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REPORT

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OF

THE AUDITOR-GENERAL

ON

MANDERA COUNTY CLIMATE CHANGE FUND

FOR THE YEAR ENDED
30 JUNE, 2026

OFFICE OF THE AUDITOR GENERAL
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MANDERA COUNTY CLIMATE CHANGE FUND

(Mandera County Government)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2026

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

Table of Contents

1. Acronyms and Definition of Key Terms....iii
2. Who We Are — Key Entity Information and Management....iv
3. Board/Fund Chairperson's Report....viii
4. Report of the Fund Administrator....x
5. Statement of Performance Against the County Fund's Predetermined Objectives....xii
6. Corporate Governance Statement....xv
7. Financial Performance Overview....xix
8. Environmental and Sustainability Reporting....xxiii
9. Report of the Trustees....xxv
10. Statement of Management's Responsibilities....xxvi
11. Report of the Auditor-General on the Financial Statements....xxviii
12. Statement of Financial Performance for the Year Ended 30 June 2026....1
13. Statement of Financial Position as at 30 June 2026....2
14. Statement of Changes in Net Assets for the Year Ended 30 June 2026....4
15. Statement of Cash Flows for the Year Ended 30 June 2026....5
16. Statement of Comparison of Budget and Actual Amounts for the Period 2025/2026....6
17. Notes to the Financial Statements....8
18. Annexes....24

1. Acronyms and Definition of Key Terms

Acronyms

CBK	Central Bank of Kenya
CCCF	County Climate Change Fund
CECM	County Executive Committee Member
CIDP	County Integrated Development Plan
CRF	County Revenue Fund
FLLoCA	Financing Locally-Led Climate Action Programme
FY	Financial Year
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
Kshs.	Kenya Shillings
M&E	Monitoring and Evaluation
OAG	Office of the Auditor-General
PFM Act	Public Finance Management Act, 2012
PSASB	Public Sector Accounting Standards Board
PWD	Persons With Disabilities
SDG	Sustainable Development Goals
WCCPC	Ward Climate Change Planning Committee

Definition of Key Terms

Fiduciary Management — Members of management directly entrusted with the responsibility of the financial resources of the organization.

Comparative Year — The prior reporting period, being the financial year ended 30 June 2025.

Certified Works — Expenditure on short-term third-party civil works projects (for example community boreholes, water pans, flood control structures and greening works) certified by the responsible technical officer as executed during the reporting period.

Revenue Transfers — Amounts transferred to the Fund from the County Government of Mandera (unconditional) and from the FLLoCA Programme (conditional).

Third-Party Deposits — Monies held by the Fund on behalf of third parties, principally contractors' retention monies, which do not form part of the Fund's own resources.

2. Who We Are — Key Entity Information and Management

a) Background Information

The Mandera County Climate Change Fund is established by, and derives its authority and accountability from, the Mandera County Climate Change Fund Act, 2021, which came into force on 22nd April 2021. The Fund is wholly owned by the County Government of Mandera and is domiciled in Kenya.

The objective of the Fund is to support community-initiated climate change adaptation and mitigation projects that enhance community resilience to the vagaries of climate change, and to provide a dedicated, ring-fenced mechanism through which climate finance is mobilized, allocated and accounted for within Mandera County.

The Fund is the County's designated recipient and accounting vehicle for grants under the Financing Locally-Led Climate Action (FLLoCA) Programme, a national programme supported by the National Treasury and development partners, which channels climate finance directly to county governments for locally-led adaptation.

b) Principal Activities

The principal activity of the Fund is to facilitate climate finance in the County through:

- Establishing climate finance mechanisms in the County;
- Facilitating the mainstreaming of climate change adaptation and mitigation into the county planning and budgetary framework;
- Seeking and receiving grants from international sources, the National Government, the County Government and other organisations;
- Initiating and coordinating climate change adaptation and mitigation frameworks at the community level in the County;
- Facilitating community-initiated climate change adaptation and mitigation activities in the County; and
- Co-ordinating support from the National Government climate change policy and legislative framework.

c) Vision and Mission

Vision: A climate-resilient Mandera County in which communities are able to anticipate, absorb and adapt to climate shocks without loss of livelihood.

Mission: To mobilise, allocate and account for climate finance in a transparent, participatory and equitable manner that places affected communities at the centre of investment decisions.

d) Assurance and Audit

The Fund applies a combined assurance model to enhance the reliability of this report. Assurance is provided through:

- Management reviews performed by the Fund Administrator and the Directorate of Accounting Services;
- Internal audit assessments carried out by the County Directorate of Internal Audit and reported to the County Audit Committee;
- Oversight by the County Climate Change Planning Board and the County Assembly of Mandera through its Environment Committee and its Budget and Appropriation Committee; and
- External audit of these financial statements by the Office of the Auditor-General pursuant to Article 229 of the Constitution of Kenya and the Public Audit Act, 2015.

