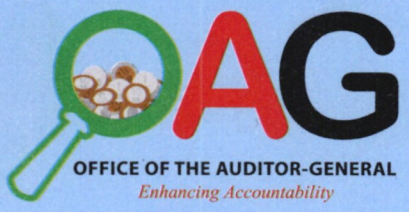
REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

FINANCING LOCALLY-LED CLIMATE ACTION (FLLoCA) PROGRAM

FOR THE YEAR ENDED 30 JUNE, 2025

COUNTY GOVERNMENT OF ISIOLO

ISIOLO COUNTY FINANCING LOCALLY LED CLIMATE ACTION (FLLOCA) FUND REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

ISIOLO COUNTY CLIMATE CHANGE FUND

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

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

ISIOLO COUNTY FINANCING LOCALLY LED CLIMATE ACTION (FLLOCA) FUND REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

Table of Content

1. Acronyms and Glossary of Terms

a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings

b) Glossary of Terms

Fiduciary Management The key management personnel who had financial responsibility

2. Key Entity Information and Management

a) Background information

Program is an innovative program, jointly funded by the Government of Kenya and the World Bank to create resilience at the local (and community) levels to mitigate the impact of climate change, The program will start in the course of PY 2021/22 and run for four fiscal years. Fund is established by and derives its authority and accountability from The Climate Change Act of 2016 Act on June 2020. The Fund is wholly owned by the County Government of Isiolo and is domiciled in Kenya.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to ...
The object and purpose for which the program is; -

a) Financing Locally-Led Climate Action (FLLoCA) Program's objective is to deliver locally-led climate resilience actions and strengthen county and national governments' capacity to manage climate risk.
b) FLLoCA Program is expected to strengthen County Government capacity to plan, budget, implement and monitor climate mitigation and adaptation actions, with a focus on sub-county (ward and community) levels. This will be operationalized through two grants, the County Climate Institutional Support (CCIS) Grant and the County Climate Resilience Investment (CCRI) grant combined with minimum access criteria and performance measures for areas where FLLoCA seeks to make a difference. Through the two performance based grants, county governments are incentivized to:-
    i. Enact relevant policies and legislations to enable climate finance flows
    ii. Establish a dedicated County Climate Change Fund and a Climate Change Unit
    iii. Establish mechanisms to engage communities in climate risk assessments and resilience planning
    iii. Mainstream Climate action and resilience building in county planning and budgeting
    iv. Increase County investment budgets that promote social resilience outcomes
    v. Prepare and implement, In a participatory manner, County Climate Action plan

a) Board of Trustees/Fund Administration Committee (County Steering Committee)

Ref	Name	Position
1	H.E Abdi Ibrahim Hassan	Governor (Chairperson)
3	Dr. James Lowasa	Deputy Governor Isiolo county
4	Ali Wario Sarite	(CECM) Water Sanitation, Energy, Environment, Natural Resources
5	Abdullahi Banticha	(CECM) Finance and economic planning.
6	Lucy Kaburu	(CECM) Health service
7	Yussuf Mohammed	(CECM) Agriculture, Livestock and Fisheries
8	Osman Bagaja	Director Climate Change

There is established Isiolo County Climate Change Fund Steering Committee which County Steering Committee comprise of the following

a. The Governor of Isiolo County, or in his absence the Deputy Governor of Isiolo County as the Chairperson;
b. The County Executive Committee Member in charge of Climate Change as the Secretary;
c. The County Executive Committee Member in charge of Finance;
d. The County Executive Committee Member in charge of public health;
e. The County Executive Committee Member in charge of agriculture, livestock and fisheries;
f. One person to represent Fund Participating Institutions;
g. One person to represent Public Benefit Organizations involved in climate change activities in the County
h. One person, resident of the County, appointed by the Executive Member to represent the business community

b) Key Management Steam

Ref	Name	Position
1	Abdi Ibrahim Hassan	Governor Isiolo County (Chairperson of the steering committee)
2	James Lowasa	Deputy Governor Isiolo county
3	Wario Sarite	(CECM) Water Sanitation, Energy, Environment, Natural Resources
4	Abdullahi Mohamed	Ag.Chief Officer Environment & Climate Change Resilience
5	Habiba Galgalo Jirma	Chief Officer Finance
6	Osman Bagaja	Director Climate Change/ Fund Administrator
7	Shukri Abdullahi Wario	Monitoring & Evaluation officer
8	Yussuf Kalla	Fund Accountant
10	Ramadhan Wako Golicha	Environment & GRM focal person
11	Noor Gabre	Social safeguard focal person
12	Zeinab Mohamud	Procurement officer

Key Entity and Management (Continued)

c) Fiduciary Oversight Arrangements

SN	Position	Name
1	Directorate Internal Audit	CPA Saadia Wario
2	Staff car Mortgage and car Loan Advisory Committee	
3		

d) Registered Offices

P.O. Box 36 - 6300
Ilhan Plaza House
Isiolo Moyale Highway
Nairobi, KENYA

e) Fund Contacts

Telephone: (254) 721819981-
mail: bagaja06@gmail.com
Website: www.isiolo.go.ke/

f) Fund Bankers

1. Central Bank of Kenya
   Haile Selassie Avenue
   P.O. Box 60000
   City Square 00200
   Nairobi, Kenya

2. Kenya Commercial Bank
   Isiolo Complex Building
   P.O. Box 48400
   Isiolo Town

Key Entity and Management (Continued)

g) Independent Auditors

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

h) Principal Legal Adviser

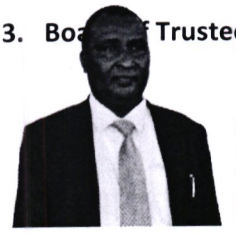
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

i) County Attorney

The County Attorney
P.0 Box 60300
Isiolo Town

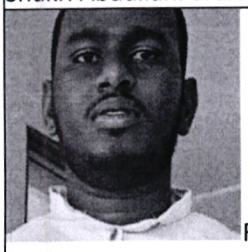
3. Board of Trustees/ Fund Administration Committee

