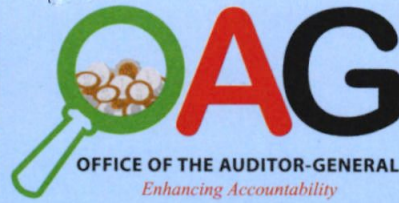


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REPUBLIC OF KENYA



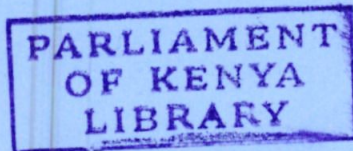
OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

REPORT

OF

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THE AUDITOR-GENERAL



ON

**THE SECOND KENYA DEVOLUTION
SUPPORT PROGRAM (KDSP II) - PROJECT
NUMBER: IDA-7447- KE**

**FOR THE YEAR ENDED
30 JUNE, 2026**

COUNTY GOVERNMENT OF KAJIADO

Revised 30th June 2026



**PROJECT NAME: THE SECOND KENYA DEVOLUTION SUPPORT PROGRAM
(KDSP II)**

**IMPLEMENTING ENTITY: KAJIADO COUNTY GOVERNMENT
PROJECT GRANT/CREDIT NUMBER: IDA-7447-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)**

The Second Kenya Devolution Support Program [KDSP II]
Annual Report and Financial Statements for the financial year ended June 30, 2026

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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
KDSP II	Kajiado County Devolution Support Programme II
POM	Project Operation Manual
SPMU	Single Project Management Unit
KRA	Key Result Area

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is the second Kenya Devolution Support Program [KDSP II].

Objective

The key objective of the project is strengthening county institutions, enhancing service delivery and promoting fiscal discipline and governance.

Address

The project headquarters offices are in Nairobi), Nairobi County, Kenya. The address of its registered office is Teleposta Tower ,6th Floor Kenyatta Avenue, Nairobi 00100, Kenya

The project also has offices/branches in all the counties in Kenya.

Contacts: The following are the project contacts

P.O. Box: 045 2123000

Telephone: (254) 756448800

E-mail: info@kajiado.go.ke

Website: kdsp2@devolution.go.ke

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	07 December 2023
Project End Date:	01 December 2027
Project Coordinator:	Mrs Winfred Taiko
Project Development Partner:	World Bank

2.3 Project Overview

Line Ministry and State/ County Department	State Department of Devolution
Project number	IDA-7447-KE
Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <ul style="list-style-type: none"> (i) Strengthen financing and expenditure management (ii) Enhance intergovernmental coordination and institutional performance (iii) Improve oversight, participation and accountability (iv) Build institutional Capacity for Service Delivery
Summary of Project Strategies for achievement of strategic goals	<p>The project management aims to achieve the goals through the following the following three key result areas KRAs</p> <ul style="list-style-type: none"> (i) KRA 1. Sustainable Financing and Expenditure Management. (ii) KRA 2. Intergovernmental Coordination, Institutional Performance and Human Resource Management. (iii) KRA 3. Oversight, Participation and Accountability. Each KRA has specific performance measures [Disbursement Linked Indicators] that must achieve to receive grants.

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Other important background information of the project	
Areas that the project was formed to intervene	<p>The project was formed to intervene in the following problems/gaps:</p> <ul style="list-style-type: none"> (i) Public Finance Management-Revenue mobilization, budgeting and expenditure control (ii) County Institution Capacity-strengthening county system and structures, improving human resource management and capacity building for county staff
Project duration	Four Years

Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the project:

1. Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000

City Square 00200

Nairobi, Kenya

2. Special Purpose Account

Account number: 1000761865

Account name: Kajiado County Devolution Support Program II

2.5 Independent Auditor

The project is audited by the Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GOP 00100

Nairobi, Kenya

2.6 Roles and Responsibilities

List the different people who are working on the project. This list would include the project coordinator and all the key officers involved.

The County Project Steering Committee

No	Names	Title designation	Key qualification	Responsibilities
1	H.E Joseph Ole Lenku	County Governor	Date of Birth: 20 th October 1970	Chairperson

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			Key Qualifications: master's in Business administration strategic management -Nairobi University Work Experience: 25 years of experience in both private and public institution	
2	Naomi Parinkoi	County Executive Committee Member (CECM)Public Service, Administration, Social Services, Citizen Participation and Inspectorate Services	Date of Birth: 16 th September 1973 Key Qualifications; Bachelor of Education Work Experience: 20 years of experience in both private and public institution	CECM in Charge of Public Service
3	Michael Semera	County Executive Committee Member Finance	Date of Birth: 18 th June 1971 Key Qualifications: Bachelor in Commerce Work Experience: Over 20 years of experience in both private and public institution	CECM) in Charge of Finance
4	George Letema	The Chair of the County Public Service Board	Date of Birth: 05 th August 1965 Key Qualifications: Bachelor in Education Arts-Kenyatta University	The Chair of the County Public Service Board

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			Work Experience: 16 years of experience in both private and public institution	
5	Hon. Justus Ngussur	The Speaker of the County Assembly	<p>Date of Birth: 3rd November 1969</p> <p>Key Qualifications: Bachelor in arts leadership and Management-St Pauls university</p> <p>Work Experience: 30 years of experience in both private and public institution</p>	The Speaker
6	Dr. Leina Mpoke	The County Secretary	<p>Date of Birth: 25th October 1970</p> <p>Key Qualifications: PHD Strategic Management</p> <p>Work Experience: 26 years of experience in both private and public institution</p>	County Secretary
7	Winfred Silantoi Taiko	County Program Coordinator (ex-officio)- Secretary	<p>Date of Birth: 16th March 1984</p> <p>Key Qualifications: master's corporate management</p> <p>Work Experience: 19 years of experience in both private and public institution</p>	Secretary

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The County Program Technical Committee

Ref	Name	Position
1	Dr Leina Mpoke	County Secretary- Chair
2	Joshua Mepukori	Chief Officer, Department responsible for Devolution, Public Participation and Citizen Engagement
3	Tima Sankaire	Chief Officer, Finance and economic planning
4	Wilson Mweka	Chief Officer, Department responsible for County Public Service
5	James Ngugi	Chief Officer, Department responsible for Environment
6	Julius Moipai	Chief Officer, Department responsible for Social Services
7	Kintalel Ploi	Chief Officer, Department responsible for County Public Investments
8	Noel Tayiai	CEO, County Public Service Board;
9	Leboo Saisa	Clerk, County Assembly
10	Winfred Taiko	County Program Coordinator – Secretary

The County Program Implementation Unit (CPIU)

Ref	Name	Position	Key qualification
1	Winfred Taiko	County Program Coordinator	Program Coordinator Date of Birth: 16 th March 1984 Key Qualifications: Masters in Corporate Management Work Experience: 19 years of experience in both private and public institution Program Coordinator

