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OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

REPORT

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KENYA URBAN SUPPORT PROGRAM II (KUSP II) – PROJECT NUMBER 7349-KE

FOR THE YEAR ENDED 30 JUNE, 2026

COUNTY GOVERNMENT OF MARSABIT

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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KENYA URBAN SUPPORT PROGRAM
Making Kenyan Towns Work

PROJECT NAME: MARSABIT MUNICIPALITY

IMPLEMENTING ENTITY: MARSABIT MUNICIPALITY

PROJECT GRANT/CREDIT NUMBER: 7349-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2026

Prepared in accordance with the Accrual Basis of Accounting Method Under the 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

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is Kenya Urban Support Program II (KUSP II).

Objective

The project's key objective is to foster sustainable urban development and strengthen municipal governance in Kenya by addressing the rapid urbanization challenges facing Kenya's municipalities and ensuring well-planned, resilient, and economically vibrant cities. More specifically, it aims at strengthening the capacity of urban institutions to deliver resilient infrastructure and inclusive services, fostering sustainable urban development across Kenya.

Address

The project headquarters offices are at the Department of Lands, Housing, and Urban Development, Marsabit Headquarters, Marsabit County, Kenya.

The project also has an office at:

- Marsabit Municipal Office

Contacts: The following are the project contacts.

P.O. Box: 384-60500, Marsabit

Telephone: (254) 726560836

E-mail: bgababo@gmail.com

Website: marsabit.go.ke

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	1-7-2023
Project End Date:	30-06-2028
Municipal Manager:	Mr. Boru Golicha Gababo
Project Development Partner:	World Bank Group

2.3 Project Overview

Line ministry or state departments/county department	State Department of Lands, Energy, and Urban Development
Project number	7349-KE
Strategic goals of the project	The strategic goals of the project are as follows: i. Strengthening institutional capacities in municipalities to enhance governance, transparency, and efficient service delivery ii. Facilitating public-private partnerships (PPPs) to boost urban service provision and economic development iii. Promoting sustainable urban infrastructure that supports economic growth and environmental sustainability iv. Supporting data-driven urban planning and resilience strategies to improve disaster risk preparedness and climate adaptation v. Enhancing the inclusion of vulnerable and marginalized groups, including refugee-

	hosting communities, into urban development frameworks
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: i. Strengthened Institutions for Urban Service Delivery ii. Integrated Planning for Inclusive and Resilient Urban Areas iii. Inclusive and Resilient Urban Infrastructure and Services iv. Enhanced/Improved Private Sector Engagement v. Window for Host and Refugee Community (WHR)
Other important background information of the project	The project aims to strengthen urban governance, enhance infrastructure, and promote resilience in 79 municipalities across 45 counties in Kenya
Areas that the project was formed to intervene in	The project was formed to intervene in the following problems/gaps: i. The rapid urbanization challenges facing Kenya's municipalities ii. Gaps in municipal governance, transparency, and service delivery efficiency iii. Underdeveloped/insufficient urban infrastructure needed to support economic growth iv. Weak disaster risk preparedness and climate resilience in urban planning v. Exclusion of vulnerable and marginalized groups, including refugee-hosting communities, from urban development processes

	vi. Limited private sector participation in urban service provision
Project duration	1st July 2023 and is expected to run until 30 June 2028

Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the project:

(i) Kenya Commercial Bank
Marsabit Branch

2.5 Independent Auditor

The project is audited by the Office of the Auditor General, Nairobi, Kenya.

2.6 Roles and Responsibilities

No	Names	Title designation	Key qualification	Responsibilities
1.	Ms Grace Galmo	CECM	➢ Bachelor of Education ➢ Master's Degree in Education	➢ Provides policy and political leadership ➢ Ensures alignment with county Gov't priorities
2.	Mr Galm G. Rogicha	Chief Officer	➢ Bachelor of Cooperative Business Management ➢ MBA-Strategic Management	➢ Provides technical administrative support ➢ Coordinates implementation of policies ➢ Facilitates resource and technical linkages with County Govt.
	Mr Adan Wario	Board Chairperson	➢ Bachelor of Education ➢ Diploma in Education	➢ Provide strategic Leadership ➢ Oversight role
3.	Mr. Boru Golicha	Municipality Manager	➢ Master's Degree in Strategic Management	➢ Chief administrator

			➢ Bachelor of Science in Community Development	➢ Day-to-day management ➢ Implementation of Board decisions
4.	CPA Katello Diba	Principal Accountant	➢ MBA (Finance & Accounting), Ritsumeikan University, Japan ➢ BCom (Accounting Option), University of Nairobi. ➢ CPA(K) & ICPAK Member	➢ Fund management & control ➢ Budget implementation support ➢ Financial reporting ➢ Compliance & internal control ➢ Records & Documentation

2.7 Funding summary

The Project is for a duration of 6 years from 2023/24 to 2027/2028 with an approved budget of US$ 249,493. Equivalent to Kshs 32,309,300, as highlighted in the table below:

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						
Kenya Urban Support Program II	-	32,309,300	-	32,309,300	-	-
Insert name of development partner	-	-	-	-	-	-
(ii) Loan						
Insert name of development partner	-	-	-	-	-	-
Insert name of development partner	-	-	-	-	-	-
(iii) Counterpart funds						
Government of Kenya	-	-	-	-	-	-
Total	-	**32,309,300**	-	**32,309,300**	-	-

The cumulative amount received from the development partner to date excludes the amount that is held in the designated account.

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30th June 2026)		Cumulative amount paid to date – (30th June 2026)		Unutilised balance to date (30th June 2026)	
	Development Partner currency	*Kshs*	Development Partner currency	*Kshs*	Development Partner currency	*Kshs*
	(A)	*(A')*	*(B)*	(B')	*(A)-(B)*	*(A')-(B')*
Grant						
Kenya Urban Support Program II	-	**32,309,300**	-	**32,309,300**	-	-
Loan						
Counterpart funds						
Government of Kenya	-	-	-	-	-	-
Total	-	**32,309,300**	-	**32,309,300**	-	-

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

Under this initiative, we undertook several critical projects to improve the urban experience for our residents. We benefited from a World Bank fund through the Kenya Urban Support Programme for the three years running. In the previous years, we undertook a multifaceted project that encompassed the laying of cabros within the bus parks that adds beauty to the town and serves as a source of revenue from parking charges. The installation of street lights was a significant milestone, enabling extended business hours and enhancing security within our municipality. The Boda Boda shade project brought much-needed order to our streets, fostering safer and more organized transportation services. Furthermore, strategically locating public toilets has not only improved commuters' work environment but also reflects our commitment to enhancing overall urban hygiene and sanitation. The total project was awarded at **KES 32,309,300**; however, the board, in its wisdom, used the reserves of the resource to undertake the critical projects.

Drainage work with SAKU CBD:

Marsabit County headquarters, which doubles as the municipal center, is geographically located at the foot of Marsabit Mountain; therefore, the run-off water finds its way into the town, causing a lot of havoc, destruction, and damage. Every season, a multisectoral team is constituted and brings their heads together for a technical intervention as well as humanitarian assistance to the affected families and business communities. This exercise is repetitive and expensive; therefore, the board found it fit to engage a contractor to do a massive unclogging of the drainage and cleaning of all the waterways. This exercise met its objective by averting the looming damage and saved the people's lives and properties. Further, the 3.6 million contracts offered casual work for people who otherwise would have gone without a basic need or who may engage in unlawful means of survival bordering criminality. The main beneficiaries are women and children who are generally vulnerable in society.





