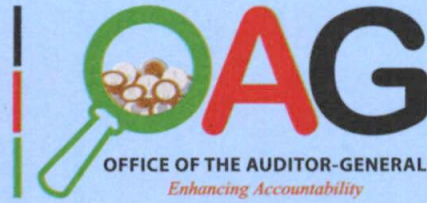


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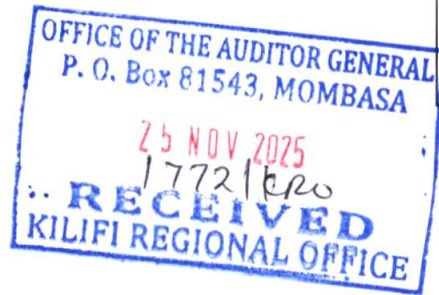
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KILIFI COUNTY GOVERNMENT
EQUALISATION FUND

FOR THE YEAR ENDED

30 JUNE, 2025

02



**Kilifi County Government
Equalisation Fund**

AMMENDED 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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I. 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.

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 Kilifi 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	Hon. Yaye Shosi Ahmed
2.	Chief Officer - Finance	Hezekiah Nguma Mwarua
3.	Head of Procurement	Jefwa Mwachiru Mathias
4.	Co-ordinator	Abel Mwandonga Haro

Key Entity Information and Management (continued)

(e) Fiduciary Oversight Arrangements

The key fiduciary oversight bodies for the Fund for the year ended 30th June 2025 were:

- Equalisation Fund Advisory Board
- Controller of Budget
- Office of the Auditor General
- Kilifi County Audit Committee

(f) Entity Headquarters

P.O. Box 519-80108
Kilifi County Treasury Building
Bofa Road, Kilifi
Kilifi, KENYA

(g) Entity Contacts

Telephone: (254)
E-mail: cecmfinance@kilifi.go.ke
Website: www.kilifi.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
County Executive of Kilifi
P.O. Box 519-80108
Kilifi

3. Key Management Team

Name	Details
	<p>Mr. Guyo Boru is the Chief Executive Officer and Secretary to the Equalization Fund Advisory Board as well as the Fund Administrator.</p> <p>He has over 16 years of experience in both the corporate and public sectors, with a decade dedicated to public finance management and has also served on several boards.</p> <p>Academically, Mr. Boru holds a Bachelor of Science (Hons) degree and an MBA in Finance from the University of Nairobi, is pursuing a Master of Public Policy and Management at Strathmore University, and is a CPA finalist.</p>
 <p style="text-align: center;">Hon. Yaye Shosi County Executive Committee Member for Finance</p>	<p>Hon. Yaye Shosi was appointed as the CEC Member for Finance & Economic Planning in November, 2024. She became the Fund Administrator pursuant to Section 111 of the Public Finance Management Act, 2012.</p>



**Hezekiah Nguma Mwarua,
Chief Officer Finance**

Mr. Hezekiah Mwarua, born in 1983, is the Chief Officer – Finance and Accounting Officer in the County Government of Kilifi, finance department.

He holds a Bachelor of Technology degree in Chemical and Process Engineering from Moi University.

He has extensive experience in leadership and public service,


having previously served as Chief Officer in the Department of Water and Sanitation, Kilifi County Government, and as Managing Director of Kilifi Water and Sewerage Company Limited.



**Jefwa Mwachiru Mathias
Director, Supply Chain Management Services**

Jefwa Mwachiru Mathias was appointed as the Head of Supply Chain Management Services in an acting capacity since 1st August, 2023. He also serves as a member of the County Emergency Fund Secretariat and plays the role of coordinating the purchasing function.

He is an experienced procurement professional and a member in good standing of Kenya Institute of Supplies Management (KISM).

 <p>Abel Mwandonga Haro Bsc. Applied Statistics with IT</p>	<p><i>Co-ordinator</i></p>
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4. Report of the County Executive Committee Member for Finance

INTRODUCTION

The Equalization Fund is anchored in Article 204 (2) of the Constitution of Kenya, which mandates the provision of basic services—including water, roads, health facilities, and electricity—to marginalized areas, so as to raise the quality of these services to a level comparable to the rest of the country.

In Kilifi County, the Fund continues to bridge historical inequalities through strategic interventions in infrastructure and service delivery.

KEY ACHIEVEMENTS

During the reporting period, the Fund prioritized investments in basic service provision, resulting in the following outcomes:

- **Road Infrastructure Development:** Successful construction, grading, and murraming of roads in areas that were previously inaccessible. This has improved mobility of people and goods, boosting local trade and access to services.
- **Water Supply Projects:** Implementation of piped water systems to counter challenges of saline water, ensuring that communities and livestock now have increased access to safe, fresh water for drinking, washing, and small-scale farming.
- **Health Services:** Construction and equipping of health facilities in remote areas, has improved access to medical care, reducing travel distance and costs for residents.