Name	Details of qualifications and experience
 **His excellence Abdi Ibrahim Hassan** **Governor, Isiolo County**	H.E Hon. Abdi Ibrahim – 2022-2027: Served as the Leader of the Majority Party in Nairobi City County Assembly(representing Jubilee Party) and Member of the County Assembly for Matopeni Springvalley Ward, Nairob County. 2013- 2017: Served as First Leader of Minority Party in the Nairobi City County Assembly. 2007-2013: Served as Councillor representing Kayole North. Governor Abdi Ibrahim Hassan is a holder of a Bachelor's Degree in B.Com Specializing in Human Resource Management.
 **Dr. James L. Lowasa** **Deputy governor Isiolo County**	Hon. Lowasa is currently undertaking his Ph.D. studies in Strategic Management at Kabarak University. He holds a Masters degree in Strategic Management and a Bachelor's degree in Business Administration Entrepreneurship from Kenya Methodist University. He is also trained in Clinical Medicine & Surgery and specialised in Paediatric Medicine from the Kenya Medical Training College (KMTC).
 **Ali Wario Sarite**	Ali Wario Sarite - (CECM) Water Sanitation, Energy, Environment, Natural Resources He Holds Bachelor of Science in Environmental Health.
Abdullahi Banticha	CECM Finance and Economic Planning The CECM served as the member of Parliament for the seat of Isiolo South 2013 to 2017 He holds Bachelar degree in Education

3. Board of Trustees/ Fund Administration Committee  Yussuf Mohammed (CECM) Agriculture, Livestock and Fisheries	(CECM) Agriculture, Livestock and Fisheries He Holds Masters of Arts in Project Planning, Bachelor Natural Resource Management
 Osman Bagaja Director Climate Change/ Fund Administrator	He holds Masters oof Science in WASH, Bachelor of Science in Environmental health. Registered LEAD Expert with NEMA, Certificate in Monitoring and evaluation. Planning and budgeting for CCCF (CG own funds) and the FLLoCA grants; organizing and facilitating community level participatory vulnerability and capacity assessments, facilitating ward-level climate risk vulnerability and capacity assessments, facilitating and supporting ward-level consultations, Facilitating climate resilience actions in consultation with communities among others

4. Management Team

Name	Details of qualifications and experience
 **His excellence Abdi Ibrahim Hassan Governor, Isiolo County**	H.E Hon. Abdi Ibrahim – 2022-2027: Served as the Leader of the Majority Party in Nairobi City County Assembly(representing Jubilee Party) and Member of the County Assembly for Matopeni Springvalley Ward, Nairob County. 2013- 2017: Served as First Leader of Minority Party in the Nairobi City County Assembly. 2007-2013: Served as Councillor representing Kayole North. Governor Abdi Ibrahim Hassan is a holder of a Bachelor's Degree in B.Com Specializing in Human Resource Management.
 **Ali Wario Sarite- CECM**	Ali Wario Sarite - (CECM) Water Sanitation, Energy, Environment, Natural Resources He Holds Bachelor of Science in Environmental Health.
Abdullahi Mohamed.	Chief Officer Environment & Climate Change Resilience Mainstreaming climate resilience actions within (CIDP) and across county departments, setting targets for climate actions and developing strategies to achieve them; mobilizing additional resources for county climate action; identifying county climate action capacity gaps and developing strategies to address them; implementing the annual CCAPs; managing environmental and social risks of climate actions; reporting on progress of county climate actions and use of CCF and FLLoCA grants He holds the Bachelor's degree in Criminology and security(Specialized in disaster management)
 Habiba Galgalo Jirma – Chief Officer	Chief officer Finance – With CPA K Habiba brings extensive background of finance and accounting experience through which she gained working for public sector for the last several years

 Osman Bagaja Director Climate Change/ Fund Administrator	He holds Masters oof Science in WASH, Bachelor of Science in Environmental health. Registered LEAD Expert with NEMA, Certificate in Monitoring and evaluation. Planning and budgeting for CCCF (CG own funds) and the FLLoCA grants; organizing and facilitating community level participatory vulnerability and capacity assessments, facilitating ward-level climate risk vulnerability and capacity assessments, facilitating and supporting ward-level consultations, Facilitating climate resilience actions in consultation with communities among others
Yussuf Kalla	Graduated in Bachelor of Commerce and CPA K holder.
 Shukri Abdullahi Wario	He Holds Bachelor of Economics Monitoring & Evaluation - Social safeguard focal person With several years of experience in the monitoring and evaluation field shukri Coordinate routine monitoring and evaluation of project activities for the FLLoCA pragram
 Ramadhan Wako Environment & GRM Focal Person	He holds bachelor of Degree Environmental Science 3 years' experience working as Enviromental officer for the County Government of Isiolo. And successfully participated in administering of social and environmental risk assessment checklist for the FLLOCA program CCRI funded projects.
 Noor Gabre Social safeguard focal person	3 years' experience working as a social development officer for the County Government of Isiolo. And successfully participated in administering of social and environmental risk assessment checklist for the FLLOCA program CCRI funded projects. He Holds Bachelor of Arts Anthropology
Zeinab Mohamud Procurement officer	With bachelor of degree in procurement Zeinab performs all the procurement procedure of the

	program

4. Management Team

5. Board/Fund Chairperson's Report

The Isiolo County Climate Change Fund was established in the financial year 2021/2022. The principal objective of the fund is mobilization and coordination of resources for Climate Change programs from public and private entities. The fund has since been rolled in the financial year 2022/2023. The fund's operations are guided by key Committees (steering, planning and ward climate change committees). The Fund has special purpose account at central bank. The Fund will go miles in the promotion and mainstreaming of Climate Smart interventions in order to foster Climate resilience, adaptation and mitigation within the County

Name Aboduba Diba ..... Signature ..... Date .....

Chairperson of the Board/Fund

6. Report of The Fund Administrator

The Isiolo County Climate Change Fund was established in the financial year 2021. The principal objective of the fund is mobilization and coordination of resources for Climate Change programs from public and private entities. The fund has since been rolled in the financial year 2022/2023. The fund's operations are guided by key Committees (steering, planning and ward climate change committees). The Fund has a commercial Bank at Family Bank. The Fund will go miles in the promotion and mainstreaming of Climate Smart interventions in order to foster Climate resilience, adaptation and mitigation in Isiolo County.

Objects and purposes of the Isiolo County Act
The object of this Act is to create a fund in the County for the purpose of facilitating establishment of a mechanism to finance climate change activities, programs and projects in the County through: -
(a) Initiating and coordinating financing of Climate Change Adaptation and Mitigation activities at the community level in the County;
(b) Enhancing Climate Finance mechanisms in the County;
(c) Facilitating community-initiated Climate Change Adaptation and Mitigation activities in the County;
(d) Facilitating planning for Climate Change Adaptation and Mitigation in the County planning and budgetary framework;
(e) Seeking and receiving grants from national and international entities, the National Government, the County Government and other relevant organizations;
(f) Providing support from the national Climate Change Policy and legislative framework; and
(g) Coordinating collection and dissemination of climate change information to the public to create awareness and preparedness.