The project also involved a bush-clearing exercise which was done around the business center; this ensured ambiance and sanitation for favour business environment and maintained the status of a regional economic hub.

Clogging of the drainage is the main problem the municipality handles before and after every rainy season. The town is located on the slopes of Marsabit Mountain, where all the run off waters flow in to the town, causing a lot of damage to people's homesteads and their property. The situation is worsened by destructive human activities that involve settling on the hills, deforestation/ destroying the vegetation cover, settling on the water ways, and unplanned settlements. Besides all these negative practices, out of human nature, the communities place blame on the authorities

in case of adversities. The matter has received a lot of publicity and concern from the media, county and the national government, just as it is at the national forums. It was so heavy that the contractor had to use heavy machinery to clear the totally blocked culverts and open up the old and create new drainage to ensure the flow of water.

Installation of Road Furniture on Access Roads Within Saku CBD



Marsabit town benefited from the CSR project born out of the tarmacking of Merille- Marsabit highwy where the feeder roads within the central business were tarmacked to a bitumen standard. However, this worthy service left an open drainage that caused inconvenience to pedestrians; the drainage was covered three years ago to the relief of general road users. Further, the county government of Marsabit, through the municipality, laid cabros in high-business-density areas as well as at the parking areas. To enhance the safety of pedestrians, especially around schools and bus stages, the management of Marsabit found it worthwhile to erect directional signages and road markings to avert the common road accidents and obstruction that have been worsened by the number of motor vehicles and motorbikes. This effort has reduced the accident cases and enhanced safety on the part of the road users to the admiration of the populace.

The sum total of the awarded contract 4.8 million shillings, which included bush clearing and marking of the roads, as shown in the pictures below.







Bus Stage and Park Development

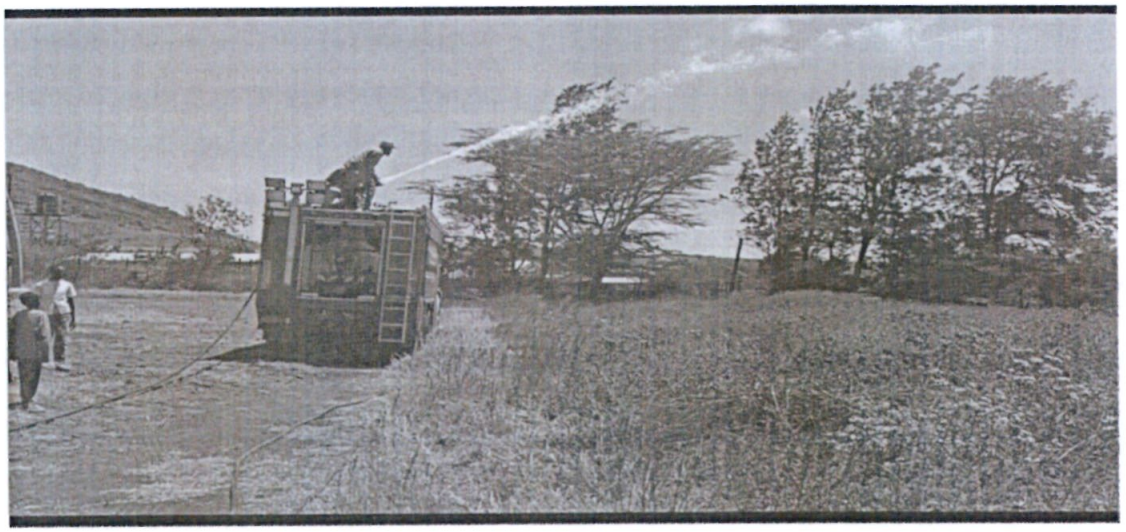


The construction of a Bus Stage and Park was a vital project designed to instill order and generate revenue for our municipality. This strategic facility not only serves as a transportation hub but also offers opportunities for revenue generation, contributing to our financial stability.

Revenue Generation and Challenges

Marsabit Municipality generates revenue from different streams, including single business permits and land rates. In the 2024-2025 fiscal year, we encountered challenges in revenue collection. We collected a total of **KES 10,417,197,** falling short of our KES **15,000,000** target. Although there was slight improvement from last year's collection of **KES 8,897,545, there** is a need for deliberate effort in terms of facilitation to ensure maximum collections. The deficit was exacerbated by a life-threatening famine, a long recovery period from the previous conflict, minimal support and facilitation, as well as lack of 100% automation of the collection. Despite these hurdles, we remain committed to optimizing our revenue collection processes.

Fire Marshal Initiative



To enhance safety and emergency response, we successfully established a team of 15 trained and a fully equipped fire engine. This initiative bolsters our capacity to respond swiftly and effectively to fire emergencies within the municipality. We desire that the fire station will be fully functional shortly to offer 24-hour service.

Renovation of municipal office

Marsabit Municipality inherited an old office block that houses the district veterinary office. In the previous system of governance, the building was dilapidated to the extent that the condition was

condemned by the National Environmental Management Authority, mainly for asbestos roofing that is unfit for occupation. In order to enhance a safe working environment for the staff and clients, it was recommended that progressive renovation to be done over the years due to financial constraints. For this reason, the board allocated and awarded a sum of KSh 4,203,573 for the painting, renovation, replacement of locks, broken windows, among other renovation work. This has enhanced staff safety, morale, and dignity in its working areas.



Waste Management and Policy Framework

In the realm of waste management, Marsabit Municipality made significant strides. We collected and disposed of a total of 21,900 tonnes of waste over the fiscal year, with a daily collection rate of 60 tonnes. To reinforce our commitment to responsible waste management, we developed a comprehensive waste management policy and bill. Notably, we transitioned from employing solid waste management casuals to contracting a private solid waste management company, optimizing efficiency.

Market Management and Policy Development

The Saku Modern Market has experienced remarkable progress, with occupancy rates increasing to 78% of the total 495 stalls. This achievement reflects our commitment to supporting local businesses and fostering economic growth. We are currently in the process of formulating a market management policy to guide our market-related activities.

Future Objectives and Priorities

Moving forward, we are committed to addressing key priorities, including the full functionality of Marsabit Fire Station and the finalization of the Waste Management Policy. Infrastructure development will continue to be a focal point of our efforts. Moreover, we are actively engaged in the development of a spatial plan for the entire county, aligning with regulatory requirements.

Future Outlook

Despite these challenges, the Marsabit Municipality Board remains resolute in its commitment to achieving the highest standards of service delivery and municipal governance. Looking ahead, we envision a promising future characterized by several key aspirations.