CHALLENGES FACED

Despite the above successes, several challenges were encountered in the implementation of Fund activities, including;

- Low absorption of funds due to delays in procurement processes and project roll-out.
- Logistical difficulties in transporting construction materials to very remote areas.
- Community engagement gaps in some regions, which slowed down implementation timelines.

FINANCIAL PERFORMANCE

For the Financial Year 2024/2025, the Equalization Fund was allocated Kshs. 539,169,000.00 under the Kilifi County Appropriation Bill, 2023. By year-end, Kshs. 210,626,681 had been utilized. This represents a 39.07% absorption rate of the total allocation.

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

The underutilization underscores the need to strengthen planning, streamline procurement, and enhance monitoring to ensure optimal use of resources in subsequent financial years.

CONCLUSION

The Equalization Fund remains a vital instrument in addressing disparities in service delivery within Kilifi County. Tangible progress has been realized in transport, water supply, and health care access, thereby improving the living standards of marginalized communities.


.....

Hon. Peter Mwarogo
CECM Finance, Economic Planning, and Resource Mobilization
County Government of Kilifi

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

The Kilifi Equalisation Fund has 3 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2024/2025. These strategic pillars/ themes/ issues are as follows:

Pillar 1: effective and efficient utilization of the fund

Pillar 2: facilitating prioritization and overseeing implementation of projects

Pillar 3: enhancing organizational efficiency

It develops its annual work plans based on the above 3 pillars/Themes/Issues. Assessment of the Board's performance against its objectives is done on a quarterly basis. The Kilifi Equalisation Fund achieved its performance targets set for the FY 2024/2025 period for its 3 strategic pillars, as indicated in the table below:

Strategic Pillar/Theme/ Issues	Objective	Key Performance Indicators	Activities	Achievements
Health	<ul style="list-style-type: none"> -Improve access to quality healthcare services in underserved areas; -Reduce maternal and child mortality; - Strengthen primary healthcare facilities. 	<ul style="list-style-type: none"> Number of health facilities constructed/rehabilitated; Percentage increase in health service coverage; Reduction in preventable disease incidences. 	<ul style="list-style-type: none"> Construction and equipping of dispensaries and health centers; Supply of essential drugs and medical equipment. 	<ul style="list-style-type: none"> Bamba subcounty hospital is under construction which will be having an accident and emergence wing and a delivery room, A number of dispensaries are under expansion and equipped to offer more specialized services; -2 laboratories Equipped. 25% increase in outpatient attendance; Reduced maternal and number of referral to Kilifi hospital, reduced malaria prevalence in targeted areas.

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

Water	Enhance access to safe and clean drinking water; Reduce walking distance to water points; Promote sustainable water management.	Number of Water pans constructed and functional; Percentage of households accessing clean water within 2km; Reduction in water-borne diseases.	Construction of water pans and storage tanks; construction of water pipelines, Rehabilitation of non-functional water projects.	-40.2km of pipeline laid, 2 water pans constructed; -Household access to safe water improved from 40% to 65%; Reduced cholera outbreaks in hotspot areas.
Roads	Improve rural accessibility and connectivity; Enhance transport infrastructure for service delivery; Support trade and market access.	Kilometers of roads constructed/rehabilitated; Percentage reduction in travel time; Increased access to markets and social services.	Grading and graveling of rural access roads; Construction of culverts and small bridges; Upgrading to cabro and bitumen standards	88.8 km of rural roads graveled and murrumed; 15 culverts installed; 500m of cabro installed 400m of upgrade to bitumen standard constructed Travel time to health facilities reduced by 50%; Increased agricultural produce reaching markets.

6. Corporate Governance Statement

a) Composition of Committees.

County Technical Committee

1. County Commissioner- Mr. Josephat Biwott - Chairperson
2. County Executive Committee Member for Finance -Yahye Shosi Ahmed
3. Constituency Development Fund managers.
4. Representative of County Assembly- Michael Bidii Ngala- Clerk of the County Assembly of Kilifi
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. Three technical officers from ministries relevant to funding priorities.
 - Kalama Diwani-Project Officer - Health Sector
 - Eng. George Kingi - Asst Director Water Services
 - Elvis Dulu - Director Roads and Transport
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.
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

In accordance with Article 204(2) of the Constitution of Kenya, the Equalization Fund aims to support marginalized areas by enhancing access to essential services such as water, health facilities, roads, and electricity. This report provides a review of the Fund's operational and financial performance for the year 2024/2025, focusing on project implementation across wards, compliance with statutory requirements, challenges, and prospects for future development.

During the financial year 2024/2025, the Fund allocated resources to 19 marginalized wards. A total of KES 539,901,715 million was appropriated, out of which KES 210,626,680.77 million was utilized, translating to an absorption rate of 39%. Out of 65 projects 22 were successfully completed.