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2	Timothy Lompo	Key Result Area 1 Focal Person	Key Result Area 1 Focal Person Date of Birth: 13 th July 1985 Key Qualifications: Master of Science in Finance Work Experience: 15 years in Private and County Government of Kajiado
3	Sylvia Sumare	Key Result Area 2 Focal Person	Key Result Area 2 Focal Person Date of Birth: 9 th April 1974 Key Qualifications: Bachelor degree in Business Management (HRM Option) from East African University Work Experience: been an Economist officer in the county Government of Kajiado from 2014 to date
4	Jonathan Kilapai	Key Result Area 3 Focal Person	Key Result Area 3 Focal Person Date of Birth: 18 th January 1986 Key Qualifications: Diploma in Public Relations Work Experience: county Government of Kajiado from 2021 to date
5	Mary Roika	Fund Monitoring and Evaluation Officer	Monitoring and Evaluation Officer Date of Birth: 1 st March 1994 Key Qualifications: Bachelor degree of arts economics and mathematics, CPS K Higher diploma in supply chain Management (from Nairobi University) Work Experience: An Economist officer in the county Government of Kajiado from 2019 to date.

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6	Antony Melita	Fund procurement officer	Procurement Officer Date of Birth: 12 th December 1992 Key Qualifications: Bachelor degree in Supplies Chain Management (Procurement Option) from Mount Kenya University, Diploma in Project Management-Kenya Institute of Management (KIM) Work Experience: Procurement officer in the county Government of Kajiado from 2020 to date.
7	Damaris Teeti	Fund Accountant	Fund Accountant Date of Birth: 17 th July 1991 Key Qualifications: Bachelor of Commerce (Finance Option) from African Nazarene University Professional Qualification: Certified Public Accountant {CPA-K} County Government of Kajiado from 2019 to date
8	Joy Pello	Environmental safeguard Officer	Environmental Safeguard Officer Date of Birth: 24 th April 1994 Key Qualifications: Bachelor degree in Natural Resources from University of Eldoret Work Experience: EIA expert in the county Government of Kajiado from 2019 to date.
9	Charles Lemomo	Social safeguard officer	Social Safeguard Officer Date of Birth: 26 th October 1991 Key Qualifications: Bachelor degree of Arts in Environmental Geography and Psychology- the University of Nairobi) 2) Master of Arts in Agricultural Geography - the University of Nairobi)

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			Work experience: County Government of Kajiado from 2021 to date
10	Geofrey Ngamau	GRM Officer	Grievance Redress Mechanism Officer Date of Birth: 7 th October 1998 Key Qualifications: Bachelor degree in Political Science and Public Administration from Mount Kenya University Work Experience: Ministry of interior -2 years County Government of Kajiado from 2021 to date
11	Mary Taiko	Gender Officer	Gender Officer Date of Birth: 19 th January 1973 Key Qualifications: Bachelor degree in Education (Arts) -Mount Kenya University Work Experience: County Government of Kajiado from 2014 to date

2.7 Funding summary

The Project is for a duration of four years from 2023 to 2028 with an approved budget of US\$ 132,000,000 equivalent to Ksh 17,080,800,000 World Bank 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 – (30 th 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						
World Bank (Total as per total Project Budget not for Kajiado only)	132,000,000	17,080,800,000	132,000,000	17,080,800,000	-	-
	-	-	-	-		
(ii) Loan						
Insert name of development partner	-	-	-	-	-	-
Insert name of development partner	-	-	-	-	-	-
(iii) Counterpart funds						
Government of Kenya	-	-	-	-	-	-
Total	132,000,000	17,080,800,000	132,000,000	17,080,800,000	-	-

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 – (30 th June 2026)		Cumulative amount paid to date – (30 th 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						
IDA USD-Designated account	544,850	70,503,535	544,850	70,503,535	-	-
IDA USD-Designated account (Development Partner)						
Loan						
Insert name of development partner	-	-	-	-	-	-
Insert name of development partner	-	-	-	-	-	-
Counterpart funds						
Government of Kenya	77,280	10,000,000	77,280	10,000,000	-	-
Total	622,130	80,503,535	622,130	80,503,535	-	-

		No of job description manual for Single Project Management Unit (SPMU) Developed.	1
		No of Own Source Revenue forecasting and Enhancement action plan developed	0
		No of Revenue Collectors, Enforcement Officers, and Departmental Alignment Officers Trained and sensitized	50
		% of Revenue streams mapped and departmental revenue target	0
		No of revenue registers, including POS receipts, ledger analysis, and revenue reporting updated	1
		No of County Revenue Laws and policies (County Revenue mobilization Strategy, Revenue Administration Act, County Rating Act, Trade licensing Act, Cess Act) prepared	2
		No of Pending Bill verification committee Established	1
		No of pending bill action plan Developed	1
		No of Report by pending Bill verification committee Prepared	2
		No of technical managers (CECMs, CCOs and Directors) trained on the PFM Act, Procurement procedures and Management of pending bills	0
		No of Pending Bills verification committee & secretariat members	9

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			capacity build	
		Improve	No of Directors and Technical	10
		Intergovernmental	Officers trained on HR/Payroll Audit	
		Coordination,	and Skills Audit & preparation of	
		Institutional	documents for the special payroll	
		Performance and	audit	
		Human Resource	No of internal auditors sensitized on	5
		Management	preparation for the independent Audit	
			No of action plan for implementing	8
			the recommendations of the OAG in-	
			depth payroll audit prepared	
			% of cleaned Payroll Data uploaded	70
			on the HRMIS	
			No of County organizational	12
			structure/organograms, capacities and	
			HRM systems reviewed	
			No of Staff Establishment Reviewed	6320
			and approved	
			% of staff Assigning of UPNs in	100
			Liason with State Department for	
			Public Service	
			No of self-checks conducted to	1
			ensure that the payroll data is	
			consistent with the approved staff	
			establishment and other HR records,	
			Clean the payroll and upload in the	
			UHRMIS	
			No of current County Human	0
			Resource Policy and Procedures	
			Manual reviewed to suit the needs of	
			the County Government	
			CECMs, Chief Officers, Directors	30
			and M&E officers Capacity build on	
			performance management systems	
			(PCs) and annual workplan and	
			Development of Departmental PCs	
			departmental heads trained on	50
			performance Appraisal System and	
			annual workplan (SPAS and AWP)	
			and development of the SPAS and	
			AWP	
			No of officers trained on Monitoring	10
			and Reporting of performance at the	
			County and individual levels,	
			focusing on Annual Performance	
			Evaluation on	