1. The comprehensive handover of all 15 functions to the municipality, accompanied by full and independent funding, thereby liberating our operations from county coffers.
2. The formulation and implementation of essential policies designed to foster the smooth and effective operation of the municipality, ensuring that our activities are governed by a robust regulatory framework.
3. The transformation of our municipality into a fully functional, fully funded, and wholly independent entity, capable of self-sustainability without reliance on external financial sources.
4. Enhanced Collaboration and Community Engagement. We recognize the importance of forging strong partnerships with civil society, the private sector, community-based organizations, and the Chamber of Commerce. Our goal is to harness collective efforts for the betterment of our municipality and its residents. Strengthened collaboration will drive socio-economic growth and promote strategic investments within our jurisdiction.
5. Infrastructure Development and Modernization. We remain committed to enhancing our municipality's infrastructure. This includes ongoing efforts to expand the Bakuli dam, ensuring a reliable water supply. Additionally, the establishment of social parks will offer residents recreational spaces while fostering a closer connection with the environment.
6. Responsive and Efficient Emergency Services. The establishment of a modern fire station, equipped with state-of-the-art firefighting equipment, is well underway. This endeavor will empower us to respond rapidly to fire emergencies, bolstering our emergency preparedness and disaster management capabilities.

7. Continuous Learning and Capacity Building. To tackle challenges effectively, we prioritize ongoing learning and capacity building for our workforce. This commitment extends to our new Chief Officers, ensuring that they integrate seamlessly into our management structure, ultimately promoting optimal municipal performance.
8. Sustainable Waste Management. We recognize that waste management is a pressing issue. Efforts to educate our residents on good hygiene and waste disposal practices are underway. Promoting a shift in attitudes and behaviors is essential for achieving a cleaner and healthier municipality.

As we reflect on these achievements, we acknowledge that they would not have been possible without the dedication, hard work, and collaborative spirit of our entire team, the Board, and the support of our community. These successes inspire us to aim higher, working tirelessly to elevate the Municipality of Marsabit to even greater heights.

We remain committed to serving our residents with excellence and to creating a municipality that is not only sustainable but also an example of progress and prosperity.

Finally, the municipality is gaining more trust and supporters who champion its full autonomy, independent of the department, to raise, budget, and utilize its own self-generated resources.

2.9 Summary of Project Compliance:

The project did not record any cases of non-compliance with the PFM Act 2012, Treasury circulars on project investment management, Kenya Vision 2030 flagship project requirements, or the Financing Agreement/covenants, and it affirms that it maintained compliance with World Bank fiduciary requirements and Government of Kenya financial management regulations throughout the period; the only compliance-adjacent issue was the delayed and untimely flow of funds, which could suggest a departure from the disbursement and cash-flow provisions expected under the Annual Work Plan and Budget (AWP&B) and Financing Agreement, though this was not explicitly characterized as non-compliance. Correspondingly, no consequences of non-compliance such as disallowed expenditure, suspension of disbursements, audit qualifications, or covenant breach notices were reported in the project audit report during the year; the fund-flow delays instead produced operational rather than regulatory consequences, namely the postponement or rescheduling of some planned interventions and a slower pace of procurement, field activities, and implementation. To manage this, the project adhered to general financial-management controls, including optimizing the use of available resources, maintenance of internal controls, approval procedures, documentation requirements, and verification processes for financial transactions, regular budget monitoring, expenditure reviews, and account reconciliations, and timely preparation and submission of financial reports to support management decision-making.

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

On **providing quality physical infrastructure**, the IDeP identifies transportation, roads, stormwater drainage, water and sanitation, electricity, and public facilities as priority areas needing intervention, given that the municipality has a poorly developed road network with only a small portion tarmacked, inadequate stormwater drainage channels, insufficient high-mast floodlights, and inadequate pedestrian walkways. To address these gaps, the plan sets out strategies such as progressive upgrading of urban roads to bitumen standard, construction of closed drainage channels within urban centers, installation of adequate street lights and high-mast floodlights, and provision of designated bus/matatu termini with support infrastructure, to be implemented in partnership with actors including the Municipal Board of Marsabit, KURA, KeRRA, KeNHA, and development partners such as the World Bank.

On **urban planning**, the IDeP's stated purpose is to provide an overall integrated framework for the municipality's urban growth and a basis for coordinated programming of projects and budgets, with specific objectives including defining a vision for future growth, management, governance, and development; setting regulations, standards, and guidelines for development control; and conducting participatory planning exercises to identify citizens' priorities. In practice, this translates into strategies such as the preparation of a municipal spatial plan, local physical and land use development plans, and a comprehensive development control policy since the municipality currently lacks a municipal spatial plan and has no development control policy in place.

On **urban governance and administration**, the IDeP's overarching objectives are to provide for efficient and accountable management of the affairs of the municipality and to provide a governance mechanism that enables inhabitants to participate in determining the social services and regulatory framework that best satisfies their needs, verify whether public resources are utilized to their satisfaction, and enjoy efficiency in service delivery. To achieve this, the plan proposes strengthening the municipal board through adequate office accommodation, recruitment and training of dedicated staff, development of a service charter and code of conduct, structured engagement frameworks with stakeholders, and adoption of ICT in governance and management, addressing the plan's own acknowledgment that the municipality lacks operational governance and management structure to perform its mandate effectively since most municipal functions are still carried out by county government departments.

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. **Improve the delivery and resilience of urban infrastructure and services, i.e.,** improve the delivery and resilience of urban infrastructure and services.

ii. **Enhance private sector engagement in urban planning**: Enhance private sector engagement in urban planning.

iii. **Support the transition of refugee camps into integrated settlements. Support** the transition of refugee camps into integrated host communities and refugee settlements.

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. Additional indicators were identified to track progress and performance.

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

Project	Objective	Outcome	Indicator	Performance
Environmental Management and Waste Disposal	To promote environmental sustainability and effective waste management practices.	Reduced environmental impact, improved waste disposal, and cleaner surroundings.	Reduction in environmental pollution levels, waste recycling rates, and waste disposal compliance.	We reduced environmental pollution levels by 10%, increased waste recycling rates by 20%, and achieved 95% compliance with waste disposal regulations, contributing to a cleaner and greener municipality.
Infrastructure and Public Works	To enhance the urban infrastructure and improve the overall urban experience for residents.	Successful initiation and completion of critical infrastructure projects under the Kenya Urban Support Programme, including the construction of a bus park, a Boda Boda	Completion of infrastructure projects, installation of solar lights, and improved urban amenities.	All infrastructure projects initiated and completed on schedule, solar lights were installed at the bus stage, and urban amenities were significantly improved, leading to a

		shade, and a strategically located public toilet. Renovation of the office block, drainage opening, and installation of road furniture on the access road.		better quality of life for residents.
Effective Board Committees	To ensure efficient governance and decision-making processes within the Municipality	Well-equipped and experienced Board Committees that execute their roles diligently, contributing to effective governance	Capacity-building initiatives for Board Committees and their active participation in Municipality affairs.	Successful capacity-building initiatives resulting in well-prepared Board Committees that actively contribute to efficient governance and decision-making processes.
Public Safety and Enforcement	To ensure the safety and security of residents and enforce municipal regulations	Enhanced public safety, reduced crime rates, and greater adherence to municipal bylaws.	Reduction in crime rates, response time to emergency calls,	We recorded a 12% reduction in crime rates, improved our response time to emergency calls

			percentage of bylaw violations addressed.	by 25%, and addressed 90% of reported bylaw violations promptly
Public Services Enhancement	To enhance the delivery of public services to residents and businesses.	Improved access to essential public services, increased resident satisfaction, and enhanced business operations within the municipality.	Response time to service requests, resident satisfaction survey results, and percentage increase in business licenses issued.	Our response time to service requests improved by 20%, resident satisfaction survey results showed a 15% increase in overall satisfaction, and we issued 30% more business licenses compared to the previous year.