Ward	Appropriated Amount	Number of Projects			Completed	Ongoing	Not Started
		Health Sector	Water Services	Roads			
Bamba	86,290,924	3	7	1	7	1	3
Ganze	26,899,842	3	2	-	-	1	4
Jaribuni	33,546,392	1	4	-	4	-	1
Sokoke	46,257,306	2	-	-	-	-	2
Kaloleni	41,669,954	3	-	4	3	1	3
Kayafungo	36,727,878	2	3	-	-	-	5
Mariakani	7,554,401	-	1	-	-	-	1
Mwanamwinga	22,227,316	5	-	-	-	1	4
Matsangoni	7,123,523	1	-	-	-	-	1
Adu	57,755,748	1	1	2	2	-	2
Garashi	61,039,443	4	1	-	1	-	4
Gongoni	21,433,698	1	1	-	1	-	1
Magarini	23,211,322	3	-	-	-	-	3
Marafa	21,112,042	1	1	1	1	-	2
Ganda	6,833,933	1	-	-	-	-	1
Jilore	6,348,944	1	-	-	-	-	1
Kakuyuni	20,007,790	-	-	1	-	1	-
Mwawesa	6,776,816	-	-	2	2	-	-
Ruruma	7,084,443	-	1	-	1	-	-
Total	539,901,715	32	22	11	22	5	38

8. Environmental and Sustainability Reporting

i) Sustainability strategy and profile

The Equalization Fund, established under Article 204 of Kenya's Constitution, supports provision of essential services—water, healthcare, roads, electricity—in marginalized areas to reduce nationwide disparities. This is aligned with the Sustainable Development Goals (SDGs) and national priorities like Vision 2030 and the Bottom-Up Economic Transformation Agenda (BETA), the Fund adopts globally accepted sustainability standards such as the GRI Framework and ISO 26000 for responsible governance.

ii) Environmental performance

Operating under Kenya's Environmental Management and Coordination Act (EMCA), the Fund's environmental policy mandates conservation, pollution control, and sustainable service delivery.

iii) Employee welfare

The Fund upholds inclusive hiring policies and affirmative action, informed by the Constitution and empowering women, youth, persons with disabilities, and marginalized communities.

Policy Highlights:

- Provisions for AGPO participation, prioritizing women, youth, and PWDs (affirmative procurement).
- Regular stakeholder consultations at both county and ward levels to refine HR policies and address gaps.

Employee Development & Welfare:

- Full compliance with the OSHA 2007 through safety audits, PPE distribution, and site safety protocols.

iv) Marketplace practices-

a) Responsible competition practice.

Adhering to the Competition Act and anti-corruption norms, the Fund ensures transparent, fair tendering and procurement. Ethical bidding, zero tolerance for political interference, and respect for all competitors define its operations.

b) Responsible Supply chain and supplier relations

Key efforts include:

- Fast-tracked payments to suppliers upon contract fulfilment.
- Reserved procurement for AGPO-compliant entities, fostering inclusive opportunities.

- Preference for sourcing goods from marginalized counties to stimulate local enterprises.

c) Responsible marketing and advertisement

Communications prioritize transparency—informing communities factually about funded projects, avoiding misleading claims, and emphasizing public awareness over promotional messaging.

d) Product stewardship

Services funded ensure quality and accessibility, with continuous community feedback channels established. Customer helplines and satisfaction assessments help maintain high service standards.

Challenges experienced:

The fund continues to face;

1. Limited funding availability amid tight fiscal space.
2. Delay in scaling up systematic sustainability monitoring at ward and county levels.

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, 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 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, 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 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 24th of November 2025 and signed on its behalf by:


.....

Hon. Peter Mwarogo
CECM Finance, Economic Planning, and Resource Mobilization
County Government of Kilifi

REPUBLIC OF KENYA

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

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

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.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, 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

Qualified Opinion

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kilifi County Government 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 Article 204 (2) of the Constitution of Kenya and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccurate Cash and Cash Equivalents Balance

The statement of financial position reflects a cash and cash equivalents balance of Kshs.59,206,724. However, the corresponding Note 7 to the financial statements reflects a balance of Kshs.59,927,053 resulting to unexplained variance of Kshs.720,329.

In the circumstances, the accuracy, completeness and existence of cash and cash equivalents balance of Kshs.59,206,724 could not be confirmed.

2. Inaccurate Receivables from Non-Exchange Transactions Balance

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.343,077,855 as disclosed in Note 8 to the financial statements. However, the ledger reflects a balance of Kshs.343,810,570 resulting to unexplained variance of Kshs.732,715.

In the circumstances, the accuracy, completeness and existence of receivables from non-exchange transactions balance of Kshs.343,077,855 could not be confirmed.

3. Inaccurate Accumulated Surplus Balance

The statements of financial position and changes in net assets reflects an accumulated surplus balance of Kshs.328,542,319. However, the recalculated balance is Kshs.327,821,991 resulting to unexplained variance of Kshs.720,328.