Compliance and governance reviews are undertaken to confirm adherence to applicable laws, regulations and governance standards. The Board has applied its collective judgement to this report and confirms that it provides a balanced and accurate reflection of the Fund's performance, strategy and value-creation approach.

e) Board of Trustees / Fund Administration Committee

Ref	Name	Position
1	Dr. Mohamud Adan Eda	Chairperson
2	Ibrahim Adan	Member
3	Sahara Adow Adan	Member / Fund Administrator (Secretary)
4	Abdikadir Mohamed Tache	Member
5	Issack Abdi Ali	Member

f) Key Management Team

Ref	Name	Position
1	Dr. Mohamud Adan Eda	CECM — Water, Energy, Environment and Climate Change
2	Ibrahim Adan	CECM — Finance and Economic Planning
3	Abdikadir Mohamed Tache	Chief Officer — Accounting and Financial Services
4	Sahara Adow Adan	Chief Officer — Environment and Climate Change / Fund Administrator
5	Issack Abdi Ali	County Director — Climate Change and FLLoCA Co-ordinator
6	Hassan Mohamed Abdow	Director — Accounting Services

g) Fiduciary Oversight Arrangements

During the year under review, the Fund's management and operations were supported by a number of institutions established within the County to provide an oversight role and ensure prudent management of public resources. The key fiduciary oversight bodies for the year ended 30 June 2026 were:

SN	Oversight body	Name
1	Directorate of Internal Audit	Abdinur Edow
2	County Assembly of Mandera — Environment Committee	Mahdi Haji Rashid
3	County Assembly of Mandera — Budget and Appropriation Committee	Adan Maalim Mohamed

h) Registered Offices

County Climate Change Unit
County Government of Mandera
P.O. Box 13-70300
Mandera–Isiolo Road
MANDERA, KENYA

i) Fund Contacts

E-mail: climatechange@mandera.go.ke
Website: www.mandera.go.ke

j) Fund Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000, City Square 00200
Nairobi, Kenya
Account Number: 1000504951

k) Independent Auditors

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

l) Principal Legal Adviser

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

m) County Attorney

Office of the Governor
County Headquarters Building
Mandera–Isiolo Road
P.O. Box 13-70300
Mandera, Kenya.

3. Board/Fund Chairperson's Report

Section 111 of the Public Finance Management Act, 2012 grants powers to the County Executive Committee Member for Finance to establish and administer a County Government Climate Change Fund in accordance with a framework and criteria approved by the County Assembly. It is within this legal framework, and under the Mandera County Climate Change Fund Act, 2021, that this Fund continues to operate.

Changes in the Fund during the year

The Fund is managed by the Fund Administrator under the direction of the County Climate Change Planning Board. There were no changes in the composition of the Board of Trustees or in the key management team of the Fund during the year under review.

Review of the Fund's performance

The financial year 2025/2026 was, without question, the Fund's strongest year of delivery since its establishment. The County Government of Mandera allocated Kshs. 129,500,000 as co-funding to the Fund, and the Fund recognized conditional grants of Kshs. 187,567,354 committed under the FLLoCA Programme for the year, bringing total revenue for the year to Kshs. 317,067,354. This compares with total revenue of Kshs. 23,507,428 in the prior year and represents a thirteen-fold increase in the resources mobilized by the Fund.

More significantly, the Fund moved decisively from resource accumulation into resource deployment. Total expenditure for the year amounted to Kshs. 311,289,005, of which Kshs. 236,001,264 — some 76 per cent — was applied directly to certified civil works on the ground. The Fund closed the year with a surplus of Kshs. 5,778,349 and net assets of Kshs. 28,000,505, having reversed the deficit of Kshs. 264,225,591 reported in the prior year, which had arisen from the release of resources accumulated in earlier periods.

Against a final approved budget of Kshs. 429,446,392, the Fund realized receipts of Kshs. 305,574,277 (71 per cent) and incurred expenditure of Kshs. 261,022,878 on a cash basis (61 per cent). While this represents a marked improvement in absorption, the Board is not satisfied that it is sufficient, and the reasons for the shortfall are addressed in the Fund Administrator's report and in the budget notes to these financial statements.

Future outlook of the Fund

The Fund is expected to continue growing as Mandera County strengthens its partnerships with national and international climate financing entities. By leveraging additional resources through FLLoCA and other climate finance windows, the County intends to scale up investment in sustainable projects that build climate resilience across the water, agriculture and environment sectors. Priority in the coming period will be placed on early commencement of works within the financial year, on completing the projects carried into 2026/2027, and on strengthening the technical capacity of Ward Climate Change Planning Committees so that project preparation ceases to be the binding constraint on absorption.

Conclusion

On behalf of the Board, I record my appreciation to the National Treasury and the FLLoCA Programme, to His Excellency the Governor and the County Assembly of Mandera, to the Ward Climate Change Planning Committees in all thirty wards, and to the staff of the Fund for their commitment during the year.

Signed: .....