7. Statement of Performance Against the County Fund's Predetermined Objectives

S/NO	Name of Activity	Output	Indicator	Target	Achievement	Remarks
1	Formation of county steering committee	County Steering committee formed	Appointment letters	13	13	The committee is in place and is actively engaged on climate change issues
2	Formation of county planning committee	County Planning Committee formed	Appointment letters	12	12	The committee is in place and is actively engaged in climate change issues
3	Formation of Technical working group for PCRA	Technical working group in place	Appointment / nomination letters Minutes of the meeting with the technical working group	20	50	The number was increased so as to meet the demand to come up with the PCRA report and CCCAP
4	Formation of WCCPC	Ward Climate Change Planning Committee formed	List of names of the WCCPC	110	110	The committee is in place and active
5	Community engagement on PCRA process &multi stakeholder engagement	PCRA report	Participatory Climate Risk Assessment report	1	1	The community was actively engaged in identifying Climate Risks and vulnerability at the ward level
6	Development of County climate change action plan and multi stakeholder engagement	County Climate Change Action Plan developed	County Climate Change Action Plan report	1	1	The CCCAP (2023-2027) is in place
7	Development of climate change communication strategy	Climate Change Communication Strategy developed	Climate Change Communication Strategy report	1	1	Devolved in collaboration with development partners
8	Development of County Climate Finance Policy	County Climate Finance Policy Developed	County Climate Finance framework	1	1	Developed.

8. Corporate Governance Statement

The Government of Kenya has received funds from the World Bank towards the Financing Locally-Led Climate Action (FLLoCA) Program and intends to apply part of the proceeds for payments under the contract for mapping out Civil Society Organizations involved in climate change adaptation and mitigation activities at county and sub-county levels in all counties in Kenya. The program development objective is to deliver locally-led climate resilience actions and strengthen county and national governments' capacity to manage climate risks. The program will focus on capitalizing the National and County Climate Change Funds; building county level capacity for planning, budgeting, reporting and implementation of local climate actions in partnership with communities; and strengthening of national level capacity for coordination, monitoring and reporting. The program will be implemented by the National Government in collaboration with County Governments.

9. Management Discussion and Analysis

During the financial year Isiolo county Government and FLLoCA contributed to Isiolo County Climate Change fund to a tune of Kshs 134 million.

The initial capital of the Fund shall be not less than two percent of the annual development budget of the county appropriated by the County Assembly in the financial year commencing immediately after the date of commencement of these Regulations.

The object and purpose of the Fund is to provide funding for climate change activities identified in the County Climate Change Action Plan and County Climate Finance Framework and for connected purposes

Specifically, the fund shall be used to finance:

(a) climate resilience assessments

(b) implementation of climate change response projects proposed by Ward Planning Committees and communities and approved by the Planning Committee

(c) priority county level climate change response projects approved by the Planning Committee

(d) climate change research and knowledge management in the county

(e)public education, sensitization and awareness creation on climate change and its impacts

(f) capacity building for stakeholders to effectively respond to climate change

(g) monitoring, evaluation, reporting and learning on climate change response in the county

10. Environmental and Sustainability Reporting

1. Sustainability strategy and profile -

- Institutional capacity building: FLLoCA strengthens the capacity of both national and county governments to manage climate risk through performance-based grants. This helps create permanent institutional structures, like County Climate Change Units, that will continue to function after the initial program funding ends.
- Community ownership: By empowering local communities and ward committees to identify and prioritize projects, the program fosters a sense of ownership. This local-led model ensures that investments reflect the most pressing local climate challenges and are more likely to be maintained over time.
- Integration with county planning: The requirement for counties to develop and integrate climate change action plans into their regular planning and budgeting processes embeds climate resilience permanently into county governance.

2. Environmental performance

- Environmental and Social Systems Assessment (ESSA): The program, in partnership with the World Bank, has established an ESSA to guide the management of environmental and social risks. This ensures projects comply with Kenyan and World Bank environmental standards from their planning stages through implementation.
- Compliance with national and county law: All projects funded under FLLoCA must adhere to national regulations, including the Environmental Management and Coordination Act, as well as specific county climate change legislation. This guarantees that local actions contribute to a coordinated national strategy for climate resilience.
- Environmental audits: The program requires systematic, periodic, and objective evaluations of ongoing projects to ensure compliance with environmental management plans. These audits, conducted by licensed experts, help protect local ecosystems and communities

3. Employee welfare

The grant does not have employee welfare since staff are under county government welfare schemes

4. Market place practices-

The program follows free and fair market practices under county and nation policy

5. Corporate Social Responsibility / Community Engagements

- Institutional capacity building: FLLoCA strengthens the capacity of both national and county governments to manage climate risk through performance-based grants. This helps create permanent institutional structures, like County Climate Change Units, that will continue to function after the initial program funding ends.
- Community ownership: By empowering local communities and ward committees to identify and prioritize projects, the program fosters a sense of ownership. This local-led model ensures that investments reflect the most pressing local climate challenges and are more likely to be maintained over time.
- Integration with county planning: The requirement for counties to develop and integrate climate change action plans into their regular planning and budgeting processes embeds climate resilience permanently into county governance.

11. Report of The Trustees

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2025 which show the state of the Fund affairs.

Principal activities

The principal activity of FLOCCA (Financing Locally-Led Climate Action) is to enhance local resilience to climate change and other hazards by strengthening the capacity of county and national governments to manage climate risks and deliver community-prioritized, locally-led climate resilience initiatives. The program capitalizes climate funds, builds local capacity for planning and implementation, and fosters community-government partnerships to ensure sustainable climate action

Results

The results of the Fund for the year ended June 30, 2025 are set out on page 1-45

Trustees

The members of the Board of Trustees who served during the year are shown on page vi

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. OR [XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *entity* for the year/period ended June 30, 2025 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

.....

Chair of the Board/Fund Administration Committee

Date: .....

COUNTY GOVERNMENT OF ISIOLO
COUNTY CHIEF OFFICER
ENVIRONMENT & CLIMATE CHANGE RESILIENCE

5. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by *(The Fund should state the appropriate legislation establishing the Fund)* shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial 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 Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *(quote the applicable legislation establishing the County Public Fund)*. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2025, and of the Fund's financial position as at that date. The Administrator further confirm 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 Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. OR

Nothing has come to the attention of the Administrator 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 Board on June 2025 and signed on its behalf by:

COUNTY GOVERNMENT OF ISIOLO
COUNTY CHIEF OFFICER
ENVIRONMENT & CLIMATE CHANGE RESILIENCE

01 OCT 2025

.....