In the circumstances, the accuracy, completeness and existence of accumulated surplus balance of Kshs.328,542,319 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kilifi County Government 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 qualified opinion.

Emphasis of Matter

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.539,169,000 and Kshs.196,091,145 respectively resulting to an under-funding of Kshs.343,077.855 or 64% of the budget. Similarly, the Fund spent an amount of Kshs.210,626,681 against actual receipts of Ksh.196,091,145 resulting to an over-utilization of Kshs.14,535,536 or 7%.

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

My opinion is not modified in respect of 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. Except for the effects of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

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, Corporate Governance Statement, Management Discussion and Analysis, 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'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 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 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

Unauthorized Expenditure

The statement of financial performance reflects expenditure on use of goods and services totaling to Kshs.210,626,681 as disclosed in Note 6 to the financial statements. Review of expenditure records and the approved 2024/2025 budget code list revealed that the expenditure includes payment of Kshs.8,157,021 to a contractor for the construction of Kigoda farm to Sogorosa Water Pipeline and Kshs.5,473,670 to another contractor for construction of Kibao-Kiche water pipeline that were not in the approved budget estimates. In addition, the expenditure includes a payment of Kshs.15,371,806 to a contractor to erect to completion an accident and emergency block at Bamba Subcounty Hospital at a contract sum of Kshs.98,346,318. However, the project had only been allocated Kshs.26,200,000 resulting to an over-commitment of Kshs.72,146,318. This was contrary to Section 45(3) of Public Procurement and Assets Disposals Act, 2015 which provides that all procurement processes shall be within the approved budget of the procuring entity and shall be planned by the procuring entity concerned through an annual procurement plan with clear implementation timelines and funding arrangements.

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, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of an Internal Audit Report

According to the audit plan, the internal audit unit had planned to carry out internal audit assignments on unspecified areas in the Kilifi County Government Equalisation Fund in the year under review. Although Management of the Fund indicated that the internal audit assignments were carried out in the year under review, the internal audit reports submitted to the audit committee and the recommendations thereon were not provided.

In the circumstances, the effectiveness of internal controls, risk management and governance could not be confirmed.

2. Delayed Completion of Health Projects

The statement of financial performance reflects expenditure totalling to Kshs.210,626,681 as disclosed in Note 6 to the financial statements. Included in this expenditure is Kshs.38,560,819 in respect to certified works for health facilities out of which a contractor was engaged to undertake construction of two (2) blocks of twin one bedroom staff house at Garashi Health Centre at a contract sum of Kshs.23,000,000 with an expected completion date of 26 January, 2025. However, at the time of audit in October, 2025, the contractor had only carried out works worth Kshs.4,855,164 or 21% of the contract sum. In addition, a contractor was engaged to erect to completion an accident and emergency block at Bamba Subcounty Hospital at a contract sum of Kshs.26,200,000 with an expected completion date of 4 September, 2025. However, as of October, 2025 the value of works achieved amounted to Kshs.15,371,806 or 59% of the contract sum. No evidence of an approved extension of project period, revised work plan, or justification for the delays was not provided for audit verification. Further, the implementation of an accident and emergency block at Bamba subcounty hospital, had been omitted in the project implementation status report.

In the circumstances, the effectiveness of the controls on implementation of the projects could not be confirmed.

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.

The management is 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

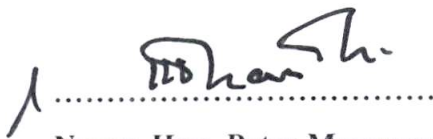
Nairobi

05 December, 2025

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


	Note	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
Revenue from Non-Exchange Transactions			
Transfers from Equalisation Fund	5	539,169,000.00	
Total Revenue		539,169,000.00	
Expenditure			
Use of goods and services	6	210,626,680.77	
Total Expenditure		210,626,680.77	
Surplus/(deficit) for the year		328,542,319.23	

The notes set out on pages 8 to 25 form an integral part of these Financial Statements. The Financial Statements set out on pages 2 to 7 were signed by:



Name: Hon. Peter Mwarogo
 CECM - Finance, Economic Planning &
 Resource Mobilization

Date: 24th November 2025



Name: Beatrice Kasele Kyale
 Fund Accountant

ICPAK M/No: 30445

Date: 24th November 2025

12. Statement of Financial Position as at 30 June 2025

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
Assets			
Current Assets			
Cash And Cash Equivalents	7	59,206,724	-
Receivables non-exchange transactions	8	343,077,855	-
Total Current Assets		402,284,579	-
Total Assets (A)		402,284,579	-
Liabilities			
Current Liabilities			
Certificates Payable	9	62,168,854	-
Retention	10	12,293,734	-
Total Current Liabilities		74,462,589	-
Total Liabilities (B)		74,462,589	-
Net Assets (A-B)		328,542,319	-
Represented By:			
Accumulated Surplus		328,542,319	-
Net Assets		328,542,319	-