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			HR Officers Capacity Build on the new Integrated HR Systems (HRMIS(K) (IPPD and GHRIS)	10
			No of Capacity building workshop for County Public Service Board on Recruitment and selection guidelines	10
		Strengthen Oversight, Participation and Accountability	No of CPIU and CTIPTs on Project Management Committee guidelines	30
			No of Community members sensitized on the Guidelines for Project Management Committees and Formulation of Project Management Committees	50
			No of CPIU and CTIPTs members Trained on Project Management Committee guidelines	7
			No of Community members sensitized on the Guidelines for Project Management Committees and Formulation of Project Management Committees	35
			No of Gender and social officers trained	21
			No of CPIU & ESS Officers Capacity build on ESF & ESHMS, Screening of proposed infrastructure investments, Feasibility studies, ESS, ESIA, SPR and ESMP	12
			No of officers trained on Grievance redress Mechanism	12
			No of toll free line for GRM Established	0
			% implementation of Detailed stock taking of all projects (completed, ongoing, new, and stalled)	70
			No of M&E Officers and Chief Officers/ Accounting Officers trained on project stock taking guidelines	12
			% Development of county public investment management dashboard	70
			No of Chief officers/ Accounting Officers, Legal Officers, Physical planners, M& E Officers, Public	15

			Works and Energy Officers, Procurement Officers and Accountants Sensitized on feasibility studies, climate change, and environmental and social screening	
--	--	--	---	--

ii) Indicate the absorption rate for each year since the commencement of the project.

The absorption rate for 22% and 30% respectively.

iii) List the implementation challenges and recommend the next steps.

Implementation challenges

The project has encountered a number of challenges that have affected the timely implementation of planned activities. These include:

- Delays in procurement processes, which have affected the timely acquisition of goods, works and services required for project implementation.
- Delayed disbursement/release of project funds, resulting in delays in execution of planned activities.
- Coordination challenges among the various stakeholders involved in project implementation.
- Emerging implementation requirements and changes in priorities, which have necessitated adjustments to the original implementation plans.

Recommended next steps

To address the above challenges and enhance project performance, the following actions are recommended:

- Track procurement processes and closely monitor procurement milestones to ensure timely completion of pending procurements.
- Engage the relevant authorities to facilitate timely release of project funds and ensure availability of resources for planned activities.
- Prepare and implement action plan for all delayed activities, with clear responsibilities and completion timelines.
- Strengthen project monitoring and supervision to identify implementation holdups early and facilitate timely corrective action.
- Enhance coordination and communication among the project implementation team, service providers, relevant Government agencies and other stakeholders.

2.9 Summary of Project Compliance:

i) Significant cases of non-compliance with applicable laws and regulations

- During the reporting period, no significant cases of non-compliance with applicable laws, regulations and project financing requirements were identified. The project implementation has been undertaken in accordance with the applicable Treasury guidelines and circulars on project investment management, the Public Finance Management Act, 2012, relevant Government policies, and the requirements applicable to Kenya Vision 2030 projects, where relevant.
- The project also continues to observe the conditions contained in the applicable Project Operations Manual (POM) and other external financing agreements. Financial management, procurement, reporting and implementation activities are being undertaken in accordance with the approved project requirements.

ii) Consequences of non-compliance

Since no significant cases of non-compliance were identified during the reporting period, no material adverse consequences have been suffered. Continued compliance remains important to avoid potential consequences such as delays in disbursement of funds, suspension or reduction of external financing, financial penalties, delays in project implementation, and failure to achieve the intended project outputs and outcomes.

iii) Mitigation measures

To maintain compliance and minimize potential risks, the project management has and will continue to:

- Ensure adherence to the PFM Act, 2012, Treasury circulars and the Project Operation Manual (POM)
- Strengthen internal controls over project financial management, procurement and implementation activities.
- Ensure timely preparation and submission of required financial and project progress reports.
- Monitor compliance with the conditions and covenants of applicable external financing agreements.
- Maintain proper documentation and supporting records for all project transactions and activities.

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

Introduction

The development objective of the program is *to* strengthen county performance in the financing, management, coordination, and accountability for resources. The program supported a series of key interventions (at the input and output levels) that contributed to intermediate outcomes and, in turn, contributed to outcomes. The performance of the key objectives is summarised as per specified outputs in the table below:

The following challenges were reported during the implementation period: The delayed start of the program funding stalled the implementation of the activities in the period and Delays in training/ capacity building key program officers affected the program implementation

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

- a) Ensure Sustainable Financing and Expenditure Management
- b) Improve Intergovernmental Coordination, Institutional Performance and Human Resource Management
- c) Strengthen Oversight, Participation and Accountability

Progress on the attainment of strategic development objectives

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

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

Project	Objective	Outcome	Indicator	Performance
KDSP	To strengthen county performance in the financing, management, coordination, and accountability for resources	Sustainable Financing and Expenditure Management improved	No of SPMU Structure Established and approved by CPSC(County Project Steering Committee)	1
			and the number of officers in the SPMU	10
			No of job description manual for Single Project Management Unit (SPMU) Developed.	1
			No of Own Source Revenue forecasting and Enhancement action plan developed	0
			No of Revenue Collectors, Enforcement Officers, and Departmental Alignment Officers Trained and sensitized	50
			% of Revenue streams mapped and departmental revenue target	0
			No of revenue registers, including POS receipts, ledger analysis, and revenue reporting updated	1
			No of County Revenue Laws and policies (County Revenue mobilization Strategy, Revenue Administration Act, County Rating Act, Trade licensing Act, Cess Act)	2

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			prepared	
			No of Pending Bill verification committee Established	1
			No of pending bill action plan Developed	1
			No of Report by pending Bill verification committee Prepared	2
			No of technical managers (CECMs, CCOs and Directors) trained on the PFM Act, Procurement procedures and Management of pending bills	0
			No of Pending Bills verification committee & secretariat members capacity build	9
		Improve Intergovernmental Coordination,	No of Directors and Technical Officers trained on HR/Payroll Audit and Skills Audit & preparation of documents for the special payroll audit	10
		Institutional Performance and	No of internal auditors sensitized on preparation for the independent Audit	5
		Human Resource Management	No of action plan for implementing the recommendations of the OAG in-depth payroll audit prepared	8
			% of cleaned Payroll Data uploaded on the HRMIS	70
			No of County organizational structure/organograms, capacities and HRM systems reviewed	12
			No of Staff Establishment Reviewed and approved	6320
			% of staff Assigning of UPNs in Liason with State Department for Public Service	100
			No of self-checks conducted to ensure that the payroll data is consistent with the approved staff establishment and other HR records, Clean the payroll and upload in the UHRMIS	1
			No of current County Human Resource Policy and Procedures Manual reviewed to suit the needs of the County Government	0