Administrator of the County Public Fund

REPUBLIC OF KENYA

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

REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON FINANCING LOCALLY-LED CLIMATE ACTION (FLLoCA) PROGRAM FOR THE YEAR ENDED 30 JUNE, 2025 – COUNTY GOVERNMENT OF ISIOLO

PREAMBLE

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

A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for specific issues, the financial statements present a true and fair view 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

Qualified Opinion

I have audited the accompanying financial statements of Financing Locally-Led Climate Action (FLLoCA) Program - County Government of Isiolo set out on pages 1 to 39, 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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Financing Locally-Led Climate Action (FLLoCA) Program – County Government of Isiolo 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 FLLoCA Loan Agreement (between KFW and the Republic of Kenya) No. BMZ No.2016 65 108/2018 65 138, the Isiolo County Climate Change Act, 2018 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unexplained Variance in Transfers from the County Government of Isiolo

The statement of financial performance and Note 2 to the financial statements reflect transfers from the County Government amounting to Kshs.30,870,282. However, the statement of financial performance for the County Executive of Isiolo for the year under review discloses transfers to other Government entities - transfers to self-reporting entity FLLoCA of Kshs.133,555,181 resulting in an unexplained variance of Kshs.102,684,899 which has not been explained or reconciled.

In the circumstances, the accuracy and completeness of transfers from the County Government amounting to Ksh.30,870,282 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Financing Locally-Led Climate Action (FLLoCA) Program - County Government of Isiolo 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

Budgetary Control and Performance

The statement of comparison of budgeted and actual amounts reflects final budgeted receipts of Kshs.254,572,367 against actual receipts on a comparable basis of Kshs.149,442,649, resulting in a shortfall of Kshs.105,129,718, or 41% of the budget. However, the Program utilized only Kshs.136,240,206, resulting in an under-absorption of Kshs.13,202,443, or 9% of the actual receipts.

The shortfall in receipts and under-expenditure affected the planned activities, and the Program may have experienced delays in executing planned activities and in the disbursement of funds to specific project components.

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. There were no Key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Matters

The following issues raised on Financing Locally-Led Climate Action (FLLoCA) Program – County Government of Isiolo in the previous audit report remain unresolved;

1. Unexplained Variance in Transfers from the County Government.
2. Budgetary Control and Performance.
3. Non-Preparation and Late Submission of Financial Statements.
4. Irregularities in the Appointment of Fund Administrator.
5. Non-Compliance to Quarterly Reporting Requirement.
6. Lack of Counter-Part Funding from the County Government.
7. Non-Allocation of Funds to Development Projects.
8. Failure to Hold Meetings by the Steering Committee and County Planning Committee.

Other Information

Management is responsible for the Other Information set out on pages iii to xix, which comprises of Project Information and Overall Performance, Statement of Performance against Project's Predetermined Objectives, Environmental and Sustainability Reporting, and Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Program'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. Excess Administrative Expenditure Beyond Legal Threshold

The statement of comparison of budget and actual amounts reflects total actual income during the year of Kshs.149,442,648. However, review of payment schedules and financial records revealed that the Program incurred Kshs.14,048,594 on administrative costs during the year, representing 9.4% of total available funds. This exceeds the 3% cap prescribed under the Second Schedule of the Isiolo County Climate Change Fund Act, 2018.

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

2. Non-Compliance with Public Sector Accounting Standards Board (PSASB) Reporting Requirements

Review of the financial statements revealed that the Management Discussion and Analysis section on page xvi does not include tables, graphs, pie charts and other descriptive tools necessary to enhance clarity and understandability as required by the PSASB reporting template. Further, Note 28 did not include mandatory disclosures on credit risk, liquidity risk management, foreign currency risk and capital risk management, while Note 26 omitted key disclosures on related party transactions and key management remuneration.

In the circumstances, the financial statements did not conform with the Public Sector Accounting Standards Board reporting template.

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. Unsupported Recruitment of the County Climate Change Fund Administrator

As previously reported, the Isiolo County Climate Change Fund engaged a Fund Administrator during the year under review. However, no documentary evidence was provided to confirm that the appointment followed a competitive recruitment process contrary to Section 10 (2) of the Isiolo County Climate Change Fund Act, 2018 which requires that the Administrator be appointed by the County Executive Member for Finance in consultation with the County Executive Member for Climate Change affairs, through a competitive selection process. There was no evidence of vacancy announcement, shortlisting records, interview reports, or selection minutes to demonstrate compliance with the prescribed recruitment procedures.

In the circumstances, the regularity of the appointment process could not be confirmed.

2. Failure to Conduct Quarterly Meetings by the Steering Committee

Audit review established that the Isiolo County Climate Change Fund Steering Committee held only one meeting during the year under review, instead of the required quarterly meetings. No evidence such as minutes, attendance registers, or invitations was provided to confirm that the Committee met as required to discharge its oversight responsibilities. This was contrary to Section 19(1) of the Isiolo County Climate Change Fund Act, 2018, which mandates the Steering Committee to meet quarterly to oversee and guide the implementation of climate change activities financed by the Fund.

In the circumstances, the Committee failed to provide effective oversight on program implementation.

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 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 Program's ability to continue to sustain service disclosing, as applicable, matters related to going concern and using the applicable 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 Program'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

31 October, 2025

14. Statement of Financial Performance for the Year Ended 30th June 2025

Description	Note	FY 24/25	FY 23/24
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Public Contributions and Donations	1	11,000,000	123,141,788
Transfers From the County Government	2	30,870,282	-
Fines, Penalties and Other Levies	3	-	-
		-	-
Revenue From Exchange Transactions		-	-
Interest Income	4	-	-
Other Income	5	-	-
		-	
Total Revenue		**41,870,282**	**123,141,788**
			-
Expenses			-
Employee Costs	6	-	-
Use of goods and services	7	136,240,205.70	12,056.35
Depreciation and Amortization Expense	8	229,625.25	229,625.25
Operation Cost	9		13,720,363
Total Expenses		**136,469,830.95**	**13,962,044**
Other Gains/Losses		-	-
Gain/Loss on Disposal of Assets	10	-	-
Gain /Loss on fair value of investments	11	-	-
Surplus/(Deficit) for the Period		**(-94,599,548.95)**	**109,179,743.40**