4. Environmental and Sustainability Reporting

As the principal governing body responsible for the welfare and progress of the Marsabit Municipality, our primary mandate rests upon ensuring the well-being and satisfaction of our residents. At the heart of our governance lies a deep commitment to sustainability, recognizing it as the cornerstone of our ability to provide essential services and maintain the quality of life for our citizens over the long term. Sustainability, in our context, extends far beyond environmental considerations; it encompasses the comprehensive and judicious management of resources, both natural and financial, to secure the municipality's viability and growth. In this introductory paragraph, we delve into our strategy on sustainability, delving into our deliberate efforts to align with international best practices, adapt to evolving political and macroeconomic landscapes, and learn from both our key achievements and failures on this crucial journey. Our unwavering dedication to sustainable governance remains resolute, as we steer the Marsabit Municipality toward a future of enduring prosperity.

1. Sustainability strategy, risk management, and profile

As the principal governing body responsible for the welfare and progress of the Marsabit Municipality, our primary mandate rests upon ensuring the well-being and satisfaction of our residents. At the heart of our governance lies a deep commitment to sustainability, recognizing it as the cornerstone of our ability to provide essential services and maintain the quality of life for our citizens over the long term. Sustainability, in our context, extends far beyond environmental considerations; it encompasses the comprehensive and judicious management of resources, both natural and financial, to secure the municipality's viability and growth. In this introductory paragraph, we delve into our strategy on sustainability, delving into our deliberate efforts to align with international best practices, adapt to evolving political and macroeconomic landscapes, and learn from both our key achievements and failures on this crucial journey. Our unwavering dedication to sustainable governance remains resolute, as we steer the Marsabit Municipality toward a future of enduring prosperity.

2. Environmental performance

Environmental Policy Statement

The Marsabit Municipality is committed to preserving and enhancing the natural environment while fulfilling its mandate to provide essential services to the community. We acknowledge that

sustainable development requires responsible stewardship of our resources and minimizing our environmental footprint. Our environmental policy guides our efforts in achieving this balance.

Evidence of the Policy

a.] Implementation of energy-efficient measures, such as the installation of solar lights in public areas and municipal buildings, reducing our energy consumption and carbon footprint.

b.] In line with our urban planning, the Municipality prioritizes sustainable infrastructure development to reduce environmental impact, including efficient road networks and public transport systems.

c.] A Waste Management Policy and Bill have been developed, emphasizing proper waste disposal and recycling. We've also transitioned to a private solid waste management company to improve efficiency.

Successes

a. The installation of solar lights has significantly reduced our dependence on conventional energy sources, resulting in reduced greenhouse gas emissions and energy costs.
b. Our efforts in waste management led to the collection and disposal of 21,900 tons of waste during the year, promoting cleaner and healthier urban areas.

Shortcomings

1. Inadequate funding remains a challenge for implementing all aspects of our environmental policy effectively.
2. While we have made strides in waste management, we need to enhance our recycling programs to further reduce waste sent to landfills.

Efforts to manage biodiversity include

- Preservation of green spaces within the municipality.
- Collaboration with conservation organizations for urban biodiversity conservation.
- Integration of biodiversity considerations into urban planning.

Waste management policy

The waste management policy focuses on waste reduction, proper disposal, and recycling, aiming to minimize environmental impact.

Efforts to Reduce Environmental Impact of Products

1. Public awareness campaigns promote responsible consumption, waste reduction, and recycling among residents.
2. The municipality seeks suppliers and products with environmentally friendly attributes when procuring goods and services.
3. We are committed to developing and maintaining green spaces within the urban area, contributing to urban biodiversity and reducing the heat island effect.
4. Initiatives are underway to increase recycling collection points and educate residents about the importance of recycling.

In conclusion, our environmental policy underscores our commitment to sustainability, evidenced by energy-efficient measures, sustainable infrastructure, and a waste management policy. While we've achieved significant milestones, challenges such as funding and the need to improve recycling persist. Our proactive biodiversity management efforts and sustainable procurement practices align with international best practices, ensuring our commitment to environmental stewardship.

3. Employee welfare

The Marsabit Municipality is dedicated to upholding principles of transparency, fairness, and inclusivity across all facets of our operations, including our hiring processes. Our policies governing the hiring process are designed to ensure equal opportunities for all, consider gender diversity, and engage stakeholders in key decisions. Additionally, we are committed to continuously improving our hiring practices. Beyond recruitment, we prioritize the growth and well-being of our employees through skill enhancement, robust career management, performance appraisal, and reward systems. Moreover, the safety and health of our workforce are paramount, and we adhere to the Occupational Safety and Health Act of 2007 (OSHA) to maintain a secure working environment. All our fire marshals, enforcement officers, revenue clerks, and garbage collectors are adequately trained and equipped with the best protective gear. This comprehensive approach reflects

our commitment to sustainability and fostering a workplace that values and nurtures its greatest asset—our people.

4. Marketplace practices -

a) Responsible supply chain and supplier relations -

Marsabit Municipality is committed to ethical supply chain practices. We establish clear, fair, and transparent contracts with our suppliers, ensuring that all terms and conditions are mutually agreed upon and adhered to. Payment practices are prompt and in line with contractual agreements.

We value our relationships with suppliers and treat them with respect and fairness. We encourage open communication, feedback, and collaboration to ensure that both parties benefit from a mutually advantageous relationship. We are committed to honouring our contractual obligations and addressing any disputes through fair and transparent mechanisms.

b) Responsible ethical practices

1) Marsabit Municipality believes in fair competition and respects the rights of competitors. We comply with all relevant competition laws and regulations and do not engage in any anti-competitive practices, such as price-fixing, collusion, or monopolistic behaviour. We compete solely based on merit, quality, and innovation, promoting a level playing field for all stakeholders.
2) Marsabit Municipality maintains a strict anti-corruption stance. We have implemented comprehensive anti-corruption policies and protocols. All employees are required to adhere to a code of conduct that prohibits bribery, extortion, and other corrupt practices. Regular training and awareness programs on anti-corruption are conducted to ensure compliance across the organization.
3) We engage with political stakeholders transparently and ethically, ensuring that our interactions are in line with legal requirements and ethical standards. We do not contribute to political campaigns or parties to maintain neutrality and prevent undue influence.

c) Regulatory impact assessment

Grievance Redress Mechanism (GRM): The project operates a functional GRM, giving local stakeholders and community members a formal channel to raise concerns, seek clarifications, and resolve disputes transparently.

Data Privacy & Beneficiary Tracking: Comprehensive beneficiary management databases ensure secure, ethical tracking of citizen data across all interventions.

5. Community Engagements

Marsabit Municipality's community engagement during the 2025/2026 financial year, most notably through its Gender Inclusion and Participatory Framework, in January 2026. The framework outlines community engagement and mobilization strategies, including sensitization campaigns through open forums and town hall meetings, alongside peer-to-peer advocacy training for youth and women leaders and the use of social media, WhatsApp, Facebook, and local radio to reach wider audiences. It also emphasizes engagement with traditional and religious leaders, including dialogue with elders and collaboration with churches and mosques to address cultural norms around issues like FGM and child marriage. Key stakeholders identified for ongoing engagement include local government authorities, community-based organizations, traditional leaders, civil society, NGOs, and private sector players, with public awareness campaigns held bi-annually and community forum feedback documented on the same schedule. Notably, this framework is explicitly aligned with KUSP II gender mainstreaming performance requirements, tying the engagement work directly to the KUSP II program. The municipality engaged the community through a Grievances Register Log and a Private Sector Engagement Framework.