Dr. Mohamud Adan Eda

CHAIRPERSON, COUNTY CLIMATE CHANGE PLANNING BOARD

CECM — Water, Energy, Environment, Natural Resources and Climate Change

Date: 29/08/2026

4. Report of the Fund Administrator

The Mandera County Climate Change Fund operates under the authority of the Mandera County Climate Change Fund Act, 2021. The Fund is managed through a three-tier committee structure comprising the County Climate Change Planning Board, the County Climate Change Steering Committee, and Ward Climate Change Planning Committees established in all thirty wards of Mandera County. The Ward Committees identify and prioritise climate change projects and submit them to the Steering Committee, which appraises their technical merit and forwards them to the Board for approval and resource allocation.

Budget performance against actual amounts

The Fund's approved budget for the year comprised an original budget of Kshs. 393,446,392, increased by supplementary appropriation of Kshs. 36,000,000 to a final budget of Kshs. 429,446,392. Performance against that budget was as follows:

Item	Final budget	Actual (cash)	Variance	Utilisation
Receipts — revenue transfers	429,446,392	305,574,277	123,872,115	71%
Payments — use of goods and services	132,182,645	75,287,741	56,894,904	57%
Payments — certified works	297,263,747	185,735,137	111,528,610	62%
Total payments	**429,446,392**	**261,022,878**	**168,423,514**	**61%**

Physical progress and programme delivery

Works certified during the year amounted to Kshs. 236,001,264, of which Kshs. 156,336,460 was settled in cash by 30 June 2026. Trade payables of Kshs. 76,942,715 and contractors' retention of Kshs. 2,722,089 remained outstanding at the reporting date. Total payments to contractors during the year were Kshs. 204,417,423, including Kshs. 48,080,964 settling obligations brought forward from 2024/2025. These investments were concentrated in water resource management, flood control and ecosystem restoration, being the three areas that the Ward Committees identified as the most binding constraints on community resilience in the County.

A further Kshs. 75,287,741 was applied to programme operations, of which Kshs. 56,796,115 related to specialised materials and services supporting project implementation, and Kshs. 8,463,700 to the domestic travel and subsistence required to reach project sites across a county of approximately 26,000 square kilometres. Expenditure on general office supplies fell from Kshs. 10,628,802 to Kshs. 3,678,320, a reduction of 65 per cent, reflecting the deliberate shift of resources away from administration and towards field delivery.

Value for money

The ratio of development expenditure to total expenditure improved materially during the year. Certified works represented 66 per cent of total expenditure in 2025/2026, compared with the prior year in which no expenditure was classified as certified works and the bulk of outflow took the form of transfers. The Fund also reduced its administrative footprint in absolute terms while

tripling total expenditure, which the Fund Administrator considers to be the clearest available indicator of improving value for money.

Implementation challenges

Three constraints limited absorption during the year. First, disbursements from the National Treasury to the County Revenue Fund were received late in the financial year, which compressed the period available for procurement and execution; at 30 June 2026 an amount of Kshs. 28,000,505 remained outstanding from the FLLoCA Programme and is recognised as a receivable. Second, mandatory preparatory processes, including environmental impact assessments, surveys and public participation, extended project lead times. Third, the security situation and the condition of access roads in parts of the County restricted contractor mobilisation during the rainy season.

Future outlook

The Fund enters 2026/2027 with cash and cash equivalents of Kshs. 79,664,804 and a receivable of Kshs. 28,000,505. The Fund's cash resources are, however, fully committed: trade payables of Kshs. 76,942,715 were outstanding at year end against final payment certificates and invoices already received, and a further Kshs. 2,722,089 is held as contractors' retention. Priority will be given to settling those certificates, recovering the FLLoCA balance outstanding, and front-loading procurement so that certification and payment are not concentrated in the final quarter.

Key risk management strategies

The principal risks facing the Fund are the timing risk attached to exchequer releases, the execution risk attached to contractor performance in a difficult operating environment, and the fiduciary risk inherent in community-level disbursement. These are managed respectively through cash-flow forecasting and the maintenance of a working liquidity buffer; through the certification regime under which no payment is released without technical certification of works executed; and through the three-tier committee structure, which separates project identification, technical appraisal and resource allocation between different bodies.

Signed: .....

SAHARA ADOW ADAN

FUND ADMINISTRATOR

Date: 29/08/2026

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

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer, when preparing the financial statements of a County Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board, includes a statement of the entity's performance against predetermined objectives.

The County Government of Mandera prepared the County Integrated Development Plan (CIDP) 2023–2027, which is the county development blueprint for the five-year plan period. Implementation of programmes and projects is tracked through field inspection reports, quarterly monitoring and evaluation reports and annual monitoring and evaluation reports, and is reported through County Annual Progress Reports.