.....
Name:
Administrator of the Fund

.....
Name: Agustine Gatcha
Fund Accountant
ICPAK Member Number: 6212

15. Statement of Financial Position As at 30 June 2025

Description	Note	FY 24/25	FY 23/24
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	12	**13,202,442.95**	**107,572,366.65**
Current Portion of Long- Term Receivables From Exchange Transactions	13	-	-
Prepayments	14	-	-
Inventories	15	-	-
Investments in financial assets	16	-	-
Total current assets		**13,202,442.95**	**107,572,366.65**
Non-Current Assets			
Property, Plant and Equipment	17	1,377,751.50	1,607,376.75
Intangible Assets	18	-	-
Long Term Receivables from Exchange Transactions	13	-	-
Investment Property	19		-
Total non- current assets		1,377,751.50	1,607,376.75
Total Assets (A)		**14,580,194.45**	**109,179,743.40**
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	20	-	-
Current Provisions	21	-	-
Current Portion of Borrowings	22	-	-
Employee Benefit Obligations	23	-	-
Social benefit liabilities	24	-	-
Total current liabilities		-	-
Non-Current Liabilities			
Non-Current Provisions	21	-	-
Long Term Portion of Borrowings	22	-	-
Non-Current Employee Benefit Obligation	23	-	-
Social benefit liabilities	24	-	-

Description	Note	FY 24/25	FY 23/24
		Kshs	Kshs
Total Liabilities (B)		-	-
Net Assets (A-B)		**14,580,194.45**	**109,179,743.40**
Represented By:			
Revolving Fund		-	-
Reserves		-	-
Accumulated Surplus		-	**109,179,743.40**
Net Assets		**14,580,194.45**	**109,179,743.40**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30 June 2025 and signed by:

.....
Name: OSMAN BAGAJA
Administrator of the Fund

.....
Name: Augustine Gatela
Fund Accountant
ICPAK Member Number: 6212

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

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2023	-	-	-	-
Surplus/(Deficit) For the Period	-	-	**109,179,743.40**	**109,179,743.40**
Funds Received During the Year		-		
Transfers	-	-	(1,607,376.75)	(1,607,376.75)
Revaluation Gain	-	-	-	-
Balance As At 30 June 2024		-	**107,572,366.65**	**107,572,366.65**
Balance As At 1 July 2024		-	107,572,366.65	107,572,366.65
Surplus/(Deficit) For the Period		-	**(94,599,548.95)**	**(94,369,923.7)**
Funds Received During the Year		-		
Transfers	-	-		-
Revaluation Gain/Loss	-	-	229,625.25	
Balance As At 30 June 2025		-	**13,202,442.95**	**13,202,442.95**

17. Statement of Cash Flows for The Year Ended 30 June 2025

Description	Note	Current FY 24/25	Current FY 23/24
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations		11,000,000	123,141,788
Transfers from the county government		30,870,282	-
Interest received		-	-
Receipts from other operating activities		-	-
Total receipts		**41,870,282**	123,141,788
Payments			
Fund administration expenses			-
General expenses			13,720,363
Operation			12,056.35
Use of goods and services		136,240,205.70	-
Net cash flows from operating activities	24	**(94,369,923.7)**	**109,179,743.40**
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible assets		-	**(1,837,002)**
Proceeds from sale of property, plant & equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
Net cash flows used in investing activities		-	**(1,837,002)**
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash & cash Equivalents		**(94,369,923.7)**	**107,572,366.65**
Cash and cash equivalents at 1 July		**107,572,366.65**	-
Cash and cash equivalents at 30 June 2025		**13,202,442.95**	**107,572,366.65**

18. Statement Of Comparison Of Budget And Actual Amounts For The Period 2024/2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Public Contributions and Donations	11,000,000	-	11,000,000	11,000,000	-	100%
Transfers From County Govt.	136,000,000	-	136,000,000	30,870,282	105,129,718	22.7%
Interest Income	-	-	-	-	-	-
Other Income	107,572,366.65	-	107,572,366.65	107,572,366.65	-	100%
Total Income	**254,572,366.65**	-	**254,572,366.65**	**149,442,648.65**	105,129,718	59%
Expenses	-	-	-	-		-
Fund Administration Expenses	-	-	-	-	-	-
Depreciation and Amortization Expense	-	-	-	-	-	-
Use of goods and services	**136,240,205.70**	-	**136,240,205.70**	**136,240,205.70**	-	100%
Total Expenditure	**136,240,205.70**	-	**136,240,205.70**	**136,240,205.70**	-	100%
Surplus For the Period	-	-	-	**13,202,442.95**		-
	-					-
Capital expenditure	-	-	-	-	-	-

19. Notes to the Financial Statements

Significant Accounting Policies

1. General Information

The Isiolo County Climate change unit entity is established by and derives its authority and accountability from County climate change act. The entity is wholly owned by the Isiolo County Government and is domiciled in Kenya. The entity's principal activity is facilitating establishment of a mechanism to finance climate change activities, programs and projects in the County

2. Statement of compliance and basis of preparation

The Fund's 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 direct method. The financial statements are prepared on accrual basis.

3. Adoption of new and revised standards

(i) New and amended standards and interpretations in issue but not yet 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	***Applicable 1st January 2025*** 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 recognize, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and	***Applicable 1st January 2025*** 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:

Discontinued Operations	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.
IPSAS 45- Property Plant and Equipment	***Applicable 1st January 2025*** 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.
IPSAS 46 Measurement	***Applicable 1st January 2025*** The objective of this standard was to improve measurement guidance across IPSAS by: 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. The standard also introduces a public sector specific measurement bases called the current operational value.
IPSAS 47- Revenue	***Applicable 1st January 2026*** 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.
IPSAS 48- Transfer Expenses	***Applicable 1st January 2026*** 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	***Applicable 1st January 2026*** 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.

(i) Early adoption of standards

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

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 entity and can be measured reliably.

ii. Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2022/2023 was approved by the County Assembly on 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of 36 million on the FY 2022/2023 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

Summary of Significant Accounting Policies (Continued)

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

c) Property, plant and equipment

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

a) Intangible Assets

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

The useful life of the intangible assets is assessed as either finite or indefinite.

b) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to- day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. *Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an one year period or investment property is measured at fair value with gains and losses recognized through surplus or deficit.**(entity.*** Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Summary of Significant Accounting Policies (Continued)

c) 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.* 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 entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

The entity 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.

Summary of Significant Accounting Policies (Continued) Amortized

cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the 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.