The financial statements set out on pages 1 to 8 were signed by:



Name: Hon. Peter Mwarogo
 CECM - Finance, Economic Planning
 & Resource Mobilization

Date 24th November 2025



Name: Beatrice Kasele Kyale
 Fund Accountant

ICPAK M/No: 30445

Date 24th November 2025

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

Description	Accumulated surplus
	Kshs
Prior Year	
Balance As At 1 July 2023	-
Surplus/(Deficit) For the Year	-
Balance As At 30 June 2024	-
Current Year	
Balance As At 1 July 2024	-
Surplus/(Deficit) For The Year	328,542,319.23
Balance As At 30 June 2025	328,542,319.23

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

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
Cash flows from operating Activities			
Receipts			
Receipt from Equalisation Fund		196,091,144.90	-
Total Receipts		196,091,144.90	
Payments			
Use of goods and services		(148,457,826.60)	-
Net cash flows (to)/from operating activities (a)	11	47,633,318.30	-
Cash flows from investments			
Net cash flows (to)/from investing activities (b)		-	-
Cash flows from financing			
Net cash flows (to)/from financing activities (c)		12,293,734.40	-
Movement in cash and cash equivalents			
Net increase/ decrease in cash and cash equivalents. (d) = (a) + (b) +(c)		59,927,052.70	-
Cash and cash equivalents at July 1st 2024	<u>7</u>	-	-
Cash and cash equivalents at June 30th June 2025	7	59,927,052.70	-

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

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

	Original budget(s)	Balance from Previous Years	Final budget of Total funds appropriated	Actual on comparable basis	Performance difference	% of utilization
	Kshs a	Kshs b	Kshs c=(a+b)	Kshs d	Kshs e=(c-d)	f=d/c*100
Revenue	539,169,000	-	539,169,000	196,091,145	343,077,855	36
Transfers from EF						
Expenses						
Road projects	81,270,000	-	81,270,000	76,380,867	4,889,133	94
Water project	147,500,000	-	147,500,000	100,675,784	46,824,216	68
Health facilities	310,399,000	-	310,399,000	33,570,030	276,828,970	11
Energy	-	-	-	-	-	-
Education facilities	-	-	-	-	-	-
Others (specify)	-	-	-	-	-	-
Total Expenditure	539,169,000	-	539,169,000	210,626,681	329,275,034	39
Surplus/Deficit	-	-	-	(14,535,536)	14,535,536	

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.

16. Notes to the Financial Statements

1. 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.

2. Adoption of New and Revised Standards

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

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 2024.*

Standard	Effective date and impact:
IPSAS 43 Leases	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:

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

Standard	Effective date and impact:
	sets 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.
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>
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>
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</p>

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

Standard	Effective date and impact:
	statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48- Transfer Expenses	<i>Applicable 1st January 2026</i> 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.
IPSAS 49- Retirement Benefit Plans	<i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.

iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year.

3. 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 2024/2025 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.

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 Kilifi County Executive's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the 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.

4. 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.

5. Transfers from Equalisation Fund

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Transfers for roads	81,270,000	
Transfers for water projects	147,500,000	
Transfers for health facilities	310,399,000	
Transfers for energy	-	
Transfers for education facilities	-	
Others (<i>specify</i>)	-	
Total	539,169,000	

6. Use of Goods and Services

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Certified works for roads	76,380,867	-
Certified works for water project	100,675,784	-
Certified works for health facilities	33,570,030	-
Certified works for energy	-	-
Certified works for education facilities	-	-
Others (<i>specify</i>)	-	-
Total	210,626,681	-

7. Cash and Cash Equivalents

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Special Purpose Account	47,633,318	-
Deposit Account	12,293,734	-
Cash balances	-	-
Total Cash and cash equivalents	59,927,053	-

8. Receivables from non-exchange transactions

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Receivables from Equalisation Fund	343,077,855	-
Total receivables	343,077,855	-

Ageing analysis for Receivables from non-exchange transactions

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	343,077,855	100%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	343,077,855	%	-	%

9. Certificates Payable

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Certificates payables	62,168,854	-
Total Payables	62,168,854	-

Ageing analysis of certificates payable

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	62,168,854	100%	0	%
Between 1- 2 years		%	0	%
Between 2-3 years		%	0	%
Over 3 years		%	0	%
Total	62,168,854	%	0	%

10. Retention

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
Retention monies	12,293,734		0	
Total retention money	12,293,734		0	
Ageing analysis: (Retention deposits)	FY 2024/2025	% of the Total	FY 2023/2024	% of the Total
Under one year	12,293,734	100%	-	%
1-2 years		%	-	%
2-3 years		%	-	%
Over 3 years		%	-	%
Total	12,293,734		-	

(Provide brief explanation)

11. Cash Generated from Operations

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
Surplus for the year before tax	328,542,319		0	
Adjusted for:				
	0		0	
Working capital adjustments				
Increase in receivables	(343,077,855)		0	
Increase in payables	62,168,854		0	
Net cash flow from operating activities	47,633,318		0	

12. 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 2025				
Receivables from non-exchange transactions	343,077,855	0	0	0
Bank balances	59,927,053	0	0	0
Total	403,004,908	0	0	0
As at 30 June 2024				
Receivables from non-exchange transactions	0	0	0	0
Bank balances	0	0	0	0
Total	0	0	0	0

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

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 xxx. 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 2025				
Payables	12,251,708	1,517,451	48,399,696	62,168,854
Total	12,251,708	1,517,451	48,399,696	62,168,854
As at 30th June 2024				
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 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).