Key development objectives of the Fund

The key development objectives of the Fund, as derived from the CIDP 2023–2027 and the Mandera County Climate Change Fund Act, 2021, are to:

- Stabilise greenhouse gas concentrations at a level that would prevent dangerous human-induced interference with the climate system;
- Promote and support innovative adaptation options that address climatic risks along the livestock, agricultural input and water value chains;
- Harness renewable energy resources, particularly solar and wind;
- Increase forest cover through afforestation and agroforestry; and
- Strengthen community resilience to drought and flood through investment in water security and flood control infrastructure.

Progress on attainment of strategic development objectives

Programme	Objective	Outcome	Indicator	Performance in FY 2025/2026
Water security and drought resilience	Improve reliability of water supply to communities and livestock	Increased number of functional and climate-proofed water sources	Value of water infrastructure constructed and rehabilitated	Certified works of Kshs. 236,001,264 executed, of which Kshs. 156,336,460 related to works certified and settled within the year; total payments to contractors of Kshs. 204,417,423 included Kshs. 48,080,964 settling balances brought forward from 2024/2025
Flood control and river-bank protection	Reduce loss of life, livestock and farmland from perennial flooding	Reduced flood damage along the Daua River and in flood-prone wards	Flood control structures constructed	Works implemented within the certified works programme; ward-level output data to be confirmed by the County Directorate of Water
Ecosystem restoration and greening	Increase vegetation cover and restore degraded ecosystems	Increased tree cover and rehabilitated public green spaces	Restoration and greening works undertaken	Continued from the prior year within the certified works programme

Programme	Objective	Outcome	Indicator	Performance in FY 2025/2026
Climate finance mobilisation	Mobilise and account for climate finance for the County	Growth in resources available for locally-led climate action	Total revenue mobilised	Kshs. 317,067,354 mobilised (2024/2025: Kshs. 23,507,428), an increase of 1,249%
Fund operationalisation and governance	Operationalise the Fund and its three-tier governance structure	Functional Board, Steering Committee and 30 Ward Committees	Proportion of expenditure applied to development	66% of total expenditure applied to certified works (2024/2025: nil)

6. Corporate Governance Statement

Part A: Board of Trustees / Fund Administration Committee

Photograph	Name and position	Qualifications, experience and status
	**Dr. Mohamud Adan Eda** Chairperson CECM - Water, Energy, Environment, Natural Resources and Climate Change MBChB (Executive trustee)	An anaesthesiologist by profession. Holds an MBChB from Kampala International University - Western Campus. Previously served as a doctor and anaesthesiology course co-ordinator and lecturer for clinical officer anaesthetists at Coast General Hospital, Mombasa, and in various rural hospitals in Kenya. Prior to his transfer to this docket by H.E. the Governor, he served as CECM for Health Services.
	**Ibrahim Adan** Member CECM - Finance and Economic Planning B.Com (Executive trustee)	Holds a Bachelor of Commerce from the University of Nairobi. Previously served with the Office of the Controller of Budget as Mandera County Co-ordinator.
	**Sahara Adow Adan** Member and Secretary Chief Officer - Environment and Climate Change / Fund Administrator BSc Health Management Systems (Executive trustee)	Holds a degree in Health Management Systems. Twenty-four years' service in the public service.
	**Abdikadir Mohamed Tache** Member Chief Officer - Accounting and Financial Services MBA (Executive trustee)	Holds a Master's degree in Business Administration. An accomplished financial management professional with over twenty years' experience gained in the banking industry, skilled in budgeting, financial risk, customer service and managerial finance.

Photograph	Name and position	Qualifications, experience and status
	**Issack Abdi Ali** Member County Director - Climate Change and FLLoCA Co-ordinator BSc Environmental Conservation and Natural Resource Management (Executive trustee)	County Director of Climate Change and Co-ordinator of FLLoCA Programmes. Educational background in environmental conservation and natural resource management. Nine years' experience in environment and natural resource management.

All members of the Board of Trustees are executive trustees, being public officers of the County Government of Mandera who serve on the Board by virtue of the offices they hold. The Fund has no independent trustees. The Fund Administrator serves as Secretary to the Board.

Part B: Management Profile

Photograph	Name and credentials	Primary area of responsibility
	**Dr. Mohamud Adan Eda** MBChB	CECM - Water, Energy, Environment, Natural Resources and Climate Change; overall policy direction of the Fund
	**Ibrahim Adan** B.Com	CECM - Finance and Economic Planning; county treasury oversight of the Fund
	**Abdikadir Mohamed Tache** MBA	Chief Officer - Accounting and Financial Services; accounting and financial management

Photograph	Name and credentials	Primary area of responsibility
	**Sahara Adow Adan** BSc Health Management Systems	Chief Officer - Environment and Climate Change and Fund Administrator; overall responsibility for the operations of the Fund and programme oversight
	**Issack Abdi Ali** BSc Environmental Conservation and Natural Resource Management	County Director - Climate Change; co-ordination of FLLoCA programmes
	Hassan Mohamed Abdow B.Com (Finance), University of Nairobi	Director - Accounting Services; ten years' experience in accounting and finance

The Fund Administrator features under both the Board and Management sections, reflecting his role at both the governance and the operational level.