Trade and other receivables

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

Impairment

The entity 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.*

Summary of Significant Accounting Policies (Continued) Financial liabilities

Classification

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

d) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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

e) Provisions

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

f) **Social Benefits**

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

Summary of Significant Accounting Policies (Continued)

g) Contingent liabilities

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

Contingent assets

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

h) Nature and purpose of reserves

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

i) Changes in accounting policies and estimates

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

j) Employee benefits – Retirement benefit plans

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

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

Summary of Significant Accounting Policies (Continued)

k) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

l) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

m) Related parties

The Entity 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 Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

n) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

o) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

The preparation of the Entity'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 e.g.

a) 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 consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

b) Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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6. Notes To The Financial Statements Continued

1. Public contributions and donations

Description	FY 24/25	FY 23/24
	Kshs	Kshs
Donation From Development Partners	11,000,000	123,141,788
Contributions From The Public		-
Total	**11,000,000**	**123,141,788**

2. Transfers from County Government

Description	FY 24/25	FY 23/24
	Kshs	Kshs
Transfers From County Govt. –Operations	30,870,282.00	-
Payments By County on Behalf of The Entity	-	-
Unconditional Development grants	-	-
Total	**30,870,282.00**	-

3. Fines, penalties and other levies

Description	FY 24/25	FY 23/24
	Kshs	Kshs
Late Payment Penalties	-	-
Fines	-	-
Total	-	-

4. Interest income

Description	FY	FY
	Kshs	Kshs
Interest Income from Mortgage Loans	-	-
Interest Income from Car Loans	-	-
Interest Income from Investments in financial assets	-	-
Interest Income on Bank Deposits	-	-
Total Interest Income	-	-

Notes to the Financial Statements Continued

5. Other income

Description	FY 24/25	FY 22/24
	Kshs	Kshs
Insurance Recoveries	-	-
Income from Sale of Tender Documents	-	-
Bad debts recovered	-	-
Miscellaneous Income	-	-
Total Other Income	-	-

6. Employee Costs

Description	FY 24/25	FY 23/24
	Kshs	Kshs
Salaries And Wages	-	-
Staff Gratuity	-	-
Staff Training Expenses	-	-
Social Security Contribution	-	-
Other *(Specify)*	-	-
Total	-	-

7. Use of Goods and Services

Description	FY 24/25	FY 23/24
	Kshs.	Kshs.
General Office Expenses	6,086,598.00	-
Loan Processing Costs	-	-
Professional Services Costs	6,043,664	-
Administration Fees	-	-
Committee Allowances	1,257,300	-
Bank Charges	-	(12,056.35)
Electricity And Water Expenses	-	-
Fuel And Oil Costs	300,000	-

Description	FY 24/25	FY 23/24
	Kshs.	Kshs.
Insurance Costs	-	-
Postage And Courier	-	-
Printing And Stationery	360,000	-
Rental Costs	-	-
Security Costs	-	-
Telephone And Communication Expenses	-	-
Bank Charges	1032.70	-
Audit Fees	-	-
Provision For Doubtful Debts	-	-
Project Cost	122,191,611	-
Social benefit expenses*	-	-
Total	**136,240,205.70**	(12,056.35)

8. Depreciation and Amortization Expense

Description	FY 24/25	FY 23/24
	Kshs.	Kshs.
Property Plant and Equipment	229,625.25	-
Intangible Assets	-	-
Total	229,625.25	-

9. Finance costs

Description	FY 24/25	FY 23/24
	Kshs	Kshs
Interest On Bank Overdrafts	-	-
Interest On Loans from Banks	-	-
Total	-	-

10. Gain/(loss) on disposal of assets

Description	FY 24/25	FY 23/24
	Kshs	Kshs
Property, Plant and Equipment	-	-
Intangible Assets	-	-
Total	-	-

11. Gain/ (loss) on Fair Value Investments

Description	FY 24/25	FY 23/24
	Kshs	Kshs
Investments at Fair Value- Equity investments	-	-
Fair value – Investment property	-	-
Fair value- other financial assets (specify)	-	-
Total Gain	-	-

12. Cash and cash equivalents

Description	FY 24/25	FY 23/24
	Kshs	Kshs
Car Loan Account	-	-
County Mortgage Account	-	-
Fixed Deposits Account	-	-
On – Call Deposits	-	-
Current Account	**13,202,442.95**	-
Others (*Specify*)	-	-
Total Cash And Cash Equivalents	**13,202,442.95**	-

Notes to the Financial Statements Continued

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

Financial Institution	Account number	FY 24/25	FY 23/24
		Kshs	Kshs
a) **Fixed Deposits Account**			
Kenya Commercial Bank		-	-
Equity Bank, Etc.		-	-
Sub- Total		-	-
b) On - Call Deposits			
Kenya Commercial Bank		-	-
Equity Bank - Etc.		-	-
Sub- Total		-	-
		-	
c) Current Account		-	
Kenya Commercial Bank	1314845012	-	1,719,535.65
CBK	100059744	13,202,442.95	105,852,831
Sub- Total		-	-
d) Others(Specify)		-	-
Cash In Transit		-	-
Cash In Hand		-	-
Sub- Total		-	-
Grand Total		**13,202,442.95**	**107,522,366.65**

13. Receivables from exchange transactions

Description	FY 24/25	FY 22/24
	Kshs	Kshs
Current Receivables		
Interest Receivable	-	-
Current Loan Repayments Due	-	-
Other Exchange Debtors	-	-
Less: Impairment Allowance	-	-
Total Current Receivables		
Non-Current Receivables		
Long Term Loan Repayments Due	-	-
Total Non- Current Receivables	-	-
Total Receivables From Exchange Transactions	-	-

Notes to the Financial Statements Continued Additional

disclosure on interest receivable

Description	FY 24/25	FY 23/24
	Kshs	Kshs
Interest Receivable		
Interest receivable from current portion of long-term loans of previous years	-	-
Accrued interest receivable from of long-term loans of previous years	-	-
Interest receivable from current portion of long-term loans issued in the current year	-	-
Current loan repayments due	-	-
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	-	-

14. Prepayments

Description	FY 24/25	FY 23/24
	Kshs	Kshs
Prepaid Rent	-	-
Prepaid Insurance	-	-
Prepaid Electricity Costs	-	-
Other Prepayments *(Specify)*	-	-
Total	-	-

15. Inventories

Description	FY 24/25	FY 23/24
	Kshs	Kshs
Consumable Stores	-	-
Spare Parts And Meters	-	-
Catering	-	-
Other Inventories (Specify)	-	-
Total Inventories at The Lower of Cost and Net Realizable Value	-	-

Notes to the Financial Statements Continued

16. Investments in financial assets

Description	FY 24/25	FY 23/24
	Kshs	Kshs
a. Investment in Treasury bills and bonds		
Financial institution		
CBK	-	-
CBK	-	-
Sub- total	-	-
b. Investment with Financial Institutions/ Banks		
Bank x	-	-
Bank y	-	-
Sub- total	-	-
c. Equity investments (specify)		
Equity/ shares in Entity xxx	-	-
Sub- total	-	-
Grand total	-	-