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

13. Related Party Disclosures

a) Nature of related party relationships

Entities and other parties related to xxx 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 Kilifi

The county Government of Kilifi 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.

d) Transactions with related parties

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
a) Sales to related parties		
Others (<i>specify</i>)	-	-
Total	-	-
B) purchases from related parties		
Others (<i>specify</i>)	-	-
Total	-	-
b) Grants /transfers from the government		
Grants from EF	-	-
Grants from other levels of Government	-	-
Donations in kind	-	-
Total	-	-
c) Expenses incurred on behalf of related party		
Payments for goods and services for xxx	-	-
Total		
d) Key management compensation		
Compensation to key management	-	-
Total	-	-

14. Contingent Assets and Contingent Liabilities

Contingent Assets

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Contingent Assets		
Receivables from government entities	-	-
Others (<i>Specify</i>)	-	-
Total	-	-

Contingent Liabilities

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Contingent Liabilities	-	-
Court case xx against the entity	-	-
Others (<i>Specify</i>)	-	-
Total	-	-

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. Its ultimate parent is the County Government of *Kilifi*

17. Currency

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

17. Appendices

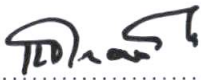
Appendix 1: Implementation Status of Auditor General’s Recommendations

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.



 Hon. Peter Mwarogo

CECM Finance, Economic Planning and Resource Mobilization

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	Bamba Sub-County Hospital Accident and Emergency Wing	Health	Ganze	Bamba	26,200,000	98,346,318.14	18,032,319.50	18,032,319.50	-	30%
2	Bamba Sub-County Hospital General Wards	Health	Ganze	Bamba	15,000,000	-	-	-	-	-
3	Bandari Dispensary Maternity Wing	Health	Ganze	Bamba	5,000,000	-	-	-	-	-
4	Construction of a Modern Kitchen with a Cafeteria Capacity of 40 people at Ganze Health Center	Health	Ganze	Ganze	4,000,000	-	-	-	-	-
5	Construction of Migodmani dispensary and twin one bedroom Staff House at Migodmani community dispensary	Health	Ganze	Ganze	6,000,000	-	-	-	-	-

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6	Improving of ANC and post-natal wards with 12 bed capacity and a new born unit at Ganze health centre	Health	Ganze	Ganze	4,899,000	-	-	-	-	-
7	Upgrading of Mbudzi dispensary to Sub- County Hospital	Health	Jaribuni	Ganze	20,000,000	-	-	-	-	-
8	Construction of dispensary with delivery unit at Kang'amboni.	Health	Soko	Ganze	16,200,000	29,511,629.60	8,983,695.40	-	8,983,695.40	50%
9	Upgrading of Vitengi Health Centre to subcounty Hospital (Maternity Wing, Fencing, Laboratory block, Female and Male wards- 20 bed capacity each, Radiology department)	Health	Soko	Ganze	30,000,000	-	-	-	-	-
10	Upgrading of Chalani Dispensary roof and Paint works	Health	Kaloleni	Kaloleni	2,000,000	-	-	-	-	-
11	Construction of Makomboani 6 bed Maternity wing and Electricity	Health	Kaloleni	Kaloleni	3,400,000	-	-	-	-	-

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12	Mililani Dispensary (Septic Tank, Fencing and Water)	Health	Kaloleni	Kaloleni	2,000,000	-	-	-	-	-
13	Construction of Mkuluni dispensary	Health	Kaloleni	Kayafungo	10,000,000	-	-	-	-	-
14	Upgrading of Gotani health center and fencing (Construction of 6 bed maternity at Gotani Health centre)	Health	Kaloleni	Kayafungo	12,600,000	12,784,460.00	-	-	-	10%
15	Electrification of Viragoni dispensary boundary	Health	Kaloleni	Mwanamw inga	8,000,000	-	-	-	-	0%
16	Equipping of Kinarani dispensary laboratory	Health	Kaloleni	Mwanamw inga	3,000,000	-	-	-	-	-
17	Equipping of Viragoni dispensary laboratory	Health	Kaloleni	Mwanamw inga	2,200,000	1,999,460.00	1,999,460.00	-	1,999,460.00	100%
18	Fencing of Kinarani dispensary	Health	Kaloleni	Mwanamw inga	4,000,000	-	-	-	-	-
19	Fencing of Viragoni Dispensary	Health	Kaloleni	Mwanamw inga	5,000,000	-	-	-	-	-