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			CECMs, Chief Officers, Directors and M&E officers Capacity build on performance management systems (PCs) and annual workplan and Development of Departmental PCs	30
			departmental heads trained on performance Appraisal System and annual workplan (SPAS and AWP) and development of the SPAS and AWP	50
			No of officers trained on Monitoring and Reporting of performance at the County and individual levels, focusing on Annual Performance Evaluation on	10
			HR Officers Capacity Build on the new Integrated HR Systems (HRMIS(K) (IPPD and GHRIS)	10
			No of Capacity building workshop for County Public Service Board on Recruitment and selection guidelines	10
		Strengthen Oversight, Participation and Accountability	No of CPIU and CTIPTs on Project Management Committee guidelines	30
			No of Community members sensitized on the Guidelines for Project Management Committees and Formulation of Project Management Committees	50
			No of CPIU and CTIPTs members Trained on Project Management Committee guidelines	7
			No of Community members sensitized on the Guidelines for Project Management Committees and Formulation of Project Management Committees	35
			No of Gender and social officers trained	21
			No of CPIU & ESS Officers Capacity build on ESF & ESHMS, Screening of proposed infrastructure investments, Feasibility studies, ESS, ESIA, SPR and ESMP	12
			No of officers trained on Grievance redress Mechanism	12
			No of toll free line for GRM	0

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			Established	
			% implementation of Detailed stock taking of all projects (completed, ongoing, new, and stalled)	70
			No of M&E Officers and Chief Officers/ Accounting Officers trained on project stock taking guidelines	12
			% Development of county public investment management dashboard	70
			No of Chief officers/ Accounting Officers, Legal Officers, Physical planners, M& E Officers, Public Works and Energy Officers, Procurement Officers and Accountants Sensitized on feasibility studies, climate change, and environmental and social screening	15

4. Environmental and Sustainability Reporting

The Kenya Devolution Support Program II (KDSP-II), supported by the World Bank, aims to strengthen county-level capacity to deliver public services efficiently, accountably, and sustainably. In Kajiado County, the program focuses on improving institutional performance in public financial management, human resource management, civic engagement, environmental safeguards, and service delivery systems. The overarching mandate is to ensure that devolved structures are empowered to plan, implement, and sustain essential services particularly in critical sectors such as water, health, infrastructure, natural resource management, and public administration.

Sustainability within KDSP-II is framed as the ability of county systems to consistently deliver quality services over the long term, while safeguarding natural resources and ensuring equitable socio-economic development. The program's sustainability strategy recognizes five core dimensions: environmental protection, institutional governance, socio-economic resilience, technological capability, and community participation

1. Sustainability strategy and profile

In an era marked by the effects of climate change, biodiversity loss, water scarcity, and rising economic inequality, the county recognizes the urgency of aligning its operations with global sustainability trends.

The increasing volatility in global food and fuel markets, driven by geopolitical instability and shifting macroeconomic dynamics, has had cascading impacts on local livelihoods, especially in semi-arid counties like Kajiado.

2. Environmental performance

The County is guided by the County

Environmental Sustainability Policy (2023), which aligns with the following legal and strategic frameworks:

The Environmental Management and Coordination Act (EMCA), 1999

The Constitution of Kenya (Article 42 – Right to a Clean and Healthy Environment)

National Climate Change Action Plan (NCCAP 2023–2027)

Kajiado County Climate Change Action Plan Sustainable Development Goals (SDGs)

The policy emphasizes climate-resilient infrastructure, resource efficiency, biodiversity conservation, and environmentally sound procurement practices.

3. Employee welfare

The County operates under the broader framework of the County Public Service Human Resource Policies, in line with the Public Service Commission Act, the Constitution of Kenya (2010), and the County Governments Act (2012).

The program emphasizes fairness, transparency, and inclusivity in recruitment and management of personnel across the County Program Steering Committee, County Program Technical Committee, and County Program Implementation Unit (CPIU).

The hiring process prioritizes diversity and equal opportunity, considering:

Gender balance: Ensuring both men and women are fairly represented.

Youth inclusion: Preference for competent candidates aged 18–35 years.

Persons with Disabilities (PWDs): At least 5% of positions are reserved for PWDs, in line with national policy.

The program uses a performance management system aligned with the County HR Framework, based on:

Annual Performance Targets (APT): Set at individual and departmental level.

Mid-year and End-year Appraisals: Used to assess progress, identify capacity gaps, and realign targets.

The County is compliant with the Occupational Safety and Health Act, 2007 (OSHA), and has instituted the following workplace safety measures:

Workplace Risk Assessments are conducted annually in collaboration with the County Directorate of Public Health.

During the reporting period:

No major work-related accidents were reported under KDSP II.

Employee Engagement and Welfare Initiatives

The program recognizes the importance of staff morale and well-being. Key efforts included:

Gender-based violence awareness and reporting mechanisms integrated into staff orientation

Flexible work arrangements for expectant and nursing mothers, in line with the Employment Act

4. Market place practices-

a) Responsible competition practice

The County is committed to upholding ethical, transparent, and accountable conduct in all market and service delivery interactions. As a publicly funded initiative, KDSP II adheres to both constitutional principles of public service and the Public Procurement and Asset Disposal Act, 2015, ensuring a level playing field for all market participants.

1. Open and Fair Competition
2. Anti-Corruption and Ethics
3. Improved Service Delivery Mechanisms

b) Responsible Supply chain and supplier relations

The County recognizes that a well-managed supply chain is essential to delivering quality, timely, and cost-effective services to citizens. The program is committed to responsible supply chain management through fair treatment of suppliers, adherence to ethical procurement principles, and strict compliance with legal and policy frameworks.

All procurement activities are guided by:

The Public Procurement and Asset Disposal Act, 2015

The County Governments Act, 2012

The Public Finance Management Act, 2012

The County's Internal Procurement Procedures Manual

The program has adopted efficient financial controls and accountability systems to facilitate responsible payment practices

Provide feedback on the procurement process, evaluation transparency, and delivery experience.

Empowerment of Local and Special-Category Supplier

c) Responsible marketing and advertisement or Responsible engagement with the citizens.

The County is in the process of establishing a marketing unit with the responsibility of coordinating market and marketing linkage as well as market information and intelligence to empower farmers and local traders to access profitable and lucrative markets for their products. The County is also establishing a marketing portal which will be useful in connecting traders and market linkage.

The County uses various platforms to engage with citizens while upholding high ethical standards in all interaction. These include media communication, website and digital platforms and community forums (Barazas)

d) Product stewardship or Awareness creation

The County is committed to protecting the rights, safety, and dignity of the citizens it serves. This includes:

Ensuring fair access to services,

Providing accurate and accessible information,

Respecting citizen privacy and data protection laws, and promoting public awareness of constitutional rights and entitlements.