Movement of Equity Investments

Impairment allowance/ provision	FY 24/25	FY 23/24
	Kshs	Kshs
At the beginning of the year	-	-
Purchase of investments in the year	-	-
Sale of investments during the year	-	-
Gain/(loss) in fair value of investments through surplus or deficit	-	-
At the end of the year	-	-

e) Shareholding in other entities

For investments in equity share listed above, list down the equity investments under the following categories:

Name of Entity where investment is held	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding		Current year	Prior year
	%	%	%	Kshs	Kshs	Kshs
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-
	-	-	-	-	-	-

Notes To The Financial Statements (Continued)

17. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 1st July 2023	-	-	1,837,002	-	-
Additions	-	-	229,625.25	-	-
Disposals	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
At 30th June 2024	-	-	1,837,002	-	-
At 1st July 2024			1,837,002		
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	1,837,002	-	-
At 30th June 2025	-	-	-	-	-
Depreciation And Impairment					
At 1st July 2024	-	-	229,625.25	-	-
Depreciation	-	-		-	-
Impairment	-	-	-	-	-
At 30th June 2024	-	-	1,607,376.75	-	-
At 1st July 2024			-		
Depreciation	-	-	229,625.25	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-
At 30th June 2025	-	-	1,377,751.5	-	-
Net Book Values					
At 30th June 2024	-	-	1,607,376.75	-	-
At 30th June 2025	-	-	1,377,751.5	-	-

Notes To The Financial Statements (Continued)

18. Intangible assets

Description	FY 24/25	FY 23/24
	Kshs	Kshs
Cost		
At Beginning of The Year	-	-
Additions	-	-
At End of The Year	-	-
Amortization And Impairment		
At Beginning of The Year	-	-
Amortization	-	-
At End of The Year	-	-
Impairment Loss	-	-
At End of The Year	-	-
NBV	-	-

19. Investment Property

Description	FY 24/25	FY 23/24
	Kshs	Kshs
At beginning of the year	-	-
Additions	-	-
Disposal during the year	-	-
Depreciation	-	-
Impairment	-	-
Gain/(loss) in fair value (if fair value is elected)	-	-
At end of the year	-	-

Notes To The Financial Statements (Continued)

20. Trade and other payables from exchange transactions

Description	FY 24/25		FY 22/24	
	Kshs		Kshs	
Trade Payables	-		-	
Refundable Deposits	-		-	
Accrued Expenses	-		-	
Other Payables	-		-	
Total Trade and Other Payables	-		-	
Ageing analysis (Trade and other payables)	**Current FY**	**% of the Total**	**Comparative FY**	**% of the Total**
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (tie to above total)	-		-	

21. Provisions

Description	Leave provision	Gratuity Provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance b/f	-	-	-	-
Additional provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount and time value for money	-	-	-	-
Total provisions year end	-	-	-	-
Current Provisions	-	-	-	-
Non-Current Provisions	-	-	-	-

Notes To The Financial Statements (Continued)

22. Borrowings

Description	FY 24/25	FY 23/24
	Kshs	Kshs
Balance At Beginning of The Period	-	-
External Borrowings During the Year	-	-
Domestic Borrowings During the Year	-	-
Repayments of External Borrowings During the Period	-	-
Repayments of Domestics Borrowings During the Period	-	-
Balance At End of The Period	-	-

The table below shows the classification of borrowings into external and domestic borrowings:

Description	FY 24/25	FY 23/24
	Kshs	Kshs
External Borrowings		
Dollar Denominated Loan From 'X Organization'	-	-
Sterling Pound Denominated Loan From 'Y Organization'	-	-
Euro Denominated Loan from Z Organization'	-	-
Domestic Borrowings	-	-
Kenya Shilling Loan From KCB	-	-
Kenya Shilling Loan from Barclays Bank	-	-
Kenya Shilling Loan from Consolidated Bank	-	-
Borrowings From Other Government Institutions	-	-
Total Balance at End of The Year	-	-

The table below shows the classification of borrowings long-term and current borrowings:

Description	FY 24/25	FY 23/24
	Kshs	Kshs
Short Term Borrowings (Current Portion)	-	-
Long Term Borrowings	-	-
Total	-	-

Notes To The Financial Statements (Continued)

23. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	FY 24/25	Insert Comparative FY 23/24
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-	-
Total	-	-	-	-	-

24. Social Benefit Liabilities

Description	FY 24/25	Insert Comparative FY 24/25
	Kshs	Kshs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
Elderly social benefit scheme	-	-
Bursary social benefits	-	-
Total	-	-
Current social benefits	-	-
Non- current social benefits	-	-
Total (tie to totals above)	-	-

Notes To The Financial Statements (Continued)

25. Cash generated from operations.

Description	FY 24/25	FY 23/24
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	**(94,369,923.7)**	-
Adjusted For:		
Depreciation	-	-
Amortisation	-	-
Gains/ Losses On Disposal Of Assets	-	-
Interest Income	-	-
Finance Cost	-	-
Working Capital Adjustments		
Increase In Inventory	-	-
Increase In Receivables	-	-
Increase In Payables	-	-
Net Cash Flow From Operating Activities	**(94,369,923.7)**	-

Notes To The Financial Statements (Continued)

26. Related party balances

a) Nature of related party relationships

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

a) The County Government;
b) The Parent County Government Ministry;
c) Key management;
d) Board of Trustees; etc.

b) Related party transactions

Description	FY 24/25	FY 23/24
	Kshs	Kshs
Transfers From Related Parties'	30,870,200	-
Transfers To Related Parties	30,870,200	-

c) Key management remuneration

Description	FY 24/25	FY 22/24
	Kshs	Kshs
Board Of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

Description	FY 24/25	FY 23/24
	Kshs	Kshs
Due From Parent Ministry	-	-
Due From County Government	-	-
Total	-	-

Other Disclosures Continued

e) Due to related parties

Description	FY 24/25	FY 23/24
	Kshs	Kshs
Due To Parent Ministry	-	-
Due To County Government	-	-
Due To Key Management Personnel	-	-
Total	-	-

27. Contingent assets and contingent liabilities

Contingent Liabilities	FY 24/25	FY 23/24
	Kshs	Kshs
Court Case FLLoCA Against the Fund	-	-
Bank Guarantees	-	-
Total	-	-

Notes To The Financial Statements (Continued)

28. Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize 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:

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external 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. 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 Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2025				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-
At 30 June 2024	-	-	-	-
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-

Notes To The Financial Statements (Continued)

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 recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has 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 Fund 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
At 30 June 2025				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2024				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-

Notes To The Financial Statements (Continued)

c) Market risk

The board 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 Fund'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 manner in which it manages and measures the risk.

i. Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency-denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Description		Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2025			
Financial Assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ Receivables			
Liabilities			
Trade And Other Payables	-	-	-
Borrowings	-	-	-
Net Foreign Currency Asset/(Liability)	-	-	-

Notes To The Financial Statements (Continued)

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
(Current FY)			
Euro	10%	-	-
USD	10%	-	-
(Comparative FY)			
Euro	10%	-	-
USD	10%	-	-

ii. 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 Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

Management of interest rate risk

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

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss 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 (2025: Kshs). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs (2024 – Kshs).