5. Statement of Project Management Responsibilities

The Chief Officer for the County Department of Lands, Energy, and Urban Development and the **Municipal Manager** 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 30th, 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 County Department of Lands, Energy and Urban Development and the Municipal Manager accept responsibility for the project's financial statements, which have been prepared on the Transitional /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, Energy and Urban Development, and the Municipal Manager 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 30th, 2026, and of the Project's financial position as at that date. The Chief Officer for the Department of Lands, Energy and Urban Development and the Municipal Manager 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 for the County Government of Marsabit, Department of Lands, Energy and Urban Development and the Municipal Manager 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 County Government of Marsabit, Department of Lands, Energy and Urban Development, and the Municipal Manager on 16th September, 2026 and signed by:

.....
Name: Galm Rocicha
Chief Officer

.....
Name: Boru Golicha
Municipal Manager

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON KENYA URBAN SUPPORT PROGRAM II (KUSP II) - PROJECT NUMBER 7349-KE FOR THE YEAR ENDED 30 JUNE, 2026 - COUNTY GOVERNMENT OF MARSABIT

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

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

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

The three parts of the report 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 Kenya Urban Support Program II (KUSP II) - Project Number 7349-KE set out on pages 1 to 41, 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 Kenya Urban Support Program II (KUSP II) - Project Number 7349-KE 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. P7349-KE dated 30 May, 2024 between the International Development Association and the Republic of Kenya, the Public Finance Management Act, Cap.412A and The National Treasury and Economic Planning Circular No.3 of 14 April, 2025.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Urban Support Program II (KUSP II) - Project Number 7349-KE Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects actual receipts and actual expenditure of Kshs.32,309,300 and Kshs.22,105,875 respectively resulting in an under-utilization of Kshs.10,203,425 or 32% of the receipts.

In the circumstances, the under-utilization affected the planned activities and may have impacted negatively on service delivery to the residents of Marsabit County.

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 Information

Management is responsible for the Other Information set out on pages iii to xxxii 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, I am required to report that fact. I have nothing to report in this regard.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

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 and based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on the 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

Lack of Risk Management Policy

Review of the Project's governance and internal control framework revealed that Management had not developed and implemented a Risk Management Policy during the year under review. There was no documented framework to guide the identification, assessment, evaluation and monitoring of risks or the formulation and implementation of appropriate risk mitigation measures. This was contrary to the requirements of Regulation 158(1)(a) of the Public Finance Management (County Governments) Regulations, 2015 which obligates Accounting Officers to ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism and develop a system of risk management and internal control that builds robust business operations.

In the circumstances, the effectiveness of the internal controls over the Project financial and operational systems could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by 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 Credit No. P7349-KE 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's 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

24 September, 2026

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

	Notes	Current FY 2025/2026	Comparative FY 2024/2025
		Kshs	Kshs
Revenue			
Revenue Transfers	6	32,309,300	-
Miscellaneous Revenue - Unspent balance	7	-	-
Total revenue		**32,309,300**	-
			-
Expenses			
Repairs and maintenance	8	-	-
Use of goods and services	9	17,992,302	-
Depreciation and amortization expense	10	-	-
Transfer to other Government Entities	11	-	-
Other Transfers/Subsidies/Grants	12	-	-
Finance Costs	13	-	-
Certified Works	14	4,959,161	-
Total expenses		**22,951,463**	-
Other gains/(losses)			-
Gain/Loss on sale of assets	15	-	-
Gain/Loss on foreign exchange transactions	16	-	-
Impairment loss	17	-	-
Surplus/ (deficit)		**9,357,837**	-

The financial statements were approved on 16th September 2026 and signed by:

.....	.....	.....
Name: Galm Rogicha	**Name: Boru Golicha**	**Name: CPA Katello Diba**
Chief Officer	**Municipal Manager**	**Project Accountant**
		ICPAK Member No: 12012
Date 16/9/2026	**Date** 16/9/2026	**Date** 16/9/2026

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

	Note	Current FY 2025/2026	Comparative FY 2024/2025
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	18	10,203,425	-
Receivables	19	-	-
Inventories	20	-	-
Prepayment	21	-	-
Total Current Assets		**10,203,425**	-
			-
Non-Current Assets			
Property, Plant, and Equipment	22	-	-
Intangible Assets	23	-	-
Right-of-use assets	24	-	-
Total Non- Current Assets		-	-
Total Assets (a)		**10,203,425**	-
Liabilities			
Current Liabilities			
Trade and Other Payables	25	845,588	-
Third Party Deposits	26	-	-
Deferred Income	27	-	-
Current Lease Liabilities	28	-	-
Total Current Liabilities		**845,588**	-
Non-Current Liabilities			
Non-current lease liability	28	-	-
Total Non-Current Liabilities		-	-
Total Liabilities (b)		-	-
Net Assets (a-b)		**9,357,837**	-
Represented By:			
Accumulated Surplus		**9,357,837**	-
Revaluation Reserve		-	-
Total Net Assets		**9,357,837**	-

The financial statements were approved on 16th September 2026 and signed by:

.....	.....	.....
Name: Galm Rogicha	**Name: Boru Golicha**	**Name: CPA Katello Diba**
Chief Officer	**Municipal Manager**	**Project Accountant**
		ICPAK Member No. 12012
Date 16/9/2026	**Date** 16/9/26	**Date** 16/9/2026

9. 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 (Property, Plant & Equipment)	-	-	-
As at 30th June 2025	-	-	-
As At 1st July 2025	-	-	-
Return to Exchequer	-	-	-
Surplus/ deficit for the year	9,357,837	-	9,357,837
Revaluation Gain	-	-	-
Transfer of excess depreciation on revaluation	-	-	-
Add: Recognition of Assets	-	-	-
Other Changes *(specify)*	-	-	-
As at June 30, 2026	**9,357,837**	-	**9,357,837**

The financial statements were approved on 16th September 2026 and signed by:

.....	.....	.....
Name: Galm Rogicha	**Name: Boru Golicha**	**Name: CPA Katello Diba**
Chief Officer	**Municipal Manager**	**Project Accountant**
		ICPAK Member No. 12012
Date 16/9/2026	**Date** 16/9/2026	**Date** 16/9/2026

10. Statement of Cash Flow for the year ended 30th June 2026

Description	Note	Insert Current FY 2025/2026	Comparative FY 2024/2025
		Kshs	Kshs
Cash flow from operating activities			
Receipts			
Revenue Transfers	6	32,309,300	-
Miscellaneous Revenue		-	-
Total receipts		**32,309,300**	-
Payments			
Repair and maintenance		-	-
Use of goods and services		17,146,714	-
Transfer to other Government Entities		-	-
Other Transfers/Subsidies/Grants		-	-
Certified Works		4,959,161	-
Total payments		**22,105,875**	-
Net cash flow from operating activities	29	**10,203,425**	-
Cash flow from investing activities			
Acquisition of non-financial assets		-	-
Proceeds from sale of Assets		-	-
Acquisition of Intangible assets		-	-
Net cash flows from investing activities		-	-
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		10,203,425	-
Cash and cash equivalents at 1st July	**18**	-	-
Cash and cash equivalents at end of June	**18**	**10,203,425**	-