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20	Construction of outpatient wing and 2 rooms and special clinics at matsangoni health facility	Health	Kilifi North	Matsangon	7,100,000	-	-	-	-	-	-
21	Construction of 6 bed maternity wing-at Chakama Dispensary	Health	Magarini	Adu	13,500,000	12,499,951.00	-	-	-	40%	-
22	Upgrading of Bore Singwaya Dispensary	Health	Magarini	Garashi	9,500,000	9,324,892.00	-	-	-	20%	-
23	Garashi Health Centre (Staff quarters and Upgrade)	Health	Magarini	Garashi	23,000,000	22,870,884.80	5,695,484.00	5,695,485.00	(1.00)	30%	-
24	Upgrading Karimboni dispensary	Health	Magarini	Garashi	9,500,000	9,224,460.00	-	-	-	0	-
25	Upgrading of Dagamra Dispensary	Health	Magarini	Garashi	9,500,000	9,400,000.00	-	-	-	20%	-
26	Upgrading of Shomela dispensary	Health	Magarini	Gongoni	11,500,000	-	-	-	-	0	-
27	Construction of Mjanaheri Dispensary (Dispensary Block)	Health	Magarini	Magarini	9,500,000	-	-	-	-	0	-
28	Mwangatini Dispensary (staff quarters and upgrade)	Health	Magarini	Magarini	9,500,000	9,492,935.00	6,993,314.04	-	6,993,314.04	90%	-

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29	Upgrade of Magarini dispensary and staff quarters	Health	Magarini	Magarini	4,200,000	-	-	-	-	0%
30	Construction of Chamari dispensary 6 bed maternity wing	Health	Magarini	Marafa	11,000,000	12,669,752.00	-	-	-	0%
31	Constuction of dispensary block with delivery unit and staff house at kijiwe tanga.	Health	Malindi	Ganda	6,800,000	-	-	-	-	0
32	Construction of Baolala emergency wing	Health	Malindi	Jilore	6,300,000	98,346,318.14	-	-	-	0
33	Kang'amboni dispensary	Health	Ganze	Sokoke	16,200,000	29,511,630	-	-	-	50%
34	Opening up of Maryango-Kathoroni-Migujuni road	Roads	Ganze	Bamba	5,000,000	4,990,969.60	4,990,969.60	4,990,969.60	-	100%
35	Cabro-Babadogo- St. Johns- Cabro (Giriama Traders/CDF, kwa Mwakombe)	Roads	Kaloleni	Kaloleni	21,800,000	19,100,954.40	19,310,366.54	12,625,032.50	6,685,334.04	50%
36	Grading, Murruming and culverting Kinarani-Mbirini-Kazungu Papa(4km)	Roads	Kaloleni	Kaloleni	5,000,000	4,996,341.25	4,996,341.25	4,996,341.25	-	100%

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37	Grading and murraming of Chilulu Primary to Mkwajuni drift (5km)	Roads	Kaloleni	Kaloleni	2,500,000	2,497,266.65	2,497,266.65	2,497,266.65	-	100%
38	Grading, Murruming and Culverting Kizuri-kinani Birini Primary to Kazungu	Roads	Kaloleni	Kaloleni	5,000,000	4,990,978.95	4,990,978.95	4,990,978.95	-	100%
39	Murraming to Ramada- Adu Road	Roads	Magarini	Adu	10,270,000	9,113,568.40	9,113,568.40	9,113,568.40	-	100%
40	Maintenance of Chamari Marafa Road (17km)	Roads	Magarini	Marafa	5,000,000	4,990,789.80	4,990,789.80	4,990,789.80	-	100%
41	Tarmacking of Katsemerini- mbogolo- kisiwani road 400m metres, 1 culvert	Roads	Malindi	Kakuyuni	20,000,000	6,798,094.55	6,798,094.55	6,798,094.55	-	100%
42	Grading and murraming of Bwagamoyo Primary School to Boheka Road (3Km)	Roads	Malindi	Mwawesa	3,400,000	3,397,558.80	3,397,558.80	3,397,558.80	-	100%
43	Grading and murraming of Jehova ndunduni road (3.2 Km)	Roads	Rabai	Mwawesa	3,300,000	3,298,363.00	3,298,363.00	3,298,363.00	-	100%
44	Bandari Centre to Bandari Water	Water	Ganze	Bamba	5,000,000	4,999,556.25	4,999,556.25	4,999,556.25	-	100%

