 | | 0 | |

Ageing analysis for Receivables from non-exchange transactions

| Description | 2024-2025 | | FY | |
|--------------------|-----------|----------------|----------|----------------|
| | Kshs | | Kshs | |
| | 2024-2025 | % of the total | FY | % of the total |
| Less than 1 year | 0 | % | 0 | % |
| Between 1- 2 years | 0 | % | 0 | % |
| Between 2-3 years | 0 | % | 0 | % |
| Over 3 years | 0 | % | 0 | % |
| Total | 0 | % | 0 | % |

10. Certificates Payable

| Description | 2024-2025 | | FY | |
|-----------------------|-----------|--|----------|--|
| | Kshs | | Kshs | |
| Certificates payables | 0 | | 0 | |
| Total Payables | 0 | | 0 | |

Ageing analysis of certificates payable

| Description | 2024-2025 | | FY | |
|--------------------|-----------|----------------|----------|----------------|
| | Kshs | | Kshs | |
| | 2024-2025 | % of the total | FY | % of the total |
| Less than 1 year | 0 | % | 0 | % |
| Between 1- 2 years | 0 | % | 0 | % |
| Between 2-3 years | 0 | % | 0 | % |
| Over 3 years | 0 | % | 0 | % |
| Total | 0 | % | 0 | % |

11. Retention

| Description | 2024-2025 | | FY | |
|---------------------------------------|-----------|----------------|----------------|----------------|
| | Kshs | | Kshs | |
| Retention monies | 0 | | 0 | |
| Total retention money | 0 | | 0 | |
| Ageing analysis: (Retention deposits) | 2024-2025 | % of the Total | Comparative FY | % of the Total |
| Under one year | 0 | % | 0 | % |
| 1-2 years | 0 | % | 0 | % |
| 2-3 years | 0 | % | 0 | % |
| Over 3 years | 0 | % | 0 | % |
| Total | 0 | | 0 | |

(Provide brief explanation)

12. Cash Generated from Operations

| Description | 2024-2025 | | FY | |
|--|-----------|--|----------|--|
| | Kshs | | Kshs | |
| Surplus for the year before tax | 0 | | 0 | |
| Adjusted for: | | | | |
| | 0 | | 0 | |
| Working capital adjustments | | | | |
| Increase in receivables | (0) | | (0) | |
| Increase in payables | 0 | | 0 | |
| Net cash flow from operating activities | 0 | | 0 | |

(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)

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:

i) 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 carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

| Description | Total amount | Fully performing | Past due | Impaired |
|---|--------------|------------------|----------|----------|
| | Kshs | Kshs | Kshs | Kshs |
| As at 30th June (2024-2025) | | | | |
| Receivables from non-exchange transactions | 0 | 0 | 0 | 0 |
| Bank balances | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 |
| As at 30 June (Previous FY) | | | | |
| Receivables from non-exchange transactions | 0 | 0 | 0 | 0 |
| Bank balances | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 |

(NB: The totals column should tie to the individual elements of credit risk disclosed in the Entity's statement of financial position).

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 0. 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.

ii) 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 30th June (2024-2025) | | | | |
| Payables | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 |
| As at 30th June (Previous FY) | | | | |
| Payables | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 |

iii) 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

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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 0 (2024-2025: Kshs 0). A rate increase/decrease of five percent would result in a decrease/increase in surplus before tax of Kshs 0 (2024-2025 – Kshs 0)

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).

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- 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.

iv) 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 | FY |
|---|-----------|-----------|
| | Kshs | Kshs |
| Accumulated surplus | 0 | 0 |
| Total Funds | 0 | 0 |
| Total Borrowings | 0 | 0 |
| Less: Cash and Bank Balances | (0) | (0) |
| Net Debt/(Excess cash and cash Equivalents) | 0 | 0 |
| Gearing | 0% | 0% |

14. Related Party Disclosures

a) Nature of related party relationships

Entities and other parties related to 0 corporation 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 0

The county Government of 0 is the principal shareholder of the *Entity*, holding 100% of the *Entity’s* 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.

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d) Transactions with related parties

| Description | 2024-2025 | FY |
|--|-----------|----------|
| | Kshs | Kshs |
| a) Sales to related parties | | |
| Others (<i>specify</i>) | 0 | 0 |
| Total | 0 | 0 |
| B) purchases from related parties | | |
| Others (<i>specify</i>) | 0 | 0 |
| Total | 0 | 0 |
| b) Grants /transfers from the government | | |
| Grants from EF | 0 | 0 |
| Grants from other levels of Government | 0 | 0 |
| Donations in kind | 0 | 0 |
| Total | 0 | 0 |
| c) Expenses incurred on behalf of related party | | |
| Payments for goods and services for 0 | 0 | 0 |
| Total | | |
| d) Key management compensation | | |
| Compensation to key management | 0 | 0 |
| Total | 0 | 0 |

15. Contingent Assets and Contingent Liabilities

Contingent Assets

| Description | 2024-2025 | FY |
|--------------------------------------|-----------|----------|
| | Kshs | Kshs |
| Contingent Assets | | |
| Receivables from government entities | 0 | 0 |
| Others (<i>Specify</i>) | 0 | 0 |
| Total | 0 | 0 |

(Give details)

Contingent Liabilities

| Description | 2024-2025 | FY |
|---------------------------------|-----------|----------|
| | Kshs | Kshs |
| Contingent Liabilities | 0 | 0 |
| Court case 0 against the entity | 0 | 0 |
| Others (<i>Specify</i>) | 0 | 0 |
| Total | 0 | 0 |

(Give details)

16. Events after the Reporting Period

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

17. Ultimate And Holding Entity

The Entity is a Fund under the Department of 0. Its ultimate parent is the County Government of 0.

18. Currency

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

17. Appendices

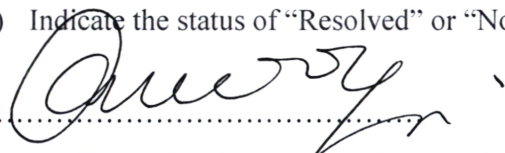
Appendix 1: Implementation Status of Auditor General’s Recommendations

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: 10-11-2025

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Appendix II: Projects Implementation Status Report.

| S/No. | 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) |
|-------|------------------|-----------|------------------|----------|--------------------------------------|------------------|----------------------|-----------------|------------------------|--------------------------------|
| | | | | | | | | | | |
| | | | | | | | | | | |

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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 | 0 | 0 | 0 | 0 | 0 |
| Total | | 0 | 0 | 0 | 0 |


Appendix IV- Inter-Entity Confirmation Letter


Name of transferring entity:.....

Name of beneficiary entity:.....

| Confirmation of amounts received by [name of beneficiary Entity] as at 30 th June (2024-2025) | | | |
|---|---------------|-------|---------|
| Reference Number | Date Received | Total | Remarks |
| | | | |
| | | | |
| | | | |
| Total | | | |

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

Head of Accounts Department - Disbursing Entity:
Name *Abdulatif Sherikh* Sign  Date *10/11/2025*

Head of Accounts Department - Beneficiary Entity:
Name *A301 AY* Sign  Date *10/11/2025*

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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 |
|-----------------------|---|--|-----------------------------------|
| 200/200 | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Total | 0 | 0 | 0 |

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 |
| | | | | | | |
| | | | | | | |