11. 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		-	-	-	-	-
Receipts						
Revenue Transfers	32,309,300	-	32,309,300	32,309,300	-	100%
Miscellaneous Revenue	-	-	-	-	-	-
Total Revenue	**32,309,300**	-	**32,309,300**	**32,309,300**	-	100%
Payments	-	-	-	-	-	-
Employee costs	-	-	-	-	-	-
Use of goods and services	26,631,594	-	26,631,594	17,902,302	8,729,292	67%
Transfer to other Government Entities	-	-	-	-	-	-
Other Transfers/Subsidies/Grants	-	-	-	-	-	-
Certified Works	5,677,706	-	5,677,706	4,203,573	1,474,133	74%
Total Payments	**32,309,300**	-	**32,309,300**	**22,105,875**	**10,203,425**	68%
Surplus	-	-	-	10,203,425	(10,203,425)	-

Budget Reconciliation

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

12. Notes to the Financial Statements

1. General Information

Marsabit Municipality is established by and derives its authority and accountability from the Urban Areas and Cities Act No. 13 of 2011(amended 2019) and the Cities and Municipal Charter on 4th March 2021. The Municipality is under the County Government of Marsabit and is domiciled in Kenya.

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).

Guiding note during the transition period:

The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS), or the entity has taken advantage of the transitional provisions under IPSAS 33, and therefore these 2nd/ 3rd/year financial statements are transitional financial statements and the following elements of the financial statements have not been recognized, as the entity has taken advantage of the transition provisions outlined in IPSAS 33. (Entity to state the transitional provisions it has applied and the steps being taken towards full compliance with IPSAS Accrual).

These financial statements were authorized for issue by the accounting officer on 9th September, 2026

3. Adoption of New and Revised Standards

(When an IPSAS becomes effective on 1st January 2026, it is applicable in Kenya from 1st July 2026)

i) New and amended standards and interpretations in issue effective in the year ended 30 June 2026.

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 cash flows of an Entity. The new standard requires entities to recognise, measure and present information on right-of-use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	***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.
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 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,

Standard	Effective date and impact:
	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 base called the current operational value.

ii) 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 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.
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

Standard	Effective date and impact:
	cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to guide 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.
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.
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.
IPSASB SRS 1: Climate	***Applicable 1st January 2028***

Standard	Effective date and impact:
Related Disclosures	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.

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the 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 Board on during the financial year. 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. Accordingly, the entity did not record any additional appropriations on the FY 2025/2026 budget following the Board'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 an 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. 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.

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 **straight-line method** of depreciation, 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**
Buildings	2-10%
Motor vehicles	10-16.67%
Infrastructure assets	2-20%
Furniture and fittings	12.5%
Computers & ICT Equipment	33.3%
Heritage Assets	-%
Others (Specify)	

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 recognizes 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 the expenditure reliably 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.

h) Financial instruments

IPSAS 41 addresses the classification, measurement and derecognition 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

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity, or fair value through surplus or 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 cash flows 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.

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 continuously. 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).

Financial liabilities

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

i) 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 condition 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.

Inventories (Continued)

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.

j) Provisions

Provisions are recognized when the *Entity* has a present obligation (legal or constructive) as a result of a past event, an outflow of resources embodying economic benefits or service potential will probably 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.

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.

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

l) 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.

m) Employee benefits

Retirement benefit plans

The *Entity* does not 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.

n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

o) 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.

p) 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 Principal and senior managers.

q) Service concession arrangements

The *Entity* analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the *Entity* recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the *Entity* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

r) 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.

s) Subsequent events

There have been no events after the financial year-end with a significant impact on the financial statements for the year ended June 30, 2026.

Notes to the financial statements

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 requiring a material adjustment to the carrying amount of the affected asset or liability in future periods. State all judgments, estimates, and assumptions made:

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the 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

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

Provisions

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

Provisions are measured at 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.

6. Revenue Transfers

Description	Current FY 2025/2026	Comparative FY 2024/2026
	KShs	Kshs
Unconditional Transfers		
GoK Counterpart funding	-	-
Transfers from Development partners	32,309,300	-
Other unconditional transfers (Specify)	-	-
Total Unconditional Transfers (a)	**32,309,300**	-
Conditional Transfers		
Transfers from Development partners 1	-	-
Transfers from Development partner 2	-	-
Other conditional transfers (specify)	-	-
Total Conditional Transfers (b)	-	-
Total Transfers for the Year (a + b)	**32,309,300**	-

a) Details of Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	Total transfers 2025/2026	Comparative FY
	Kshs	**Kshs**	**Kshs**	**Kshs**
GOK Funding	-	-	32,309,300	-
Development Partner – World Bank	32,309,300	-	-	-
Development Partner 2	-	-	-	-
Subtotal	**32,309,300**	-	**32,309,300**	-
Deferred Income realized	-	-	-	-
Transfers in Kind	-	-	-	-
Total	**32,309,300**	-	**32,309,300**	-

7. Miscellaneous revenue

Description	Current FY 2025/2026	Comparative FY 2024/2025
	Kshs	**Kshs**
Interest Income	-	-
Others (specify)	-	-
Total	-	-

Notes to the financial statements

8. Employee Costs

Description	Current FY 2025/2026	Comparative FY 2024/2025
	Kshs	Kshs
Basic salaries of permanent employees	-	-
Basic wages of temporary employees	-	-
Personal allowances paid as part of salary	-	-
Personal allowances paid as reimbursements	-	-
Personal allowances provided in kind	-	-
Pension and other social security contributions	-	-
Compulsory national social security schemes	-	-
Compulsory national health insurance schemes	-	-
Other specify*	-	-
Total	-	-

9. Use of Goods and Services

Description	Current FY 2025/2026	Comparative FY 2024/2025
c	Kshs	Kshs
Utilities, supplies and services	26,961	-
Bank charges	7,184	-
Communication, supplies and services	1,800,000	-
Domestic travel and subsistence	5,352,955	-
Board expenses	185,000	-
Fuel and lubricants	-	-
General office supplies	4,092,614	-
Stationery, Printing, advertising, and information supplies	636,500	-
Hospitality supplies and services	-	-
Training payments	5,664,300	-
Hospitality supplies and services	-	-
Insurance costs	-	-
Specialized materials and services	-	-
Other operating payments(specify)	-	-
Routine maintenance – vehicles and other transport equipment	226,788	-
Total	**17,992,302**	-

10. Depreciation and Amortization expense

Description	Current FY 2025/2026	Comparative FY 2024/2025
	Kshs	Kshs
Property, Plant and Equipment	-	-
Intangible Assets	-	-
Right-of-Use Assets	-	-
Others specify.	-	-
Total	-	-

11. Transfer to Other Government Entities

Description	Current FY 2025/2026	Comparative FY 2024/2025
	Kshs	Kshs
County Government of Marsabit	-	-
Kenya Urban Support Program II (KUSP II)	-	-
County Department of Lands, Energy and Urban Development	-	-
County Government of Marsabit	-	-
Total	-	-

12. Other Transfers/Subsidies/Grants

Description	Current FY 2025/2026	Comparative FY 2024/2025
	Kshs	Kshs
Transfers to Non-Government Organizations	-	-
Subsidies	-	-
Others Specify	-	-
Total	-	-

13. Finance Costs

Description	Current FY 2025/2026	Comparative FY 2024/2025
	Kshs	Kshs
Finance leases (amortized cost)	-	-
Unwinding of discount on lease liabilities	-	-
Interest on Lease liabilities	-	-
Others specify	-	-
Total finance costs	-	-

14. Certified Works

Description	Current FY 2025/2026	Comparative FY 2024/2025
	Kshs	Kshs
Office renovation works	4,959,161	-
	-	-
Others Specify	-	-
Total	**4,959,161**	-

15. Gain/Loss on Sale of Assets

Description	Current FY 2025/2026	Comparative FY 2024/2025
	Kshs	
Property, plant and equipment	-	-
Intangible assets	-	-
Other assets not capitalised	-	-
Total gain/loss on sale of assets	-	-

16. Gain/Loss on foreign exchange transactions

Description	Current FY 2025/2026	Comparative FY 2024/2025
	Kshs	
Gain on foreign exchange transactions	-	-
Loss on foreign exchange transactions	-	-
Total Gain/Loss	-	-

17. Impairment Loss

Description	Current FY 2025/2026	Comparative FY 2024/2025
	Kshs	
Property, Plant and Equipment	-	-
Intangible Assets	-	-
Others specify	-	-
Total Impairment Loss	-	-

18. Cash and Cash Equivalents

Description	Current FY 2025/2026	Comparative FY 2024/2025
	Kshs	Kshs
Cash in Bank	10,203,425	-
Cash on hand	-	-
Others (Specify)	-	-
Total Cash and Cash Equivalents	**10,203,425**	-

Project Bank Accounts

Details	Current FY 2025/2026	Comparative FY 2024/2025
	Kshs	Kshs
Foreign Currency Accounts		
Central Bank of Kenya [A/c No……]	-	-
Kenya Commercial Bank [A/c No……]	-	-
Co-operative Bank of Kenya [A/c No……]	-	-
Others (*specify)*	-	-
Total Foreign Currency balances	=	=
Local Currency Accounts		
Central Bank of Kenya [A/c No……]	-	-
Kenya Commercial Bank [A/c No. xxx2037xxx] UIG	10,203,425	-
Co-operative Bank of Kenya [A/c No……]	-	-
Others (*specify)*	-	-
Total local currency balances	=	=
Total bank account balances	**10,203,425**	=

19. Receivables

Description	Current FY 2025/2026	Comparative FY 2024/2025
	Kshs	Kshs
Counterpart Funding	-	-
Contractor's Advance payments	-	-
Other Receivables (specify)	-	-
Total Receivables	-	-

Notes to the financial statements

Aging analysis for Receivables

Description	Current FY 2025/2026		Comparative FY 2024/2025	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	-	%	-	%

20. Inventories

Description	Current FY 2025/2026	Comparative FY 2024/2025
	Kshs	Kshs
Consumable stores	-	-
Medical supplies	-	-
Spare parts and meters	-	-
Water for distribution	-	-
Other goods held for resale	-	-
Catering	-	-
Less: allowance for impairment	-	-
Total inventories at the lower of cost and net realizable value	-	-

Detailed disclosure on inventories

	Current FY 2025/2026
Opening balance	-
Additional Inventory in the year	-
Inventory expensed in the year	-
Write-downs in the year	-
Others specify	-
Closing balance	-

Notes to the financial statements

21. Prepayments

Description	Current FY 2025/2026	Comparative FY 2024/2025
	Kshs	Kshs
Insurance	-	-
Rent	-	-
Others specify	-	-
Total inventories	-	-

22. Property, Plant and Equipment

Current FY

Cost/Value	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	Infrastructure Assets	Service Concession Assets	Other Assets (Specify)	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs		Kshs	Kshs
As At 1 July 2025	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-	-
As at 30th June 2026	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Depreciation & Impairment	-	-	-	-	-	-	-	-	-	-
At 1 July 2025	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-	-	-	-	-
As at 30th 2026	-	-	-	-	-	-	-	-	-	-
Net Book Value as at 30th June 2026	-	-	-	-	-	-	-	-	-	-

Notes to the financial statements

Previous FY

Cost/Value	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	Infrastructure Assets	Service Concession Assets	Other Assets (Specify)	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs		Kshs	Kshs
As at 1 July 2024	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-	-
As at 30th June 2025	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Depreciation & Impairment	-	-	-	-	-	-	-	-	-	-
At 1 July 2024	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-	-	-	-	-
As at 30th 2025	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Net book Value As at 30th June 2025	-	-	-	-	-	-	-	-	-	-

Notes to the financial statements

a) Valuation

Land and buildings/ Equipment (be specific) were valued by professional valuers from the government. The assets were revalued by professional valuers. These amounts were adopted by the Board, with the concurrence of the National Treasury.

b) Property, Plant and Equipment at Cost

If the revalued freehold land, buildings, and other assets were stated on the historical cost basis, the amounts would be as follows:

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	-	-	-
Buildings	-	-	-
Plant And Machinery	-	-	-
Motor Vehicles, Including Motorcycles	-	-	-
Computers And Related Equipment	-	-	-
Office Equipment, Furniture, And Fittings	-	-	-
Total	-	-	-

c) Fully depreciated assets

Property, plant, and Equipment includes the following assets that are fully depreciated:

Description	Cost or valuation	Normal annual depreciation charge
Plant and Machinery	-	-
Motor Vehicles, including Motorcycles	-	-
Computers and Related Equipment	-	-
Office Equipment, Furniture, and Fittings	-	-
Total	-	-

d) Disclosures on capital work in progress

Provide the details of the Work in progress, including details of when the project was started, the contracted end date, an explanation for significant delays, and the value of work in progress, which should be disaggregated into various classes.

23. Intangible Assets

Current FY

Description	Indefinite life	Definite life	Work in Progress	Total
Rate	Kshs	Kshs	Kshs	Kshs
Cost/Value at 1st July 2025	-	-	-	-
Additions	-	-	-	-
Transfers	-	-	-	-
Disposal	-	-	-	-
Cost/Value at 30th of June 2026	-	-	-	-
Amortization and impairment				
At 1st July 2026	-	-	-	-
Amortization charge for the year	-	-	-	-
Disposal	-	-	-	-
Impairment loss	-	-	-	-
At the end of the period	-	-	-	-
NBV at 30th June 2026	-	-	-	-

Previous FY

Description	Indefinite life	Definite life	Work in Progress	Total
Rate	Kshs	Kshs	Kshs	Kshs
Cost/Value at 1st July 2024	-	-	-	-
Additions	-	-	-	-
Transfers	-	-	-	-
Disposal	-	-	-	-
Cost/Value at 30th of June 2025	-	-	-	-
Amortization and impairment				
At 1st July 2024	-	-	-	-
Amortization charge for the year	-	-	-	-
Disposal	-	-	-	-
Impairment loss	-	-	-	-
At the end of the period	-	-	-	-
NBV at 30th June 2025	-	-	-	-

24. Right-of-Use Assets

Current FY 2025/2026

	Buildings	Motor Vehicles	Equipment	Others Specify	Total
	Kshs	Kshs	Kshs		Kshs
As at 1 July 2026	-	-	-	-	-
Additions in the period	-	-	-	-	-
Remeasurement/Adjustments	-	-	-	-	-
Disposals/Terminations	-	-	-	-	-
As at 30 June 2026	-	-	-	-	-
Accumulated Depreciation					
As at 1 July 2026	-	-	-	-	-
Charge for the year	-	-	-	-	-
Elimination on Disposal/Transfer out	-	-	-	-	-
As at 30 June 2026	-	-	-	-	-
NBV As at 30 June 2026	=	=	=	=	=

Previous FY

	Buildings	Motor Vehicles	Equipment	Others Specify	Total
	Kshs	Kshs	Kshs		Kshs
Cost/Valuation					
As at 1 July 2024 (Previous year)	-	-	-	-	-
Additions in the period	-	-	-	-	-
Remeasurement/Adjustments	-	-	-	-	-
Disposals/Terminations	-	-	-	-	-
As at 30 June 2025	-	-	-	-	-
Accumulated Depreciation					
As at 1 July 2024	-	-	-	-	-
Charge for the year	-	-	-	-	-
Elimination on Disposal/Transfer out	-	-	-	-	-
As at 30 June 2025	-	-	-	-	-
NBV as at 30 June 2025	=	=	=	=	=

25. Trade and Other Payables

Description	Current FY 2025/2026		Comparative FY 2024/2025	
	Kshs		Kshs	
Trade payables	845,588		-	
Employee payables	-		-	
Other payables (specify)	-		-	
Total trade and other payables	**845,588**		-	
Ageing analysis: (Trade and other payables)	**Current FY**	**% of the Total**	**Comparative FY**	**% of the Total**
Under one year	845,588	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (tie to above total)	**845,588**		-	

Notes to the financial statements

26. Third-Party Deposits

Description	Current FY 2025/2026		Comparative FY 2024/2025	
	Kshs		Kshs	
Contractor's Retention	-		-	
Gratuity	-		-	
Other deposits (specify)	-		-	
Total deposits	-		-	
Aging analysis: (Refundable deposits)	**Current FY**	**% of the Total**	**Comparative FY**	**% of the Total**
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-		-	

27. Deferred Income

Description	Current FY 2025/2026	Comparative FY 2024/2025
	Kshs	Kshs
Development partner 1	-	-
Development partner 2	-	-
Others specify	-	-
Total Deferred Income	-	-

Deferred Income Movement Schedule

	Development Partner 1	Development Partner 2	Others specify	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 1st July 2025	-	-	-	-
Additions	-	-	-	-
Transfers To Performance Statement as Revenue	-	-	-	-
Balance as at 30th June 2026	-	-	-	-

Notes to the financial statements

28. Lease Liability

Description	Current FY 2025/2026	Comparative FY 2024/2025
	Kshs	Kshs
At the start of the year	-	-
Additions	-	-
Discount interest on lease liability	-	-
Paid during the year	-	-
Adjustments	-	-
At the end of the year	-	-

Maturity Analysis

Period	Amount
Year 1	-
Year 2	-
Year 3	-
Year 4	-
Year 5 And Onwards	-
Less: Unearned Interest	-
	-

Analysed as:

Description	Amount
Current	-
Non- Current	-
Total	-

Notes to the financial statements

29. Cash Generated from Operations

Description	Current FY 2025/2026	Comparative FY 2024/2025
	Kshs	Kshs
Surplus/Deficit for the year	9,357,837	-
Adjusted for:		
Depreciation	-	-
Non-cash grants received	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Working capital adjustments		-
Increase/Decrease in inventory	-	-
Increase/Decrease in receivables	-	-
Increase/Decrease in deferred income	-	-
Increase /Decrease in payables	845,588	-
Increase in payments received in advance	-	-
Net cash flow from operating activities	**10,203,425**	-

30. 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	Current FY 2025/2026	Comparative FY 2024/2025
	Kshs	Kshs
(i) A/C Name [A/c No……]		
Opening balance	-	-
Total amount deposited in the account	-	-
Total amount withdrawn	=	=
Closing balance (*as per SDA bank account reconciliation attached*)	=	=
(ii) A/c Name [A/c No……]		
Opening balance (as per the SDA reconciliation)	-	-
Total amount deposited in the account	-	-
Total amount withdrawn	=	=
Closing balance (as per SDA bank account reconciliation attached)	=	=

31.Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the *Entity* include those parties that can exercise control or significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the *Entity*, holding 100% of the *Entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Entity, both domestic and external.

Notes to the financial statements

Other related parties include:

i) The Parent Ministry.
ii) County Governments
iii) Other SCs and SAGAs
iv) Key management.
v) Board of Directors.

Description	Current FY 2025/2026	Comparative FY 2024/2025
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of electricity to the government agencies	-	-
Rent income from the government. Agencies	-	-
Others (specify) e.g. interest and bank charges	-	-
Total	-	-
B) purchases from related parties		
Purchases of electricity from KPLC	-	-
Purchase of water from the government service providers	-	-
Rent expenses paid to the government agencies	-	-
Others (specify)	-	-
Total	-	-
b) Grants /transfers from the government		
Grants from national the government	-	-
Grants from county government	-	-
Donations in kind	-	-
Total	-	-
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
Total		
d) Key management compensation		
Directors' emoluments	-	-
Compensation to key management	-	-
Total	-	-

Notes to the financial statements

32.Events after the Reporting Period

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

33.Ultimate And Holding Entity

The Entity is a State Corporation/ or a Semi-Autonomous Government Agency under the County Government of Marsabit. Its ultimate parent is the Government of Kenya.

34.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)*
Financial Statements				
Lawfulness & Effectiveness in the use of Public Resources				
Effectiveness of Internal Controls, Risk Management & Governance				

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: Galm Rogicha
Chief Officer

.....
Name: Boru Golicha
Municipal Manager

Annex 2: Reconciliation of inter-entity transfers

	Project Name:			
	Break down of transfers from the County Government of Marsabit			
a.	**Government Counterpart funding**			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			-	
			-	
		Total	-	
B.	**Direct payments**			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			-	
		Total	-	
C.	**Others**			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		2-10-2025	32,309,300	FY 2025-2026
			-	
		Total	-	
		Total (A+B+C)	**32,309,300**	

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

Marsabit Municipal Manager
Kenya Urban Support Program II

Sign ----------

Head of Accounting Unit
County Department

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					
Machinery and Equipment					
Biological assets					
Infrastructure Assets- Roads, Rails					
Heritage and cultural assets					
Intangible assets					
Work in Progress					
Total					

Annex 4: Other Support Documents

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

ii. Bank Reconciliation Statement as at 30th June 2026

MARSABIT MUNICIPALITY

BANK RECONCILIATION STATEMENT
KCB A/C No. 1332037577

Month	**JUNE**		
	Balance as per Cash Book		**10,203,425.33**
Add	Unpresented cheque		
	Cheque#xx	-	
	Cheque#xx	-	
	Credit Transfer		
	Management Fees	-	-
Less	Bank Lodgement not shown on bank stmt		
	Cheque deposited	-	
	Dishonoured cheque	-	
	Bank charges	-	-
	Balance as per Cash Book		**10,203,425.33**

Katello Dibo
Accountant

iii. Board of Survey Report

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