The program ensures that all development activities, especially those involving infrastructure and service delivery, adhere to safety standards that protect both workers and end-users:

Occupational Health Compliance: Implementation teams are trained on the Occupational Safety and Health Act (OSHA), 2007.

KDSP II actively engages in public education and awareness campaigns to promote understanding of government services, civic rights, and available grievance mechanisms for example SHA, National documentation, Service access like electricity

5. Corporate Social Responsibility / Community Engagements

The County), implemented in line with the devolution framework, recognizes community engagement and corporate social responsibility (CSR) as critical components of sustainable development and citizen-centered service delivery.

KDSP II's approach focuses on:

Empowering communities through strategic investments,

Promoting inclusive participation,

Strengthening public trust through transparency, and ensuring that communities benefit meaningful.

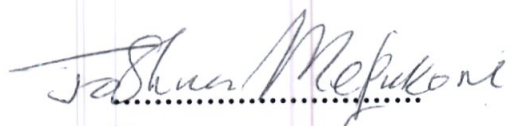
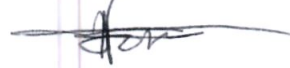
5. Statement of Project Management Responsibilities

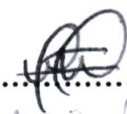
The Chief Officer for the County department of Department of Public Service & Citizen Participation and the Project Coordinator are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for the financial period ended on 30th June, 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 Department of Public Service & Citizen Participation and the Project Coordinator accept responsibility for the Project's financial statements, which have been prepared on the accrual basis method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards. The Chief Officer for the County Department of Public Service & Citizen Participation and the Project Coordinator are of the opinion that the Project's financial statements give a true and fair view of the state of the Project's transactions during the period ended 30th June, 2026, and of the Project's financial position as at that date. The Chief Officer for Department of Public Service & Citizen Participation and the Project Coordinator further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements and the adequacy of the systems of internal financial control. The Chief officer for the County Department of Public Service & Citizen Participation and the Project Coordinator confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

***The Second Kenya Devolution Support Program [KDSP II]
Annual Report and Financial Statements for the financial year ended June 30, 2026***

Approval of the Project Financial Statements

The Project financial statements were approved by the Chief Officer for the County Department of Public Service Citizen Participation and the Project Coordinator on 02/09 2026 and signed by:


.....
Name 
Chief Officer


.....
Name Winfred Taiko
Project Coordinator

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON THE SECOND KENYA DEVOLUTION SUPPORT PROGRAM (KDSP II) - PROJECT NUMBER: IDA-7447- KE FOR THE YEAR ENDED 30 JUNE, 2026 - COUNTY GOVERNMENT OF KAJIADO

PREAMBLE

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

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

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

The three parts of the report 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 The Second Kenya Devolution Support Program (KDSP II) - Project Number: IDA-7447- KE set out on pages 1 to 43, which comprise of the statement of financial position as at 30 June, 2026, and the

statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, Cap. 412B. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of The Second Kenya Devolution Support Program (KDSP II) - Project Number: IDA-7447- 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 participation agreement on The Second Devolution Support Program (KDSP II) between the National Government of the Republic of Kenya and County Government of Kajiado dated 27 May, 2024 and the Public Finance Management Act, Cap. 412A.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of The Second Kenya Devolution Support Program (KDSP II) - Project Number: IDA-7447- 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 final receipts budget and actual on comparable basis of Kshs.83,951,300 and Kshs.136, 813,833 respectively resulting to an overperformance of Kshs.52,862,533. This is indicative of weakness in revenue forecasting. However, the program expended Kshs.18,613,720 against the actual receipts of Kshs.136,813,833 resulting in an under absorption of Kshs.118,200,113 or 86% of the receipts.

The under-absorption affected the planned activities and may have impacted negatively on service delivery to the residents of Kajiado 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 xxix which comprise of Project Information and Overall Performance, Statement of Performance against Project's Predetermined Objectives, Environmental and Sustainability Reporting and Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Program's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Delayed Receipts and Transfer of Funds into Special Purpose Bank Account

The statement of financial performance and as disclosed in Note 6 to the financial statements reflect revenue transfers amounting to Kshs.135,772,033. However, as at 30 June, 2026 the total amount received was Kshs.80,503,535 which comprised of County Counterpart Funding of Kshs.10,000,000 and donor funding of Kshs.70,503,535. The balance of Kshs.55,268,498 was received into the County Revenue Fund on 9 July, 2026. However, the funds had not been transferred to the Program's Special Purpose Account as at the time of the audit in August, 2026.

In the circumstances, the Program was unable to fully implement planned activities during the year under review which may have adversely affected the timely achievement of the Program objectives.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in

the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, Cap. 412B, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

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 Program'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 Program's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes

and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 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

23 September, 2026

The Second Kenya Devolution Support Program [KDSP II]
Annual Report and Financial Statements for the financial year ended June 30, 2026

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

	Notes	2025-2026	2024-2025
		Kshs	Kshs
Revenue			
Revenue Transfers	6	135,772,033	10,000,000
Miscellaneous Revenue	7	-	-
Total revenue		135,772,033	10,000,000
Expenses			
Employee costs	8	-	-
Use of goods and services	9	18,613,720	8,958,200
Depreciation and amortization expense	10	-	-
Transfer to other Government Entities	11	-	-
Other Transfers/Subsidies/Grants	12	-	-
Finance Costs	13	-	-
Certified Works	14	-	-
Total expenses		18,613,720	8,958,200
Other gains/(losses)			
Gain/Loss on sale of assets	15	-	-
Gain/Loss on foreign exchange transactions	16	-	-
Impairment loss	17	-	-
Surplus/ (deficit)		117,158,313	1,041,800

The financial statements were approved on 07/09/2026 and signed by:


 Name Joshua Medukon
 Chief Officer


 Name Winked Tgiko
 Project Coordinator


 Name Soipei Teet
 Project Accountant
 ICPAK Member No: 27314
 Date 07/09/2026

*The Second Kenya Devolution Support Program [KDSP II]
Annual Report and Financial Statements for the financial year ended June 30, 2026*

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

	Note	2025-2026	2024-2025
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	18	62,931,615	1,041,800
Receivables	19	55,268,498	-
Inventories	20	-	-
Prepayment	21	-	-
Total Current Assets		118,200,113	1,041,800
Non-Current Assets			
Property, Plant and Equipment	22	-	-
Intangible Assets	23	-	-
Right of use assets	24	-	-
Total Non- Current Assets		-	-
Total Assets (a)		118,200,113	1,041,800
Liabilities			
Current Liabilities			
Trade and Other Payables	25	-	-
Third Party Deposits	26	-	-
Deferred Income	27	-	-
Current Lease Liabilities	28	-	-
Total Current Liabilities		-	-
Non-Current Liabilities			
Non-current lease liability	28	-	-
Total Non-Current Liabilities		-	-
Total Liabilities (b)		-	-
Net Assets (a-b)		118,200,113	1,041,800
Represented By:			
Accumulated Surplus		118,200,113	1,041,800
Revaluation Reserve		-	-
Total Net Assets		118,200,113	1,041,800