Part C: Governance Arrangements

Composition and appointment

The Fund is governed through a three-tier structure established under the Mandera County Climate Change Fund Act, 2021: the County Climate Change Planning Board, which approves projects and allocates resources; the County Climate Change Steering Committee, which appraises the technical merit of proposals; and thirty Ward Climate Change Planning Committees, which identify and prioritise projects at community level. Members of the Board are appointed by virtue of the offices they hold within the County Government, and removal follows the same basis.

Roles and functions of the Board

The Board is responsible for approving the Fund's annual work plan and budget, approving projects submitted through the Steering Committee, allocating resources between wards and sectors, overseeing the performance of the Fund Administrator, and reporting to the County Executive Committee and the County Assembly.

Board meetings and attendance

The Board convened during the year to consider and approve the annual work plan, the ward project lists forwarded by the Steering Committee and the quarterly implementation reports. A schedule of the meetings held during the year and of attendance by each member is maintained by the Fund Administrator and should be inserted here before the statements are signed.

Conflicts of interest, ethics and conduct

Members of the Board and staff of the Fund are bound by Chapter Six of the Constitution of Kenya, the Leadership and Integrity Act, 2012 and the Public Officer Ethics Act, 2003. Members are required to declare any interest in a matter before the Board and to recuse themselves from the related deliberation. No conflict of interest requiring disclosure in these financial statements arose during the year.

Board remuneration

Members of the Board are public officers of the County Government of Mandera and are not remunerated by the Fund in respect of their service on the Board. No employee costs were incurred by the Fund during the year (2024/2025: nil).

Communication and public participation

Project identification is undertaken through public participation at ward level, and the resulting ward project lists are published. The Fund reports on implementation through quarterly reports to the Board and through the County Annual Progress Report.

Statement of compliance with laws and regulations

The Fund has, to the best of the knowledge of the Board and management, complied in all material respects with the Constitution of Kenya, the Public Finance Management Act, 2012 and its Regulations, the Public Procurement and Asset Disposal Act, 2015, and the Mandera County Climate Change Fund Act, 2021, during the year under review.

7. Financial Performance Overview

1. Revenue

Total revenue for the year ended 30 June 2026 amounted to Kshs. 317,067,354, comprising unconditional transfers of Kshs. 129,500,000 from the County Government of Mandera and conditional transfers of Kshs. 187,567,354 committed under the FLLoCA Programme for the year. All revenue of the Fund arises from non-exchange transactions. The Fund earned no interest income during the year, notwithstanding the cash balances held, because the Fund's account at the Central Bank of Kenya is a non-interest-bearing exchequer account.

2. Expenditure

Total expenditure for the year amounted to Kshs. 311,289,005, against Kshs. 287,733,019 in the prior year. Although the aggregate is broadly comparable, the composition changed fundamentally:

Expenditure by nature	2025/2026	%	2024/2025	%
Certified works (development)	236,001,264	75.8%	-	-
Use of goods and services (operations)	75,287,741	24.2%	32,779,983	11.4%
Other transfers, subsidies and grants	-	-	254,953,036	88.6%
Total expenditure	**311,289,005**	**100.0%**	**287,733,019**	**100.0%**

In the prior year, 88.6 per cent of expenditure took the form of transfers and grants to third parties, with no expenditure recognised as certified works. In the year under review, no transfers or grants were made and 66.4 per cent of expenditure was applied to certified civil works executed and certified within the County. This shift from grant-making to direct works execution is the single most important change in the Fund's operating profile during the year, and it improves both the traceability of expenditure and the Fund's ability to demonstrate physical delivery.

Within use of goods and services, specialized materials and services of Kshs. 56,796,115 (75 per cent of the category) relate to project implementation inputs rather than administration. Expenditure of a purely administrative character — general office supplies, travel, fuel and routine vehicle maintenance — totalled Kshs. 15,787,672, representing 5.1 per cent of total expenditure, down from Kshs. 29,689,983 and 10.3 per cent in the prior year.

3. Revenue and Expenditure Against Budget Estimates

Against a final budget of Kshs. 429,446,392, the Fund realized receipts of Kshs. 305,574,277 (71 per cent) and incurred cash expenditure of Kshs. 261,022,878 (61 per cent).

Revenue variance. The shortfall of revenue arises principally from the late release of exchequer funds. Of the FLLoCA grant recognised as revenue in the year, Kshs. 28,000,505 had not been received in cash at 30 June 2026 and is carried as a receivable. The balance of the variance represents budgeted transfers that were not disbursed within the financial year.

Expenditure variance. Utilisation of the certified works budget stood at 62 per cent, against 71 per cent for use of goods and services. The under-absorption on certified works follows directly from the revenue timing constraint and from the lead time required to complete environmental impact assessments, surveys and public participation before works can commence. The supplementary appropriation of Kshs. 36,000,000, applied wholly to certified works, was approved late in the year and could not be fully executed within the remaining period.