Notes To The Financial Statements (Continued)

d) Capital risk management.

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

Description	FY 24/25	FY 23/24
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	**(94,599,548.95)**	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	**13,202,442.95**	-
Gearing	**(81,397,106)**	-

29. Events after the reporting period

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

30. Ultimate and Holding Entity

The entity is a County Public Fund established by County climate change Act *by National Treasury* under the Ministry of Environment. Its ultimate parent is the County Government of Isiolo.

31. Currency

The financial statements are presented in Kenya Shillings (Kshs).

20. Annexes

Annex I: Progress on Follow Up Of Prior Year Auditor'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)*
1	Unexplained variance in transfer from the county Government	The management transferred county match funds accordingly	Resolved	Issues Awaiting Senate
2	None preparation of and late submission of Financial	The management is preparing and submitting financials on time	Resolved	Issues Awaiting Senate
3	Irregularities in appointment of Fund Administrator	**The management has noted the issues and commits to follow the Act and recruit the position competitively.**	Resolved	Issues Awaiting Senate
4	Non-Compliance to Quarterly reporting requirement	The Management	Resolved	Issues Awaiting Senate
5	Lack of Counter-part funding from the county	The management as adhered to the matching fund	Resolved	Issues Awaiting Senate
6	Non Alloaction of funds to development project	The management has resolved	Resolved	Issues Awaiting Senate

Fund Manager/Fund Administrator

Date.....01/10/2025.....

Annex II: Inter-Fund Confirmation Letter

REPUBLIC OF KENYA

COUNTY GOVERNMENT OF ISIOLO

P.O BOX 36-60300, ISIOLO

THE OFFICE OF COUNTY CHIEF OFFICER ENVIRONMENT AND CLIMATE CHANGE RESILIENCE.

ISIOLO COUNTY FINANCING
LOCALLY LED CLIMATE ACTION
(FLLOCA) FUND
36-60300

The COUNTY FINANCING LOCALLY LED CLIMATE ACTION (FLLOCA) FUND wishes to confirm the amounts disbursed to you as at 30th June 2025 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by ISIOLO COUNTY FLoCCA Fundas at 30th June 2025							
		Amounts Disbursed by [SC/SAGA/Fund] (Kshs) as at 30th June 2025				Amount Received by [beneficiary Fund (KShs) as at 30th June 2025 (E)	Differences (KShs) (F)=(D-E)
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Inter–Ministerial (C)	Total (D)=(A+B+C)		
FT242761S03Y	02-10-2024	-	11,000,000	-	-	11,000,000	-
FT2502941QYQ	29-01-2025	-	30,870,282	-	-	30,870,282	-
Total		-	41,870,282	-	-	**41,870,282**	-

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

Head of Accountants department of beneficiary Fund:

Name Augustine Gatebu **Sign** ..... **Date** 01/10/2025

Annex III: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
Borehole Drilling-Kombola	Borehole Drilling-Kombola	Borehole Drilling-Kombola	Borehole Drilling-Kombola		/			FLoCCA Funds	
Borehole Drilling-Gtulla ward	Borehole Drilling-Gtulla ward	Borehole Drilling-Gtulla ward	Borehole Drilling-Gtulla ward		/			FLoCCA Funds	
Borehole Drilling in sericho ward	Borehole Drilling in sericho ward	Borehole Drilling in sericho ward	Borehole Drilling in sericho ward			/		FLoCCA Funds	
Fruit Tree planting in Wabera	Fruit Tree planting in Wabera	Fruit Tree planting in Wabera	Fruit Tree planting in Wabera			/		FLoCCA Funds	
Mathenge/Fruit tress-Ngramara	Mathenge/Fruit tress-Ngramara	Mathenge/Fruit tress-Ngramara	Mathenge/Fruit tress-Ngramara			/		FLoCCA Funds	
Clearing Mathenge-Merti	Clearing Mathenge-Merti	Clearing Mathenge-Merti	Clearing Mathenge-Merti			/		FLoCCA Funds	
Borehole Drilling-Burat Ward	Borehole Drilling-Burat Ward	Borehole Drilling-Burat Ward	Borehole Drilling-Burat Ward				/	FLoCCA Funds	
Borehole Drilling-Chari Ward	Borehole Drilling-Chari Ward	Borehole Drilling-Chari Ward	Borehole Drilling-Chari Ward				/	County Funds	
Borehole Drilling-Dadachabasa	Borehole Drilling-Dadachabasa	Borehole Drilling-Dadachabasa	Borehole Drilling-Dadachabasa				/	FLoCCA Funds	
Bee Keeping Equipment-Kinna	Bee Keeping Equipment-Kinna	Bee Keeping Equipment-Kinna	Bee Keeping Equipment-Kinna				/	FLoCCA Funds	

Environmebtal Impact Assesment	Environmebtal Impact Assesment	Environmebtal Impact Assesment	Environmebtal Impact Assesment				/	FLoCCA Funds	
Sensitization and awareness-local Communities	Sensitization and awareness-local Communities	Sensitization and awareness-local Communities	Sensitization and awareness-local Communities				/	FLoCCA Funds	
Fodder Farm-Rapsu	Fodder Farm-Rapsu	Fodder Farm-Rapsu	Fodder Farm-Rapsu				/	FLoCCA Funds	
Consultancy Services-Finance Framework	Consultancy Services-Finance Framework	Consultancy Services-Finance Framework	Consultancy Services-Finance Framework				/	FLoCCA Funds	
Consultancy Services-Training Manual	Consultancy Services-Training Manual	Consultancy Services-Training Manual	Consultancy Services-Training Manual				/	FLoCCA Funds	
Fruit Tree planting in Oldonyiro	Fruit Tree planting in Oldonyiro	Fruit Tree planting in Oldonyiro	Fruit Tree planting in Oldonyiro				/	FLoCCA Funds	
Construction of gabions and drainage systems (Bulapesa)	Construction of gabions and drainage systems (Bulapesa)	Construction of gabions and drainage systems (Bulapesa)	Construction of gabions and drainage systems (Bulapesa)				/	County Funds	

Annex IV: 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