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45	Dispensary water pipeline	Water	Ganze	Bamba	5,000,000	4,999,407.00	4,999,407.00	4,999,407.00	-	100%
46	Bokola Water Pan (7500 cubic meters)	Water	Ganze	Bamba	5,000,000	4,999,682.95	4,999,682.95	4,999,682.95	-	100%
47	Ikutta, Keresa, Kanazini- water pipeline (2.5km)	Water	Ganze	Bamba	5,000,000	4,937,102.00	4,937,102.00	4,937,102.00	-	100%
48	Kajiri Mariango Water pipeline (2.5km) 2inch	Water	Ganze	Bamba	5,000,000	-	-	-	-	
49	Rehabilitation Mitsemereni-Bandari Water pipeline (2.5km) 2inch	Water	Ganze	Bamba	5,000,000	4,998,783.65	4,998,783.65	4,998,783.65	-	100%
50	Silalala Water Pan (7500 cubic meters)	Water	Ganze	Bamba	5,000,000	4,996,885.60	4,996,885.60	4,996,885.60	-	100%
51	Lwandani Zia ra Wimbi Pipeline (2.5km)	Water	Ganze	Bamba	5,000,000	-	-	-	-	
52	Rehabilitation of 3Km Kithengwani – Danicha Water Pipeline (3Inch)	Water	Ganze	Ganze	6,000,000	-	-	-	-	
53	Rehabilitation of 3Km Muungano – Jila Water Pipeline (3Inch)	Water	Ganze	Ganze	6,000,000	-	-	-	-	
53	Water Pipeline to Kauma Girls Secondary School (2ich 2km)	Water	Ganze	Jaribuni	4,250,000	4,249,260.95	4,249,260.95	4,249,260.95	-	100%

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54	Water Pipeline Kuchi Area (1.2km)	Water	Ganze	Jaribuni	2,500,000	2,499,061.95	2,499,061.95	2,499,061.95	-	100%
55	Water Pipeline to Migumo Miri Dispensary/ Primary School (2inch 2km)	Water	Ganze	Jaribuni	4,250,000	4,249,181.80	4,249,181.80	4,249,181.80	-	100%
56	Water Pipeline Zunguluka Dispensary (1.2km)	Water	Ganze	Jaribuni	2,500,000	2,499,945.00	2,499,945.00	2,499,945.00	-	100%
57	Rehabilitation of Gogoraruhe water pan (7500 cubic metres)	Water	Kaloleni	Kayafungo	5,000,000	-	-	-	-	
58	Rehabilitation of Kaya livestock water pan(7500 cubic metres)	Water	Kaloleni	Kayafungo	4,100,000	-	-	-	-	
59	Rehabilitation of Tsangatsini water pan(7500 cubic metres)	Water	Kaloleni	Kayafungo	5,000,000	-	-	-	-	
60	Migundini Water Pipeline(3.5km)	Water	Kaloleni	Mariakani	7,500,000	-	-	-	-	
61	Raukani to Gaba Rehabilitation of water pipeline(2.2km)	Water	Magarini	Adu	4,000,000	-	-	-	-	
62	Sidzeni, Kathama to Bofu Water Pipeline 3inch and 2inch (12km)	Water	Magarini	Adu	30,000,000	29,467,797.85	29,467,797.85	-	29,467,797.85	100%

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63	Kaya Dagamra-Bate pipeline (4km- 3 inches)	Water	Magarini	Garashi	9,500,000	8,379,782.00	8,379,782.00	8,379,782.00	-	100%
64	Kigoda farm to Sogora water pipeline (4 Km) 2 inches	Water	Magarini	Gongoni	9,900,000	9,568,818.05	9,568,818.05	9,568,818.05	-	100%
65	Construction of cement water tank 150 cubic meter	Water	Magarini	Marafa	5,000,000	-	-	-	-	
66	Pipeline Kibaokiche-Masaana (3km- 3 inches)	Water	Rabai	Ruruma	7,000,000	6,421,039.20	6,421,039.20	6,421,039.20	-	100%
	TOTAL				555,369,000			149,225,274		

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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	4-Dec-24	82,949,070	-	-	-
Equalisation Fund	11-Jul-25	51,758,813			
Equalisation Fund	11-Jul-25	61,383,262			
Total		196,091,145	-	-	-

Appendix IV- Inter-Entity Confirmation Letter

Name of transferring entity: **Equalisation Fund**

Name of beneficiary entity: **County Executive of Kilifi**

Confirmation of amounts received by County Executive of Kilifi as at 30 th June 2025			
Reference Number	Date Received	Total	Remarks
FT24339T62V8	4-Dec-24	82,949,070	
FT25192HRKJL	11-Jul-25	51,758,813	
FT25192LW5HM	11-Jul-25	61,383,262	
Total		196,091,145	

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

Head of Accounts Department - Disbursing Entity:

Name Sign Date

Head of Accounts Department - Beneficiary Entity:

Name Sign Date.....

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Appendix V: Funding Summary

Financial Year	Appropriation during the FY	Funds received during the FY	Outstanding funds
	a	b	c=a-b
2024/2025	539,169,000	196,091,145	343,077,855
Total	539,169,000	196,091,145	343,077,855

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

Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments