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OFFICE OF THE AUDITOR-GENERAL
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REPORT

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THE AUDITOR-GENERAL

ON

SECOND KENYA URBAN SUPPORT PROGRAM (KUSP II) - PROJECT GRANT/CREDIT NO. P177048

FOR THE YEAR ENDED 30 JUNE, 2026

COUNTY GOVERNMENT OF MERU

PAPERS LAID	
DATE	7/10/2026
TABLED BY	M.C.L
COMMITTEE	
CLERK AT THE TABLE	Polycarp

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Revised 30th June 2026

PROJECT NAME: SECOND KENYA URBAN SUPPORT PROGRAM (KUSP II)

IMPLEMENTING ENTITY: MERU COUNTY

PROJECT GRANT/CREDIT NUMBER: P177048

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2026

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

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1. Acronyms, Abbreviations, and Definition of Terms

A. Acronyms and Abbreviations

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
CT	County Treasury
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
WB	World Bank
IDEP	Integrated Development Strategy
CUIDS	County Urban Institutional Development Strategy
UIG	Urban Institutional Grant
KUSP II	Second Kenya Urban Support Program
LHPPP AND UD	Lands,Housing,Public Works,Physcal Planning and Urban Development

2. Project Information and Overall Performance

2.1 Name and registered office

Name

SECOND KENYA URBAN SUPPORT PROGRAM(UIG)

Objective

The key objective of the project is :

- ✓ Strengthening Urban Governance and Administrative Systems
- ✓ Integrating Climate Resilience and Disaster Risk Management
- ✓ Enhancing Private Sector Engagement in Urban Planning
- ✓ Structuring Integrated Urban Planning & Inclusion

Address

The project headquarters offices are in Meru town, Meru County, Kenya. The address of its registered office is:

PO BOX 120-60200

Meru.

Contacts: The following are the project contacts

P.O. Box: 120-60200,Meru

Telephone:

E-mail: merucounty@meru.go.ke

Website: meru.go.ke

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	N/A
Project End Date:	N/A
Project Coordinator:	ELIZABETH WANJIRU MBURU
Project Development Partner:	WORLD BANK

2.3 Project Overview

Line Ministry or State departments/ County Department	Department of Lands, Physical Planning, Urban Development, Housing and Public Works
Project number	N/A
Strategic goals of the project	The strategic goals of the project are as follows: i) Strengthening Urban Governance and Administrative Systems ii) Integrating Climate Resilience and Disaster Risk Management iii) Enhancing Private Sector Engagement in Urban Planning iv) Structuring Integrated Urban Planning & Inclusion
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: i) Signing the Intergovernmental Participation Agreement. ii) Formulating and implementing an approved County Urban Institutions Development Strategy (CUIDS). iii) Allocating at least 50% of the UIG directly to activities that benefit the participating urban boards.

	iv) Ensuring the 30% climate change expenditure threshold is met.
Other important background information of the grant	The grant - Urban **Institutional Grant (UIG)** is a core sub-national funding window under **Component 2** (Subnational urban development capacity building and investments) of the **Second Kenya Urban Support Program (KUSP II).** Administered as a performance-based grant (typically about $200,000 per annum per eligible county), the primary objective of the UIG is to **strengthen the capacities of county governments and urban boards to manage, govern, and finance resilient and inclusive urban areas**
Areas that the grant was formed to intervene	The grant was formed to intervene in the following problems/gaps: The **Urban Institutional Grant (UIG)**—under both KUSP I and KUSP II—was specifically designed to target the major governance, structural, and administrative "problems" that arose following Kenya's devolution in 2013. While counties gained significant power, urban areas were left in an institutional vacuum. The UIG was introduced to intervene in and resolve such challenges including and not limited to the following: (i) **Lack of Dedicated Urban Governance)** Following devolution, counties focused heavily on rural development, leaving urban areas without dedicated governance structures. Although the *Urban Areas and Cities Act (UACA)* mandated the creation of municipal boards and charters, counties lacked the incentives or administrative mechanisms to establish them. The grant provided the direct financial incentive and resources to legally establish **Municipal Boards**, draft **Municipal Charters**, and hire dedicated **Municipal Managers** and staff. (ii) **Severe Capacity and Human Resource Gaps** Newly formed municipalities lacked qualified technical personnel (planners, financial officers, engineers) and the operational systems needed to run a city. They had no standardized administrative, financial, or asset management systems. UIG funds were used to build administrative capacity, train staff, establish County Program Coordination Teams (CPCTs), and set up basic office infrastructure, financial management systems, and monitoring guidelines. (iii) **Uncontrolled Sprawl and Poor Urban Planning** Kenya's rapid urbanization outpaced municipal planning, leading to haphazard developments, congested transit, and the growth of un serviced informal settlements.

	The grant financed the formulation of **Integrated Urban Development Plans (IDePs)**, spatial plans, and zoning regulations to guide sustainable growth and enforce building codes. **(iv) Exclusion of Citizens and Stakeholders in Decision-Making** Prior to KUSP, residents of urban areas (especially marginalized groups and informal settlement dwellers) had virtually no formal channel to voice their priorities, leading to infrastructure projects that did not align with community needs. UIG mandated the establishment of **Citizen Fora** and structured stakeholder engagement frameworks, ensuring municipal budgets and projects were socially inclusive and community-driven. **(v) Vulnerability to Climate Change and Poor Disaster Preparedness** Urban centers in Kenya have been highly vulnerable to climate risks like flash flooding, heat islands, and water scarcity, with zero localized strategies to mitigate these disasters. Under KUSP II, the UIG specifically intervened by requiring municipalities to draft **County Urban Institutional Development Strategies (CUIDS)** that integrate climate resilience. It legally bound counties to spend at least 30% of the UIG on climate-resilient planning and disaster preparedness. **(vi) Weak Private Sector Engagement & Economic Stagnation** Municipalities operated in silos, failing to engage local businesses or create environments conducive to private investment, which stifled local economic growth. The grant intervened to help municipalities establish **Private Sector Engagement Frameworks (PSEF)**, build private sector databases, and foster public-private dialogues to clear bottlenecks for local businesses.
Grant duration	3 Years

Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the project:

(i) CBK

(ii) Family Bank Limited- A/c N0.063000077331

(iii) Credit Bank-A/C NO.0171018000044

2.5 Independent Auditor

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

2.6 Roles and Responsibilities

	Names	Title designation	Key qualification	Responsibilities
	Sarafin Mutwiri	Ag. Chief Officer-Lands	Bcom.Computer Science	The AIE holder for the grant
	Charles Mwenda	Chief officer -Finance	MBA, Finance, B.Com Accounting,CPAK	Finance
	Elizabeth Mburu	KUSP II Program Coordinator	Bachelor of Arts Urban and Regional Planning	The Convener of the County Program Coordination Team (CPCT)
.	Hellen Mukiria	CPCT Accountant	B.CoM (Finance)CPA K	Responsible for the Financial Reporting.
.	Chris Mutoni	CPCT Internal Audit	Bcom, MBA	In charge of Internal Audit

2.7 Funding summary

The grant is for a duration of 3 years from 2025 to 2028 with an approved budget of Kshs.48,309,300 whereby, Kshs.32,309,300 was from world bank grants and Kshs. 16,000,000 was counter fund from county government of Meru.

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Development Partner Commitment		Amount received to date – (30th June 2026)		Undrawn balance to date	
	Development Partner currency	Kshs	Development Partner currency	Kshs	Development Partner currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
(i) Grant						
Insert name of development partner		32,309,300		32,309,300		10,831
(ii) Counterpart funds						
County Government of Meru		12,200,000		12,200,000		124,879
Total	-	44,509,300		44,509,300		**135.710**

The cumulative amount received from the Development partner to date excludes theKshs.135,710 amount that is held in the Designated account.

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

i) We received Kshs.32,309,300 as grants,Kshs.12,200,000 counter Fund,136,231 budget carryovers from previous period totalling to Kshs. 44,645,531 and we used Kshs. 44,509,821 balance Kshs.135,710 .

ii) The grant was used mostly on capacity building, training and community engagements.

iii. Late disbursement of funds, Political interference,

iv. Budget absorption:

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable (cash) Basis	Budget Utilization Difference	% of Utilization
	A	B	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget Carry Overs from previous periods	-	136,231	136,231	136,231	-	
Receipts			-		-	
Revenue Transfers	44,509,300	-	44,509,300	44,509,300	-	100
Total Revenue	44,509,300	136,231	44,645,531	44,645,531	-	100
Payments						
Use of goods and services	42,949,300	136,231	43,085,531	42,949,821	135,710	100
PPE	1,560,000		1,560,000	1,560,000	-	
Total Payments	44,509,300		44,645,531	44,509,821	135,710	100
Surplus	-	-		135,710	- 135,710	0

2.9 Summary of Project Compliance:

i) There were no cases of non-compliance

ii) No cases of non-compliance.

iii) Not applicable

3. Statement of Performance against the Project's Predetermined Objectives

The project has four major objectives whose achievement are as follows:

i. Strengthening Urban Governance and Administrative Systems – during the period under review, the project conducted induction of recently appointed municipal board members for three municipalities (Meru, Maua and Timau). The board members were able to understand their roles in management. This will ensure governance and administrative roles are adequately efficient during the term of service.

ii. Integrating Climate Resilience and Disaster Risk Management- during the period under review, technical staff (civil-structural engineers, physical Planners and Environmental officers) were undertaken through climate risk and climate resilience training and therefore they gained a clear understanding of localized climate vulnerabilities and future projections eg. Extreme weather such as drought, flooding etc. This enabled the technical team develop skills to design for vulnerable infrastructure, alleviating the extent of risks

iii. Enhancing Private Sector Engagement in Urban Planning- during this period the municipal Integrated Development Plan 2023-2027 for Meru and Maua Municipalities were prepared, approved by the County Assembly and adopted by the respective Municipal Boards. Each IDeP was participatory during the preparation period, ensuring public and private sector engagement was held to incorporate their views. The County Assembly equally held a public participation engagement before the approval of the same.

iv. Structuring Integrated Urban Planning & Inclusion- the preparation and approval of the IDePs and subsequent annual review of the same by the Municipal Boards provided for inclusion of various views in the Municipalities.

Introduction

Section 81(2)(f) /Section 164 (2)(f) of the Public Finance Management Act, 2012, requires that the Accounting Officer include a statement of the national government entity's performance against predetermined objectives at the end of each financial year.

The key development objectives of the *project's agreement/* plan are to:

i) Strengthening Urban Governance and Administrative Systems
ii) Integrating Climate Resilience and Disaster Risk Management
iii) Enhancing Private Sector Engagement in Urban Planning
iv) Structuring Integrated Urban Planning & Inclusion

Progress on the attainment of strategic development objectives

To implement and cascade the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic, and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified to track progress and performance measurement.

Below, we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
.**Urban Institutional Grant**	Strengthening Urban Governance and Administrative Systems	Induction training of Municipal Boards	No. of Municipal boards trained	In FY 2025/2026 facilitated induction training of municipal boards of three municipalities (Meru, Maua and Timau) at Kenya School of Government
	Integrating Climate Resilience and Disaster Risk Management	Training of technical officers on climate resilience and Risk management Prepared a climate risk profile for Meru and Maua Municipalities	No. of climate risk profiles prepared No. of officers trained	In FY 2025/2026 facilitated technical officers for climate resilience and risk management And prepared climate risk profiles for Meru and Maua Municipalities
	Enhancing Private Sector Engagement in Urban Planning	Conducted citizen fora and private sector engagements	No. of private sector engagement meetings proceedings No of citizen fora meetings proceedings	Prepared a private sector engagement framework for Meru and Maua Municipalities approved and adopted by the Municipal boards
	Structuring Integrated Urban Planning & Inclusion	Annual review of the Integrated Development Plan for Meru and Maua Municipalities	Reviewed IDeP	Minutes of the Municipal Board approving and adopting the IDeP

4. Environmental and Sustainability Reporting

1. Environmental performance

Because the UIG is an operational and capacity-building grant rather than a capital investment fund, its sustainability strategy is built around **institutionalization**—ensuring that the capacities built during the program survive after the grant cycle ends.

- **Mainstreaming into County Frameworks:** The strategy focuses on anchoring newly established municipal structures (such as Municipal Boards and urban management charters) directly into county government legislation and budget frameworks.
- **Revenue Generation and Fiscal Autonomy:** A core mandate funded by the UIG is the development of urban revenue-enhancement strategies. By automating revenue collection, updating valuation rolls, and streamlining local enforcement, municipalities aim to transition from grant dependency to self-sustained entities.
- **Institutional Capacity Retention:** Rather than relying solely on external consultants, UIG funds emphasize training permanent county and municipal staff. This strategy ensures that expertise in urban planning, financial management, and environmental safeguards remains within the civil service.
- **Structured Transition to KUSP II:** Under the current phase, sustainability is reinforced by tightening the minimum conditions for subsequent grant allocations, incentivizing counties to maintain functional boards and distinct municipal bank accounts.

2. Employee welfare

The UIG funds have been utilized in training of staff and the municipal board members so as to improve their skills for better production.

3. Marketplace practices-

The UIG utilizes a **Performance-Based Grant System (PBGS)** as its primary risk management mechanism, which ties funding strictly to compliance and performance benchmarks verified by independent Annual Performance Assessments (APAs).

- **Pre-investment Screening (Minimum Conditions):** To manage fiduciary risks, a municipality cannot access UIG funds unless it meets strict "Minimum Conditions" (MCs) annually. These include having a legally constituted Municipal Board, an approved urban boundaries charter, and an active, audited municipal bank account.
- **Independent Oversight and Auditing:** Funds are subjected to rigorous financial and procurement audits conducted by the Office of the Auditor General (OAG) alongside regular World Bank fiduciary reviews.

4. Community Engagements

Capacity Building Grievance Redress Mechanisms (GRM): Integrated complaint and grievance systems are mandated at the municipal level to manage social risks, ensuring transparent communication regarding how capacity-building funds are utilized.

5.Community Engagements

The UIG funds have been utilized for staff training for various capacity staff including and not limited to financial management training, training on procurement on EGP, training on climate risks and resilience, training of CECs, Municipal Managers and Municipal Chairs and KUSP coordinators. All these trainings were meant to enhance the capacity of each staff to deliver on their mandates.

5.Statement of Project Management Responsibilities

Chief Officer for the department of *Lands, Housing, public works, physical planning and Urban Development* and the ***Project Coordinator*** *Second Kenya Urban Support Program* are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for the financial year ended on June 30, 2026.

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 project, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud,(iv) safeguarding the assets of the project, (v) Selecting and applying appropriate accounting policies and (v) Making accounting estimates that are reasonable in the circumstances.

The *Chief Officer* for the Department of lands, Housing, Public works, Physical Planning and Urban Development and the *Project Coordinator* accept responsibility for the Project's financial statements, which have been prepared on the IPSAS Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The *Chief Officer* for the Department of Lands, Housing, Public works Physical Planning and Urban Development and the *Project Coordinator* are of the opinion that the Project's financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June 30, 2026, and of the Project's financial position as at that date. The *Chief Officer* for Department of Lands, Housing, Public works Physical Planning and Urban Development and the *Project Coordinator* further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements and the adequacy of the systems of internal financial control.

The *Chief officer Department* of Lands, Housing, Public works, Physical Planning and Urban Development and the *Project Coordinator* confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

The Project financial statements were approved by the *Chief Officer* for the *Department* of Lands, Physical planning Urban development, Housing and Public works and the *Project Coordinator* on 08/09/2026 2026 and signed by:

.....

Name: Sarafin Mutwiri

Chief Officer

.....

Name: Elizabeth Wanjiru

Project Coordinator

REPUBLIC OF KENYA

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Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON SECOND KENYA URBAN SUPPORT PROGRAM (KUSP II) - PROJECT GRANT/CREDIT NO. P177048 FOR THE YEAR ENDED 30 JUNE, 2026 - COUNTY GOVERNMENT OF MERU

PREAMBLE

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

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

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

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

An Unmodified Opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, is effective in the use of resources, or that its internal control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, Cap. 412A and the Public Audit Act, Cap. 412B. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Second Kenya Urban Support Program (KUSP II) - Project Grant/Credit No. P177048 set out on pages 1 to 20, which comprise of the statement of financial position as at 30 June, 2026, and the statement of

financial performance, statement of changes in net assets, statement of cash flows and the 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, Cap. 412B. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Second Kenya Urban Support Program (KUSP II) - Project Grant/Credit No. P177048 as at 30 June, 2026, 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 Financing Agreement No. P177048 -KE dated 30 May, 2024 between the International Development Association and the Republic of Kenya and the Public Finance Management Act, Cap. 412A.

Basis of Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Second Kenya Urban Support Program (KUSP II) - Project Grant/Credit No. P177048 Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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. I have determined that there are no other key audit matters to communicate in my report.

Other Information

The Management is responsible for the Other Information set out on page iii to xviii which comprise of the 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 Project'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 and I am required to report that fact. Based on the audit procedures performed and the matters described in my Basis for Opinion, I confirm that Other Information is not materially inconsistent with the financial statements.

Unconfirmed Non-Financial Information

The community engagement subsection of the report under environmental and sustainability section of the annual report indicates that the integrated complaint and grievances system are mandated at Municipal level to manage social risks ensuring transparent communication regarding how capacity building funds are utilized. However, there was no evidence of grievances systems having been put in place in the three (3) Municipalities of Maua, Meru and Timau. Further, there was also no evidence of charitable giving or community social investment.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matter 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

Non-Compliance with IPSAS Reporting Template

Review of the financial statements revealed non-compliance with the reporting template as detailed below:

i. Summary of significant accounting policies as disclosed in Note 4b to the financial statements reflects budget approved by the County Assembly of 29 August, 2025. However, there was no documents presented in support for the approval.

ii. The Project information and overall performance under sources of funds does not indicate the name of the development partner.

In the circumstances, the financial statements as prepared and presented are not in compliance with IPSAS reporting framework.

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, Cap. 412B, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the International Development Association Financing Agreement, I report based on my audit, that:

i. 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;

ii. Adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,

iii. The Project's financial statements are in agreement with the accounting records and returns.

Basis for Conclusion

The Financing Agreement No. P177048 dated 30 May, 2024 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Project compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and those Charged with Governance

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

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

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, Cap. 412B.

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 Project'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, Cap. 412B 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, Cap. 412B. 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, Cap. 412B.

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

21 September, 2026

6. Statement of Financial Performance for the Year Ended 30th June 2026.

	Notes	Fy 2025/2026
		Kshs
Revenue		
Revenue Transfers	6	44,509,300
Total revenue		**44,509,300**
Expenses		
Employee costs	7	-
Use of goods and services	8	42,949,821
Depreciation and amortization expense	9	216,450
Total expenses		**43,166,271**
Surplus/ (deficit)		**1,343,029**

The financial statements were approved on 8th Sep 2026 and signed by:

.....	.....	.....
Name: Sarafin Mutwiri	**Name: Elizabeth Wanjiru**	**Name: Hellen Mukiria**
Chief Officer	**Project Coordinator**	**Project Accountant**
		ICPAK Member No:31780
Date	**Date**	**Date**

7. Statement of Financial Position as at 30th June 2026

	Note	FY 2025/2026
		Kshs
Assets		
Current Assets		
Cash and Cash equivalents	10	135,710
Total Current Assets		**135,710**
Non-Current Assets		
Property, Plant and Equipment	13	1,343,550
Total Non- Current Assets		**1,343,550**
Total Assets (a)		**1,479,260**
Liabilities		
Current Liabilities		
Trade and Other Payables	14	-
Total Current Liabilities		-
Non-Current Liabilities		-
Total Non-Current Liabilities		-
Total Liabilities (b)		-
Net Assets (a-b)		**1,479,260**
Represented By:		
Accumulated Surplus		1,479,260
Revaluation Reserve		-
Total Net Assets		**1,479,260**

The financial statements were approved on 8th Sep 2026 and signed by:

.....	.....	.....
Name: Sarafin Mutwiri	**Name: Elizabeth Wanjiru**	**Name: Hellen Mukiria**
Chief Officer	**Project Coordinator**	**Project Accountant**
		ICPAK Member No.31780
Date	**Date**	**Date**

8. Statement of Changes in Net Assets

	Accumulated Surplus	Revaluation Reserve	Total
As At 1st July 2024	-	-	-
Return to Exchequer	-	-	-
Surplus/Deficit for the year	-	-	-
Revaluation Gain	-	-	-
Transfer of excess depreciation on revaluation	-	-	
Other Changes *(specify)*	-	-	-
As at 30th June 2025		-	
As At 1st July 2025	**136,231**	-	**136,231**
Surplus/ deficit for the year	1,343,029	-	**1,343,029**
As at June 30, 2026	**1,479,260**	-	**1,479,260**

The financial statements were approved on 8th Sep 2026 and signed by:

.....	.....	.....
Name: Sarafin Mutwiri	**Name: Elizabeth Wanjiru**	**Name: Hellen Mukiria**
Chief Officer	**Project Coordinator**	**Project Accountant**
		ICPAK Member No.31780
Date	**Date**	**Date**

9. Statement of Cashflow for the year ended 30th June 2026

Description	Note	FY 2025/2026
		Kshs
Cashflow from operating activities		
Receipts		
Revenue Transfers		44,509,300
Total receipts		**44,509,300**
Payments		
Employee costs	7	-
Use of goods and services	8	42,949,821
Total payments		**42,949,821**
Net cash flow from operating activities		1,559,479
Cashflow from investing activities		
Acquisition of non-financial assets		- 1,560,000
Proceeds from sale of Assets		-
Acquisition of Intangible assets		-
Net cash flows from investing activities		- 1,560,000
Cash flow from financing activities		
Repayment of Lease Principal		-
Specify the activity		-
Net cash flow from financing activities		-
Net increase/Decrease in cash and cash equivalents		- 521
Cash and cash equivalent at 1st July 2025	**0**	**136,231**
Cash and cash equivalent at end June 2026		**135,710**

10. Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 2026

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable (cash) Basis	Budget Utilization Difference	% of Utilization
	a	B	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget Carry Overs from previous periods	-	136,231	136,231	136,231	-	
Receipts			-		-	
Revenue Transfers	44,509,300	-	44,509,300	44,509,300	-	100
Total Revenue	44,509,300	136,231	44,645,531	44,645,531	-	100
Payments						
Use of goods and services	42,949,300	136,231	43,085,531	42,949,821	135,710	100
PPE	1,560,000		1,560,000	1,560,000	-	
Total Payments	44,509,300		44,645,531	44,509,821	135,710	100
Surplus	-	-		135,710	- 135,710	0

Budget reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	135,710
	Closing Cash and Cash Equivalent as per the statement of Cash flows	**135,710**

11. Notes to the Financial Statements

1. General Information

Second Kenya Urban Support Program (KUSPII) entity is established by and derives its authority and accountability from PFM Act 2012. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to strengthen the capacities of urban institutions, improve the delivery and resilience of urban infrastructure and services, and enhance the private sector engagement in urban planning.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

3. Adoption of New and Revised Standards

New and amended standards and interpretations in issue effective in the year ended 30 June 2025.

Standard	Effective date and impact:
IPSAS 43 Leases	*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 recognise, measure and present information on right of use assets and lease liabilities. This standard has no impact on the financial statement of the entity
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	*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: 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. This standard has no impact on the financial statement of the entity

Standard	Effective date and impact:
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. This standard has impact on the recognition of assets of the entity in its financial statement
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. This standard has no impact on the financial statement of the entity

i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2026

Standard	Effective date and impact:
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

Standard	Effective date and impact:
	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 MDA 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. This standard has no impact on the financial statement of the entity
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. This standard has no impact on the financial statement of the entity
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. This standard has no impact on the financial statement of the entity
IPSAS 50: Exploration For & Evaluation of Mineral Resources	*Applicable 1st January 2027* The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. This standard has no impact on the financial statement of the entity

Standard	Effective date and impact:
IPSAS 51: Tangible Natural Resources Held For Conservation	***Applicable 1st January 2028*** The objective of this standard is to establish the principles that an entity shall apply to report relevant information to users of financial statements about the nature, amounts, timing, and uncertainties arising from tangible natural resources held for conservation. A tangible natural resource held for conservation is a naturally occurring tangible asset that is managed to prevent its degradation. This standard has no impact on the financial statement of the entity
IPSASB SRS 1: Climate Related Disclosures	***Applicable 1st January 2028*** This standard provides principles for an entity to address climate-related risks and opportunities arising from an entity's activities and operations. The standard provides disclosures on governance, strategy, risk management, and metrics and targets. This standard has no impact on the financial statement of the entity

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. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

ii) Revenue from exchange transactions

Finance income

Finance 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.

b) Budget information

The original budget for FY 2025/2026 was approved by the County assembly on 29th August 2025. 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 to conclude the final budget. 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 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. 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 cash flows has been presented on page *5* of these financial statements.

c) Property, plant and equipment

Recognition and Measurement

The Entity's Property, Plant, and Equipment (PPE) are tangible items held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used for more than one reporting period.

An item of PPE is recognized as an asset if, and only if:

- It's **probable** that the future economic benefits or service potential associated with the item will flow to the ministry.
- The cost or fair value of the item can be measured **reliably**.

Items acquired through non-exchange transactions (e.g., donations) are measured at their **deemed cost**, which is the fair value at the date of acquisition. For all other acquisitions, initial measurement is at **cost**,

which includes all expenses directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The entity has adopted the **Historical cost model** for the subsequent measurement of its PPE. Under this model, after initial recognition, an asset is carried at its cost less any accumulated depreciation and accumulated impairment losses.

Depreciation and Impairment

The entity applies the **reducing balance** of depreciation and pro-rata basis, as it best reflects the pattern of the asset's consumption of its future economic benefits or service potential. Depreciation begins when the asset is available for use and ceases at the earlier of the date the asset is classified as held for sale or the date of derecognition. The depreciable amount is the cost of the asset less its residual value. The residual value and the useful life of an asset are reviewed at least at each annual reporting date. The table below indicates the various classes of assets and the depreciation rates.

PPE Item	Depreciation Rate
Computers & ICT Equipment	33.3%

Impairment: The entity assesses at each reporting date whether there is any indication that an asset may be impaired. If an indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized immediately in the statement of financial performance.

An item of property, plant, and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of financial performance.

d) Lease Liability

A right-of-use asset represents the entity's right to use an underlying leased asset over the lease term. At the commencement date of a lease, the entity recognizes a right-of-use asset and a lease liability, except for short-term leases and leases of low-value assets as allowed under IPSAS 43.

Recognition

The entity recognises a right-of-use asset at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises:

- The amount of the initial lease liability.
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred; and
- An estimate of the costs to be incurred in dismantling and removing the underlying asset or restoring the site.

Measurement

Right-of-use assets are initially measured at cost. After initial recognition, right-of-use assets are measured using the cost model, where the asset is carried at: Cost less accumulated depreciation, and any accumulated impairment losses. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Depreciation of right-of-use assets is charged to expenditure in accordance with the entity's depreciation policy applicable to owned assets of the same class. Right-of-use assets are assessed for impairment in accordance with IPSAS 21 – Impairment of Non-Cash-Generating Assets or IPSAS 26 – Impairment of Cash-Generating Assets, as applicable.

e) Lease Liability

The lease liability is measured at the present value of lease payments that are not paid at that date. The lease payments have been discounted using the interest rate implicit in the lease, and the rate can be readily determined. If the rate cannot be readily determined, the entity uses the incremental borrowing rate.

Subsequently, the lease liability is measured at amortized cost using the effective interest method and reduced by lease payments. Interest expense is recognized in the statement of financial performance.

f) 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. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

g) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

Notes to the financial statements

h) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the 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

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 an irrevocable election at initial recognition for particular investments in equity instruments.

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

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

6. Revenue Transfers

	FY 2025/2026
	KShs
Unconditional Transfers	
GoK Counter Part funding	12,200,000
Transfers from Development partners	32,309,300
Other unconditional transfers (Specify)	-
Total Unconditional Transfers (a)	**44,509,300**

a) Details to Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	FY 2025/2026
	Kshs	Kshs	Kshs
GOK Funding	12,200,000		12,200,000
World bank	32,309,300	-	32,309,300
Development Partner 2	-		-
Subtotal	44,509,300		44,509,300

7. Use of Goods and Services

Description	FY 2025/2026
	Kshs
Utilities, supplies and services	
Bank charges	6,415
Domestic travel and subsistence	864,600
Fuel and lubricants	1,991,379
General office supplies	400,000
Power re-routing	628,945
Stake holders engagement	550,000
Municipality operations	3,597,800
Intergrated Development Plan(IDEP)	630,000
Training payments	10,018,974
Capacity Building	6,109,200
Strategic Plan	2,852,200
Citizen For a(Public Participation)	2,171,800
County Urban Intergrated Development Strategy(CUIDS)	850,000
Climte Risk	6,421,800
Project pipeline	840,000
Tax	26,466
Municipal Board allowances	1,503,000
Project affected persons Compensation(PAPS)	3,099,052
Routine maintenance – vehicles and other transport equipment	388,190
Total	42,949,821

8. Depreciation and Amortization expense

Description	FY/2025/2026
	Kshs
Property, Plant and Equipment	216,450
Intangible Assets	-
Right of Use Assets	-
Others specify	-
Total	216,450

9. Cash and Cash Equivalents

Description	FY/2025/2026
	Kshs
Cash in Bank	135710
Cash on hand	0
Others (Specify)	0
Total Cash and Cash Equivalents	**135,710**

Project Bank Accounts

Details	FY/2025/2026
	Kshs
Local Currency Accounts	
Credit Bank [A/c No.0171018000044]	124879
Family Bank A/c N0.063000077331	10831
Others (*specify*)	0
Total local currency balances	135710
Total bank account balances	**135710**

Disclosure

i. Refers to opening balance of KSHS.136,231 from the previous year

10.Property, Plant and Equipment

2026

Cost/Value	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	Infrastructure Assets	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As At 1July 2025	-	-	-	-	-	-	-
Additions	-				1,560,000		1,560,000
Disposals	-						-
As at 30th June (2026)	-	-	-	-	**1,560,000**	-	1,560,000
Depreciation & Impairment							
Rate	-	0	0	0	0	0	
At 1 July 2025	-	-	-				-
Depreciation	-	-	-	-	216,450	-	216,450
As at 30th June 2026	-	-	-	-	**216,450**	-	**216,450**
Net Book Value as at 30th June	-	-	-	-	**1,343,550**	-	**1,343,550**

Notes to the financial statements

11.Cash Generated from Operations

Description	FY 2025/2026 Kshs
Surplus/Deficit for the year	**1,343,029**
Adjusted for:	-
Depreciation	216,450
Gains and losses on disposal of assets	-
Working capital adjustments	1,559,479
Increase/Decrease in inventory	-
Increase/Decrease in receivables	-
Increase /Decrease in payables	-
Net cash flow from operating activities	**1,559,479**

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as of 30th June 2026 are not included in the Statement of Financial Assets since the line items are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule, which shows the flow of funds voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

Notes to the financial statements

Special Deposit Accounts Movement Schedule

Description	FY/2025/2026
	Kshs
(i) A/C Name Family bank [A/c N0.063000077331	
Opening balance	0
Total amount deposited in the account	32,309,300
Total amount withdrawn	32,298,469
Closing balance (*as per SDA bank account reconciliation attached*)	**10,831**
(ii) A/c Name Credit Bank[A/c No.0171018000044	
Opening balance (as per the SDA reconciliation)	136,231
Total amount deposited in the account	16,000,000
Total amount withdrawn	16,011,352
Closing balance (as per SDA bank account reconciliation attached)	**124,879**

10.Currency

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

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

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)*
This Is The First Year Of Reporting, There Exist No Prior Year Audit Recommendations				

Guidance Notes:

1. Use the same reference numbers as contained in the external audit report;
2. Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
3. Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
4. Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

.....

Name
Chief Officer -Sarafin Mutwiri

.....

Name
Project Coordinator-Elizabeth Wanjiru

Annex 2: Reconciliation of inter-entity transfers

	Project Name:			
	Break down of transfers from the State Department of Lands Housing Physcal Planning,Public works and Urban De			
a.	**Government Counterpart funding**			
		Bank Statement Date	Amount (Kshs)	Indicate the 2025/26 to which the amounts relate
		22/07/2025	16,000,000	
		Total	**16,000,000**	
B.	**Urban Institutional Grant (UIG)**			
		Bank Statement Date	Amount (Kshs)	Indicate the 2025/26 to which the amounts relate
		28/07/2025	32,309,300	
		Total	**32,309.300**	
C.	**Others**			
		Bank Statement Date	Amount (Kshs)	Indicate the 2025/26 to which the amounts relate
			0	
			0	
		Total		
		Total (A+B+C)	**48,309,300**	

The above amounts have been communicated to and reconciled with the Parent Ministry/ State Department

Project Coordinator
Elizabeth Wanjiru

Sign ----------

Head of Accounting Unit

Chief Officer Department of
LHPPP and UD-Sarafin Mutwiri

Sign----------

Annex 3: Fixed Asset Register

Asset class	Historical Cost b/f (Kshs) Previous Year	Additions during the year (Kshs)	Disposals during the year (Kshs	Transfers in/(out) during the year	Historical Cost c/f (Kshs) Current Year
Land					
Buildings and structures					
Transport equipment					
Office equipment, furniture and fittings					
ICT Equipment		**1,560,000**			
Machinery and Equipment					
Biological assets					
Infrastructure Assets- Roads, Rails					
Heritage and cultural assets					
Intangible assets					
Work in Progress					
Total		**1,560,000**			

Annex 4: Other Support Documents

i. Signed confirmations from beneficiaries in Transfers to Other Government Entities

ii. Bank Reconciliations statement as at 30th June 2026

iii. Board of Survey Report

iv. Special Deposit Account(s) reconciliation statement(s)

Urban Institutional Grant (UIG)
AIC 0630000 77331 Family

F.O. 31

REPUBLIC OF KENYA

Date 9/7/2026

Report of the Board of Survey on the Cash and Bank Balances of Meru County

Urban Institutional Grant (UIG) as at the close of

business on 30 June 20 26.

The Board, consisting of—(Names and official titles)

Ann Kandiriani Member
Jacinta Muriithi Member
Josphine Mukami Member
Flovic Cauta Member
Punty Kinje Member
Helen Mwiti Member

assembled at the office of Crispus Mukami Cashier.

at ..... (time) on the ..... 20.....

and the following cash was produced:—

Notes	Sh.	Nil
Silver	Sh.	Nil
Copper	Sh.	Nil
Cheques (as per details on reverse)	Sh.	Nil
		Nil

It was observed that cheques amounting to Sh. ..... cts. ..... had been on hand for more than 14 days prior to the date of the survey.

The cash consists of East African currency and does not contain any demonetized coin or notes.

The Cash Book reflected the following balances as at the close of business on the 30 June 20 26

Cash on hand	Sh.	Nil
Bank Balance	Sh.	10,831
		10,831

The Bank Certificate of Balance showed a sum of Sh. 10,831 cts. 00 (Sh. 10,831 cts. 00)

.....to the credit of the account on ..... 20.....

The difference between this figure and the Bank Balance as shown by the Cash Book is accounted for in the Bank Reconciliation Statement (F.O. 30) attached.

Ann Kandiriani
Jacinta Muriithi
Josphine Mukami
Flovic Cauta
Punty Kinje
Helen Mwiti

Date .....

COUNTY GOVT OF MERU
DIRECTOR OF ACCOUNTS
29 JUL 2026
P.O. Box 120 - 60200 MERU

Douglas Mwiti Kamuchiro
Chairman.

Crispus Mukami
Members of the Board.

Family Bank
With you, for life

RE: CERTIFICATE OF BANK BALANCE

Find below account balances for MERU COUNTY URBAN INSTITUTIONAL GRANT (UIG) account held at Family Bank as at 30th June 2026.

	ACCOUNT NAME	ACCOUNT NUMBER	BALANCE AS AT 30TH JUNE 2026
1.	MERU COUNTY URBAN INSTITUTIONAL GRANT (UIG) ACCOUNT	**063000077331**	10,831.00

Yours Faithfully,

FAMILY BANK * MERU BRANCH *

Authorized Signatory

Family Bank Ltd. Head Office, Family Bank Towers.
P.O. Box 74145 - 00200 Nairobi,Muindi Mbingu Street
Tel: 020 325 2000, Cell: + 254 703 095 000
Email: info@familybank.co.ke, www.familybank.co.ke

Transforming Lif

F.O. 30

REPUBLIC OF KENYA

MERU COUNTY GOVERNMENT URBAN INSTITUTIONAL GRANT

BANK RECONCILIATION STATEMENT

AS AT 30TH JUNE . 2026

FAMILY BANK A/C NO. 063000077331

	KSh.
Bank Balance as per Cash Book	10,831.00
Add	
a) Payments in Cash Book not yet recorded in Bank Statement (Unpresented Cheques)	-
b) Receipts in Bank Statement not yet recorded in Cash Book	
Less	
c) Payments in Bank Statement not yet recorded in Cash Book	-
d) Receipts in Cash Book not yet recorded in Bank Statement	
Balance as per Bank Certificate	10,831.00

a) Payment in cashbook not yet recorded in bank statement (Unpresented Cheques)

	Date	Payee	Chq No	PV No./ Imp No./ Comments	Amount
		Total			-

b) Receipts in Bank Statement not yet recorded in Cash Book

No.	Date	Received from	Chq No	Comments	Amount
			Sub-Total		-

c) Payments in Bank Statement not yet recorded in Cash Book

No.	Date	Payee	Chq No	Comments	Amount
					-
					-
			Sub-Total		-

d) Receipts in Cash Book not yet recorded in Bank Statement

No.	Date	Payee	Chq No	Comments	Amount
			Sub Total		-

Prepared by: Hellen Mukami Signature ..... Date 30th June 2026

Reviewed by: Elizabeth Nbiru Signature ..... Date 30/06/2026

Approved by: Martine Mwenda Signature ..... Date 30/06/26

Seloud Kenya Urban Support Program 2 (KUSP 2)
A/C 01710180000044 Credit Bank

F.O. 51

REPUBLIC OF KENYA

Date 9/7/2026

Report of the Board of Survey on the Cash and Bank Balances of Kenya Urban Support Program 2 (KUSP 2) as at the close of business on 30 June 20 26

The Board, consisting of:—(Names and official titles)

Ann Wandirani member
Jacinta Murithi member
Florence Cauty member
Purity Kinyi member
JOSPHINE MUKAMI MEMBER
Helen Mwikali member
Crispus Mutua

at ..... (time) on the ..... 20.....

and the following cash was produced:—

Notes	Sh.	Nil
Silver	Sh.	Nil
Copper	Sh.	Nil
Cheques (as per details on reverse)	Sh.	Nil
		Nil

It was observed that cheques amounting to Sh. ..... cts. ..... had been on hand for more than 14 days prior to the date of the survey.

The cash consists of East African currency and does not contain any demonetized coin or notes.

The Cash Book reflected the following balances as at the close of business on the 30 June 20 26

Cash on hand	Sh.	Nil
Bank Balance	Sh.	197,798.80
		197,798.80

The Bank Certificate of Balance showed a sum of Sh. 124,878 cts. 80 (Sh. 124,878 cts. 80)

..... to the credit of the account on ....., 20.....

The difference between this figure and the Bank Balance as shown by the Cash Book is accounted for in the Bank Reconciliation Statement (F.O. 30) attached.

Ann Wandirani
Jacinta Murithi
Florence Cauty
Purity Kinyi
Josphine Mukami
Helen Mwikali

DIRECTOR OF ACCOUNTS
03 JUL 2026
P.O. Box 120 - 00200, NAIROBI

Douglas Kobia Gamzano
Chairman.

Crispus Mutua

Members of the Board.

Credit Bank
My Friend, My Bank

Our ref: CBLPLC/1000132703/ 2026

JULY 17, 2026

Dear Sir/Madam,

RE: CERTIFICATE OF BALANCE KENYA URBAN SUPPORT PROGRAM II ACCOUNT AS AT 30 JUNE 2026

We refer to the letter dated July 13th 2026 requesting us to furnish you directly with details relating to the subject account held with us.

In reference to the same, please find below the details as requested.

1 (c) Account Balances as at 30.06.2026

Current Account No.0171018000044 KES 124,878.80 Cr

Yours faithfully,

For: Credit Bank Ltd

AUTHORISED SIGNATORY

AUTHORISED SIGNATORY

REPUBLIC OF KENYA
MERU COUNTY GOVERNMENT
BANK RECONCILIATION STATEMENT (KUSP CO-FUNDING A//C)

F.O. 30

AS AT 30 JUNE 2026

CREDIT BANK 1000132703

	KSh.
Bank Balance as per Cash Book	197,798.80
Add	
a) Payments in Cash Book not yet recorded in Bank Statement (Unpresented Cheques)	-
b) Receipts in Bank Statement not yet recorded in Cash Book	
Less	
c) Payments in Bank Statement not yet recorded in Cash Book	72,920.00
d) Receipts in Cash Book not yet recorded in Bank Statement	
Balance as per Bank Certificate	124,878.80

a) Payment in cashbook not yet recorded in bank statement (Unpresented Cheques)

	Date	Payee	Chq No	PV No./ Imp	Amount
					-

TOTALS

Date	Received from	Chq No	Comments	Amount
		Sub-Total		-

b) Receipts in Bank Statement not yet recorded in Cash Book

	Date	Payee	Chq No	Comments	Amount
No.					-
			Sub-Total		-

c) Payments in Bank Statement not yet recorded in Cash Book

	Date	Payee	Chq No	Comments	Amount
	8-Aug-25	JOHN KENNEDY OKIOMA	185	LHPPKUSIP	72,000.00
No.	Bank chsrges				575.00
					345.00
			Sub Total		72,920.00

Sign Date

d) Receipts in Cash Book not yet recorded in Bank Statement

No.

Prepared by: Hellan Kaimithi Signature ..... Date 30/6/2026

Reviewed by: MBURU E.W Signature ..... Date 30/06/2026

Approved by: Samson Mutuma Signature ..... Date 30/06/2026