The financial statements were approved on 09/09/2026 2026 and signed by:

The Second Kenya Devolution Support Program [KDSP II]
Annual Report and Financial Statements for the financial year ended June 30, 2026

.....
Name
Chief Officer

Date

.....
Name
Project Coordinator

Date

.....
Name
Project Accountant

ICPAK Member No. 27314

Date 07/07/2026

The Second Kenya Devolution Support Program [KDSP II]
Annual Report and Financial Statements for the financial year ended June 30, 2026

9. Statement of Changes in Net Assets

	Accumulated Surplus	Revaluation Reserve	Total
As At 1 st July 2024 (previous FY)	-	-	-
Return to Exchequer	-	-	-
Surplus/Deficit for the year	1,041,800	-	1,041,800
Revaluation Gain	-	-	-
Transfer of excess depreciation on revaluation	-	-	-
Other Changes (specify)	-	-	-
As at 30 th June 2025	1,041,800	-	1,041,800
As At 1 st July 2025 (current FY)	1,041,800	-	1,041,800
Return to Exchequer	-	-	-
Surplus/ deficit for the year	117,158,313	-	117,158,313
Revaluation Gain	-	-	-
Transfer of excess depreciation on revaluation	-	-	-
Add: Recognition of Assets	-	-	-
Other Changes (specify)	-	-	-
As at June 30, 2026	118,200,113	-	118,200,113

The financial statements were approved on 07/09/2026 2026 and signed by:

Joshua Mepukoni
 Name Joshua Mepukoni
 Chief Officer

Date

Winfred Tairo
 Name Winfred Tairo
 Project Coordinator

Date

Saipai Teeti
 Name Saipai Teeti
 Project Accountant
 ICPAK Member No. 27314
 Date 07/09/2026

*The Second Kenya Devolution Support Program [KDSP II]
Annual Report and Financial Statements for the financial year ended June 30, 2026*

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

Description	Note	2025-2026	2024-2025
		Kshs	Kshs
Cashflow from operating activities			
Receipts			
Revenue Transfers		80,503,535	10,000,000
Miscellaneous Revenue		-	-
Total receipts		80,503,535	10,000,000
Payments			
Employee costs		-	-
Use of goods and services		18,613,720	8,958,200
Transfer to other Government Entities		-	-
Other Transfers/Subsidies/Grants		-	-
Certified Works		-	-
Total payments		18,613,720	8,958,200
Net cash flow from operating activities	29	61,889,815	1,041,800
Cashflow 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		-	-
<i>Specify the activity</i>		-	-
Net cash flow from financing activities		-	-
Net increase/Decrease in cash and cash equivalents		61,889,815	1,041,800
Cash and cash equivalent at 1st July	18	1,041,800	-
Cash and cash equivalent at end June	18	62,931,615	1,041,800

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	-	1,041,800	1,041,800	1,041,800	-	100%
Receipts						
Revenue Transfers	85,000,000	-	85,000,000	135,772,033	50,772,033	164%
Miscellaneous Revenue	-	-	-	-	-	
Total Revenue	85,000,000	-	85,000,000	135,772,033	50,772,033	164%
Payments						
Employee costs	-	-	-	-	-	
Use of goods and services	85,000,000	-	85,000,000	18,613,720	66,386,280	22%
Transfer to other Government Entities	-	-	-	-	-	
Other Transfers/Subsidies/Grants	-	-	-	-	-	
Certified Works	-	-	-	-	-	
Total Payments	85,000,000	-	85,000,000	18,613,720	66,386,280	22%
Surplus	-	-	-	118,200,113	118,200,113	

*The Second Kenya Devolution Support Program [KDSP II]
Annual Report and Financial Statements for the financial year ended June 30, 2026*

Budget notes

1. Provide a commentary on significant underutilization (below 90% of utilization) and any overutilization (IPSAS 24.14)

The reason for budget underutilization is because the project funding was received in the forth quarter of the FY 2025/2026 from the World Bank

2. Provide an explanation of changes between the original and final budget, indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)

There is money of 55,268,498 for level 2 grants receivable to the KDSP II at the CRF that was disbursed at the close of the financial year.

Budget Reconciliation

	Description of Particulars	Amount in K.shs
	Actual Surplus Amounts as per the statement of Budget	118,200,113
1	Reason for differences. E.g. Gratuity held from previous periods that are not affecting current year's budget	-
2	Reason for differences. E.g. Funds received in the period and were not in the approved budget	-
3	Reason for differences: E.g. Contractor's Retention/Deposit cash executed in the budget and is still retained in bank	-
4	Reason for differences	
	Closing Cash and Cash Equivalent as per the statement of Cash flows	118,200,113

12. Notes to the Financial Statements

1. General Information

KDSP II entity is established by and derives its authority and accountability from PFM 2012 Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is The entity's principal activity is to manage, coordinate, and monitor the implementation of programs and projects funded under KDSP II, ensuring that all interventions align with the performance-based framework established by the World Bank and the State Department for Devolution.

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). The Financial Statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented. The Financial Statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The Financial Statements are prepared on the accrual basis.

These financial statements were authorized for issue by the accounting officer on 15th August, 2026.

3. Adoption of New and Revised Standards

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	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>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:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
IPSAS 46 Measurement	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p>

***The Second Kenya Devolution Support Program [KDSP II]
Annual Report and Financial Statements for the financial year ended June 30, 2026***

Standard	Effective date and impact:
	<p>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</p> <p>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</p> <p>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</p> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>

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	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an 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.</p>
IPSAS 48- Transfer Expenses	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>

***The Second Kenya Devolution Support Program [KDSP II]
Annual Report and Financial Statements for the financial year ended June 30, 2026***

Standard	Effective date and impact:
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ol style="list-style-type: none"> Limited improvements to existing accounting practices for exploration and evaluation expenditures. 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. 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	<p><i>Applicable 1st January 2028</i></p> <p>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.</p> <p>A tangible natural resource held for conservation is a naturally occurring tangible asset that is managed to prevent its degradation.</p>
IPSASB SRS 1: Climate Related Disclosures	<p><i>Applicable 1st January 2028</i></p> <p>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.</p>

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

ii) Revenue from exchange transactions

Finance income

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

b) Budget information

The original budget for FY 2025/2026 was approved by the County Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of cash flows has been presented.

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	x%
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 reliably the expenditure during development.

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

Notes to the financial statements

h) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate). A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity, or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made an irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

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

Amortized cost

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

Notes to the financial statements

Fair value through net assets/ equity

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

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

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

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note N/A*.

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 conditions are accounted for, as follows:

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

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

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. (Entity to state the reserves maintained and appropriate policies adopted).

Notes to the financial statements

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 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 subsequent to 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 in Note n/a.

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

*The Second Kenya Devolution Support Program [KDSP II]
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Notes to the financial statements

6. Revenue Transfers

Description	2025-2026 KShs	2024-2025 Kshs
Unconditional Transfers		
GoK Counter Part funding	10,000,000	10,000,000
Transfers from Development partners	-	-
Other unconditional transfers (Specify)	-	-
Total Unconditional Transfers (a)	10,000,000	10,000,000
Conditional Transfers		
Transfers from Development partners 1	70,503,535	-
Transfers from Development partner 2	55,268,498	-
Other conditional transfers (specify)	-	-
Total Conditional Transfers (b)	125,772,033	-
Total Transfers for the Year (a + b)	135,772,033	10,000,000

Development Partner 1 is level 1 funding for project support facilitation on staff and programs so as to enable grassroots devolution to work.

Development Partner 2 is level 2 funding for project for development projects

a) Details to Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	Total transfers (Current FY)	FY2024-2025
	Kshs	Kshs	Kshs	Kshs
GOK Funding	10,000,000	-	10,000,000	10,000,000
Development Partner 1	70,503,535	-	70,503,535	-
Development Partner 2	55,268,498	-	55,268,498	-
Subtotal	135,772,033	-	135,772,033	10,000,000
Deferred Income realized	-	-	-	-
Transfers in Kind	-	-	-	-
Total	135,772,033	-	135,772,033	10,000,000

7. Miscellaneous revenue

Description	2025-2026	2024-2025
	Kshs	Kshs
Interest Income	-	-
Others (specify)	-	-
Total	-	-

8. Employees Costs

Description	2025-2026	2024-2025
	<u>Kshs</u>	<u>Kshs</u>
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	2025-2026	2024-2025
	<u>Kshs</u>	<u>Kshs</u>
Utilities, supplies and services	-	-
Bank charges	-	-
Communication, supplies and services	70,000	-
Domestic travel and subsistence	8,031,797	7,855,300.00
Foreign travel and subsistence	-	-
Fuel and lubricants	360,000	-
General office supplies	215,000	785,000.00
Stationery, Printing, advertising, and information supplies	185,000	-
Office rent	-	-
Training payments	1,071,086	-
Hospitality supplies and services	8,120,837	317,900.00
Insurance costs	-	-
Specialized materials and services	-	-
Other operating payments(Office Administrative expenses)	560,000	-
Routine maintenance – vehicles and other transport equipment	-	-
Routine maintenance- other assets	-	-
Total	18,613,720	8,958,200.00

10. Depreciation and Amortization expense

Description	2025-2026	2024-2025
	Kshs	Kshs
Property, Plant and Equipment	-	-
Intangible Assets	-	-
Right of Use Assets	-	-
Others specify	-	-
Total	-	-

11. Transfer to Other Government Entities

Description	2025-2026	2024-2025
	Kshs	Kshs
Ministry ABC	-	-
Project XYZ	-	-
Department	-	-
County	-	-
Total	-	-

12. Other Transfers/Subsidies/Grants

Description	2025-2026	2024-2025
	Kshs	Kshs
Transfers to Non-Government Organizations	-	-
Subsidies	-	-
Others Specify	-	-
Total	-	-

13. Finance Costs

Description	2025-2026	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	2025-2026	2024-2025
	Kshs	Kshs
Specify	-	-
Others Specify	-	-
Total	-	-

15. Gain/Loss on Sale of Assets

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

17. Impairment Loss

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

18. Cash and Cash Equivalents

Description	2025-2026	2024-2025
	Kshs	Kshs
Cash in Bank	62,931,615	1,041,800
Cash on hand	-	-
Others (Specify)	-	-
Total Cash and Cash Equivalents	62,931,615	1,041,800

Notes to the financial statements

Project Bank Accounts

Details	2025-2026	2024-2025
	Kshs	Kshs
Foreign Currency Accounts		
Central Bank of Kenya	-	-
Kenya Commercial Bank	-	-
Co-operative Bank of Kenya	-	-
Others (specify)	-	-
Total Foreign Currency balances	-	-
Local Currency Accounts		
Central Bank of Kenya A/c No 1000xxxx65	62,931,614.95	1,041,800.00
Kenya Commercial Bank	-	-
Co-operative Bank of Kenya	-	-
Others (specify)	-	-
Total local currency balances	62,931,614.95	1,041,800.00
Total bank account balances	62,931,614.95	1,041,800.00

19. Receivables

Description	2025-2026	2024-2025
	Kshs	Kshs
Counter Part Funding	-	-
Contractor's Advance payments	-	-
Development Partner 2	55,268,498	-
Total Receivables	55,268,498	-

Aging analysis for Receivables

Description	2025-2026		2024-2025	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	55,268,498	-	-	-
Between 1- 2 years	-	-	-	-
Between 2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total (a+b)	55,268,498	-	-	-

20. Inventories

Description	2025-2026 Kshs	2024-2025 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

	2025-2026
Opening balance	-
Additional Inventory in the year	180,000
Inventory expensed in the year	(180,000)
Write-downs in the year	-
Others specify	-
Closing balance	-

21. Prepayments

Description	2025-2026 Kshs	2024-2025 Kshs
Insurance	-	-
Rent	-	-
Others specify	-	-
Total inventories	-	-

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Notes to the financial statements

22. Property, Plant and Equipment

Current FY

Cost/Value	Land	Building s	Motor vehicles	Furnitur e and fittings	Comput ers	Infrastr ucture Assets	Service Concessi on Assets	Other Assets (Specify)	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs		Kshs	Kshs
As At 1July (Current FY)	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-	-
As at 30th June (Current FY)	-	-	-	-	-	-	-	-	-	-
Depreciation & Impairment										
At 1 July (Current FY)	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-	-	-	-	-
As at 30th (Current FY)	-	-	-	-	-	-	-	-	-	-
Net Book Value as at 30th June	-	-	-	-	-	-	-	-	-	-

Previous FY

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

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Notes to the financial statements

a) Valuation

Land and buildings/ Equipment (be specific) were valued by n/a professional valuers from the government, from n/a (specify the entity or department that valued). The assets were revalued by n/a professional valuers on this date, n/a. These amounts were adopted by the Board on n/a, 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) Service Concession assets

Provide the nature and amounts of sub- classes of heritage assets including the duration of the concession and the concessionary arrangements in place in line with IPSAS 32.

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e) Disclosures on capital work in progress

Provide the details of the Work in progress, including details of when the project was started, contracted end date, explanation for significant delays, and the value of work in progress 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 (Current FY)	-	-	-	-
Additions	-	-	-	-
Transfers	-	-	-	-
Disposal	-	-	-	-
Cost/Value at 30th of June	-	-	-	-
Amortization and impairment				
At 1st July 2025		-	-	-
Amortization charge for the year		-	-	-
Disposal		-	-	-
Impairment loss	-	-	-	-
At the end of the period	-	-	-	-
NBV at 30th June 2026 (Current FY)	-	-	-	-

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Previous FY

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

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24. Right of Use Assets

Current FY

	Buildings	Motor Vehicles	Equipment	Others Specify	Total
	Kshs	Kshs	Kshs		Kshs
As at 1 July 2025 Current Year	-	-	-	-	-
Additions in the period	-	-	-		-
Remeasurement/Adjustments	-	-		-	-
Disposals/Terminations	-	-			
As at 30 June 2026	-	-	-	-	-
Accumulated Depreciation					
As at 1 July 2025 Current Year	-	-	-	-	-
Charge for the year	-	-	-	-	-
Elimination on Disposal/Transfer out	-	-	-	-	-
As at 30 June 2026	-	-	-	-	-
NBV As at 30 June 2026	-	-	-	-	-

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Previous FY

	Buildings	Motor Vehicles	Equipment	Others Specify	Total
	Kshs	Kshs	Kshs		Kshs
Cost/Valuation					
As at 1 July 2025 (Previous year)	-	-	-	-	-
Additions in the period	-	-	-		-
Remeasurement/Adjustments		-		-	-
Disposals/Terminations	-	-			
As at 30 June 20xx	-	-	-	-	-
Accumulated Depreciation					
As at 1 July 2025 Previous year	-	-	-	-	-
Charge for the year	-	-	-	-	-
Elimination on Disposal/Transfer out	-	-	-	-	-
As at 30 June 2026	-	-	-	-	-
NBV As at 30 June 2025 Previous year	-	-	-		=

25. Trade and Other Payables

Description	Insert Current FY		Comparative FY	
	Kshs		Kshs	
Trade payables	-		-	
Employee payables	-		-	
<i>Other payables (specify)</i>	-		-	
Total trade and other payables	-		-	
Ageing analysis: (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (tie to above total)	-		-	

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Notes to the financial statements

26. Third-Party Deposits

Description	Insert Current FY		Comparative FY	
	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	Insert Current FY		Comparative FY	
	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 1 st July 202xx	-	-	-	-
Additions	-	-	-	-
Transfers To Performance Statement as Revenue	-	-	-	-
Balance as at 30 th June 20xx	-	-	-	-

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Notes to the financial statements

28. Lease Liability

Description	Insert Current FY	Insert Comparative FY
	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	-

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29. Cash Generated from Operations

Description	2025-2026	2024-2025
	Kshs	Kshs
Surplus/Deficit for the year	117,158,313	1,041,800
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	(55,268,498)	-
Increase/Decrease in deferred income	-	-
Increase /Decrease in payables	-	-
Increase in payments received in advance	-	-
Net cash flow from operating activities	61,889,815	1,041,800

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.

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Notes to the financial statements

Special Deposit Accounts Movement Schedule

Description	Insert Current FY	Comparative FY
	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 who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

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.

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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	Insert Current FY	Comparative FY
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of electricity to the government agencies	-	-
Rent income from the government. Agencies	-	-
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 employees	-	-
Payments for goods and services for	-	-
Total		
d) Key management compensation		
Directors' emoluments	-	-
Compensation to key management	-	-
Total	-	-

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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 Ministry of Devolution. Its ultimate parent is the Government of Kenya.

34. Currency

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

*The Second Kenya Devolution Support Program [KDSP II]
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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	Unmodified Opinion		N/A	
Lawfulness & Effectiveness in the use of Public Resources	N/A	N/A	N/A	
Effectiveness of Internal Controls, Risk Management & Governance	<p>Budgetary Control and Performance</p> <p>The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.47,500,000 and Kshs.10,000,000 respectively resulting to under-funding of Kshs.37,500,000 or approximately 79% of the budget. The under-funding affected the planned activities and may have impacted negatively on service delivery to the public.</p>	<p>The under-funding of Kshs.37,500,000 was occasioned by the non-remittance of the World Bank Institutional Grant funds that had been budgeted for under KDSP II Level 1 during the year under review. The County Government had met the necessary requirements; however, the funds were not released by the National Treasury. Management continues to engage the State Department for Devolution and the</p>	Resolved	

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		National Treasury to ensure the release of the outstanding grant funds.		
	<p>Failure to Open an Operations Bank Account</p> <p>The statement of financial position and as disclosed in Note 17 to the financial statements reflect cash and cash equivalents balance of Kshs.1,041,800. The funds were disbursed by The National Treasury to the County Revenue Fund (CRF) and subsequently transferred to the Special Purpose Account (SPA). However, no further transfer was made since Management had not opened an operational account contrary to the Project Operational Manual.</p>	<p>The State Department for Devolution issued an advisory on the implementation of KDSP II which directed Counties to operate the Special Purpose Account (SPA) for program implementation. Based on this guidance, the County utilized the SPA. Management is now complying with updated implementation guidance on opening and operationalizing the Operational Account. A copy of the advisory letter is attached. (<i>Annex I</i>).</p>	Resolved	

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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.

Joshua Mepukoni

Name

Chief Officer

Winfred Eniko

Name

Project Coordinator

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Annex 2: Reconciliation of inter-entity transfers

Project Name:				
Break down of transfers from the State Department of Devolution				
a.	Government Counterpart funding			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			10,000,000	
		Carryover 2024/2025	1,041,800	2024/2025
		Total	11,041,800	2025/2026
B.	Direct payments			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			7,571,920	
		Total	7,571,920	2025/2026
C.	Others			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		Total	-	
		Total (A+B+C)	18,613,720	2025/2026

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

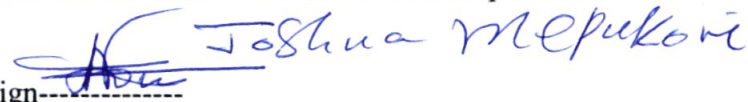
Project Coordinator
 KDSP II entity

Sign -----



Chief officer Public Service&Citizen 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 Reconciliations statement as at 30th June 2026
- iii. Board of Survey Report
- iv. Special Deposit Account(s) reconciliation statement(s)