4. Assets of the Fund

Total assets at 30 June 2026 stood at Kshs. 107,665,309, comprising cash and cash equivalents of Kshs. 79,664,804 held at the Central Bank of Kenya and receivables from non-exchange transactions of Kshs. 28,000,505 due from the FLLoCA Programme. This compares with total assets of Kshs. 70,303,119 at 30 June 2025, an increase of 53 per cent. The Fund held no property, plant and equipment, intangible assets or inventories at either reporting date; all capital works undertaken by the Fund are executed on behalf of, and vest in, the communities and County departments for which they are constructed, and are accordingly expensed as certified works.

5. Liabilities of the Fund

Total liabilities at 30 June 2026 stood at Kshs. 79,664,804, comprising trade payables of Kshs. 76,942,715 in respect of certified works and services delivered but not paid at the reporting date, and contractors' retention of Kshs. 2,722,089 held as a third-party deposit. This compares with Kshs. 48,080,963 at 30 June 2025, which comprised trade payables of Kshs. 26,676,588 and contractors' retention of Kshs. 21,404,375. Retention of Kshs. 18,682,286 was refunded to contractors during the year on the expiry of the relevant defects liability periods. All liabilities fall due within one year.

6. Multi-Year Financial Performance

Kshs.	2025/2026	2024/2025	2023/2024	Trend
Total revenue	317,067,354	23,507,428	331,682,231	Recovery
Total expenditure	311,289,005	287,733,019	45,234,484	Sustained
Surplus/(deficit)	5,778,349	(264,225,591)	286,447,747	Restored
Cash and cash equivalents	79,664,804	53,795,691	286,447,747	Rebuilding
Net assets	28,000,505	22,222,156	286,447,747	Rebuilding
Development spends as % of total	76%	-	-	Improving

The three-year pattern reflects the Fund's establishment cycle. In 2023/2024 the Fund received substantial resources but had not yet built the pipeline to deploy them, closing with net assets of Kshs. 286,447,747. In 2024/2025 those accumulated resources were released, producing a large accounting deficit. In 2025/2026 the Fund achieved, for the first time, both substantial revenue mobilization and substantial direct delivery in the same period, returning a surplus and rebuilding net assets to Kshs. 28,000,505.

7. Key Projects and Investment Decisions

The Fund's investments during the year were directed to water security, flood control and ecosystem restoration, delivered as certified civil works of Kshs. 236,001,264. A project-level schedule is presented at Annex III. The Fund made no financial investments and holds no investment property; its resources are held in cash pending application to approved projects.

8. Risk Analysis and Statutory Compliance

The major risks facing the Fund are set out below, together with the mitigation applied:

Risk	Description	Mitigation
Funding and liquidity risk	Late or partial release of exchequer funds compresses the execution window and creates receivables at year end	Cash-flow forecasting; maintenance of a working liquidity buffer; early engagement with the County Treasury and the FLLoCA Programme
Execution risk	Contractor non-performance, insecurity and impassable access roads delay works	Certification regime under which no payment is released without technical certification; phased contracting; scheduling of works outside the rainy season
Fiduciary risk	Community-level disbursement carries an inherent risk of misapplication	Separation of project identification, technical appraisal and resource allocation between three distinct bodies; internal audit review; external audit by the Auditor-General
Absorption risk	Persistent under-utilisation of the approved budget	Front-loading of procurement; strengthening of technical capacity at Ward Committee level to shorten project preparation lead times

There were no material arrears in statutory or other financial obligations at 30 June 2026. The Fund incurred no employee costs and accordingly had no statutory deductions outstanding.

9. Economic and Sector Outlook

Mandera County lies within Kenya's arid and semi-arid lands and is exposed to recurrent drought and to flash flooding along the Daua River. The economic base is predominantly pastoral, which makes household income directly sensitive to rainfall variability. Climate finance is therefore not a peripheral concern for the County but a determinant of its economic stability.

The FLLoCA Programme is expected to continue as the principal channel for locally-led climate finance to counties over the medium term, with disbursement conditioned on fiduciary performance and on the demonstrated capacity to deliver. The Fund's improved absorption and its

shift towards direct works execution position it to compete for a growing share of that window. The County's own co-funding, which rose eighteen-fold during the year, provides a measure of insulation against variability in national disbursement.

8. Environmental and Sustainability Reporting

Sustainability strategy, risk management and profile

The Fund's development agenda is informed by the need to expand sustainable development opportunities and to build the capacity of communities to create wealth and transform their livelihoods. The Fund's work is aligned to Sustainable Development Goal 13 (Climate Action), Goal 6 (Clean Water and Sanitation) and Goal 15 (Life on Land), and to Kenya's National Climate Change Action Plan and the Climate Change Act, 2016 as amended.

The Fund's sustainability priority during the year was to shift from grant-making to direct investment in climate-resilient infrastructure, on the basis that durable physical assets deliver adaptation benefits over a longer horizon than transfers. The principal shortcoming during the period was the under-utilisation of the approved budget, addressed through the mitigation measures set out in the Financial Performance Overview.

Environmental performance

Environment is one of the key thematic areas of the County's CIDP 2023–2027. The Fund requires that every project financed from its resources is subjected to environmental screening and, where required by the Environmental Management and Co-ordination Act, to an environmental impact assessment approved by the National Environment Management Authority before works commence. The completion of these assessments was one of the causes of the extended project lead times reported during the year; the Fund regards this as a necessary cost of environmental compliance rather than an inefficiency to be eliminated.

Investments during the year were directed to interventions with a direct environmental benefit: water source protection and rehabilitation, flood control structures that reduce soil erosion and farmland loss, river-bank stabilization, and greening and ecosystem restoration works.

Employee welfare

The Fund does not employ staff directly; its operations are discharged by officers of the County Government of Mandera seconded to the County Climate Change Unit, and no employee costs were incurred during the year. Those officers are subject to the County's human resource policies, which observe the two-thirds gender principle and the inclusion of persons with disabilities in recruitment, place senior staff on performance contracts and junior staff under the performance appraisal system, and provide medical cover on the terms set by the Salaries and Remuneration Commission. The County complies with the Occupational Safety and Health Act, 2007. No work-related injuries were reported in connection with the Fund's activities during the year.

Marketplace practices and responsible competition

The Fund procures works and services through open competitive tendering under the Public Procurement and Asset Disposal Act, 2015, including the reservation of a proportion of procurement for youth, women and persons with disabilities under the Access to Government Procurement Opportunities programme. The Fund maintains a corruption-reporting mechanism and observes the anti-corruption requirements of Chapter Six of the Constitution.

Responsible supply chain and supplier relations

The Fund honours its contractual obligations to contractors and suppliers and applies the certification regime consistently, so that certified works are settled in the ordinary course. At 30 June 2026 trade payables of Kshs. 76,942,715 were outstanding on twelve projects, all falling due within one year and supported by final payment certificates and invoices received. Contractors' retention of Kshs. 2,722,089 was held at the same date, retention of Kshs. 18,682,286 having been refunded during the year on the expiry of the relevant defects liability periods.

Responsible engagement with citizens

Project identification begins at ward level through the thirty Ward Climate Change Planning Committees, which conduct public participation to identify and prioritizes community climate priorities. This structure ensures that investment decisions originate with the communities that bear the climate risk rather than being determined centrally, and it is the defining feature of the locally-led model that the Fund exists to implement.

Corporate social responsibility and community engagement

The Fund's entire programme is, by design, a community investment programme: the certified works executed during the year — water sources, flood control structures and restored ecosystems — are constructed for and handed over to the communities that identified them. Beyond the works themselves, the Fund supports community capacity-building in climate-smart agriculture, water management and environmental conservation, and supports the operation of the Ward Climate Change Planning Committees as a permanent channel for community voice in county investment decisions.

9. Report of the Trustees

The Trustees submit their report together with the audited financial statements for the year ended 30 June 2026, which show the state of the Fund's affairs.

Principal activities

The principal activities of the Fund continue to be:

- Funding community-led projects — financing locally-driven climate adaptation and mitigation projects that address specific community needs and vulnerabilities;
- Capacity building — providing training and resources to build local capacity for climate resilience, including in climate-smart agriculture, water management and environmental conservation;
- Climate risk assessment — supporting the assessment and identification of climate risks and vulnerabilities within communities to inform targeted interventions;
- Sustainable resource management — investing in reforestation, soil conservation and water conservation projects to mitigate the impacts of climate change;
- Monitoring and evaluation — maintaining a system for monitoring and evaluating funded projects to ensure effectiveness and sustainability; and
- Leveraging additional funding — attracting further resources from government, international donors and private entities to expand the reach of climate resilience initiatives.

Results

The Fund recorded a surplus of Kshs. 5,778,349 for the year ended 30 June 2026 (2024/2025: deficit of Kshs. 264,225,591). The results of the Fund for the year are set out on page 1.

Trustees

The members of the Board of Trustees who served during the year are shown in the Corporate Governance Statement. There were no changes in the Board during the financial year.

Auditors

The Auditor-General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act, 2015.

By Order of the Board

.....

Chairperson of the Board / Fund Administration Committee

Date: .....29/08/2026.....

10. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by the Mandera County Climate Change Fund Act, 2021 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on 30 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 Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the Public Finance Management Act, 2012 and the Mandera County Climate Change Fund Act, 2021. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of the Fund's transactions during the financial year ended 30 June 2026, and of the Fund's financial position as at that date. The Administrator further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements, as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Board on 29/08/2026 2026 and signed on its behalf by:

.....

Name: Sahara Adow Adan
Administrator of the County Public Fund

Date: 29/08/2026

.....

Name: Jabir. M. Tache
Fund Accountant
ICPAK Member Number:31856

Date: 29/08/2026

REPUBLIC OF KENYA

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REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON MANDERA COUNTY CLIMATE CHANGE FUND FOR THE YEAR ENDED 30 JUNE, 2026

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 transitional IPSAS financial statements of Mandera County Climate Change Fund set out on pages 1 to 27 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 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 transitional IPSAS financial statements present fairly, in all material respects, the financial position of Mandera County Climate Change Fund 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 including the transitional provisions permitted under IPSAS 33, Mandera County Climate Change Fund Act, 2021 and the Public Finance Management Act, Cap.412A and The National Treasury and Economic Planning Circular no.3 of 14 April, 2025.

Basis for Opinion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of Mandera County Climate Change Fund Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

The statement of comparison of budgeted and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.429,446,392 and Kshs.305,574,277 respectively, resulting in under-funding of Kshs.123,872,115 or 71 % of the budget. Similarly, the Fund spent Kshs.261,022,878 against actual receipts of Kshs.305,574,277 resulting in an under-utilization of Kshs.44,551,399 or 14.6%.

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

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Fund in 2025/2026 revealed that the following five (5) issues remained unresolved:

No.	Financial Year	Audit Issue
1	2024/2025	Budgetary Control and Performance
2	2024/2025	Absence of Regulations to Operationalize the Mandera County Climate Change Act, 2021
3	2024/2025	Failure to Provide Climate Finance Framework
4	2024/2025	Non-compliance with the Requirement of Access to Government Procurement Opportunities
5	2024/2025	Weaknesses in Imprest Management.

Other Information

Management is responsible for the Other Information set out on page iv to xxvii which comprise of Who We Are, Fund Chairman's Report, Report of the Fund Administrator, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Financial Performance Overview, Environmental and Sustainability Reporting, Report of the Committee and Statement of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

Conclusion

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 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

Failure to Enact Climate Fund Regulations

The Mandera County Climate Change Fund Act, 2021 required the enactment of regulations prescribing the procedures to be followed in the execution of the Functions of the Fund. However, Mandera County Climate Change Act, 2021 was operational while the enabling regulations are still in draft form and have not been approved by the County Executive and the County Assembly.

In the circumstances, the fund is not adhering to the requirements of the enabling legislation and therefore the effectiveness of the operations of the fund could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

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 control, 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 the Fund Administration Committee

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards -Accrual Basis and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

The Fund Administration Committee is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, Cap.412B and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, Cap.412B. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, Cap.412B.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/. This description forms part of my auditor's report.

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

24 September, 2026

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

	Notes	2025/2026	2024/2025
		Kshs	Kshs
Revenue			
Revenue Transfers	6	317,067,354	23,507,428
Miscellaneous Revenue	7	-	-
Total revenue		317,067,354	23,507,428
Expenses			
Employee costs	8	-	-
Use of goods and services	9	75,287,741	32,779,983
Depreciation and amortization expense	10	-	-
Transfer to other Government Entities	11	-	-
Other Transfers/Subsidies/Grants	12	-	254,953,036
Finance Costs	13	-	-
Certified Works	14	236,001,264	-
Total expenses		**311,289,005**	**287,733,019**
Other gains/(losses)			
Gain/Loss on sale of assets	15	-	-
Gain/Loss on foreign exchange transactions	16	-	-
Impairment loss	17	-	-
Surplus/ (deficit)		**5,778,349**	**(264,225,591)**

The accounting policies and explanatory notes set out on pages 9 to 23 form an integral part of these financial statements.

The Fund's financial statements were approved on 29/08 2026 and signed by:

.....
Name: Sahara Adow Adan
Administrator of the Fund
Date: 29/08/2026

.....
Name: Jabir. M. Tache
Fund Accountant
ICPAK Member Number: 31856
Date: 29/08/2026

13. Statement of Financial Position as at 30 June 2026

	Note	2025/2026	2024/2025
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	18	79,664,804	53,795,691
Receivables	19	28,000,505	16,507,428
Inventories	20	-	-
Prepayment	21	-	-
Total Current Assets		**107,665,309**	**70,303,119**
Non-Current Assets			
Property, Plant and Equipment	22	-	-
Intangible Assets	23	-	-
Right of use assets	24	-	-
Total Non- Current Assets		-	-
Total Assets (a)		**107,665,309**	**70,303,119**
Liabilities			
Current Liabilities			
Trade and Other Payables	25	76,942,715	26,676,588
Third Party Deposits	26	2,722,089	21,404,375
Deferred Income	27	-	-
Current Lease Liabilities	28	-	-
Total Current Liabilities		**79,664,804**	**48,080,963**
Non-Current Liabilities			
Non-current lease liability	28	-	-
Total Non-Current Liabilities		-	-
Total Liabilities (b)		**79,664,804**	**48,080,963**
Net Assets (a-b)		28,000,505	22,222,156
Represented By:			
Accumulated Surplus		28,000,505	22,222,156
Revaluation Reserve		-	-
Total Net Assets		**28,000,505**	**22,222,156**

The accounting policies and explanatory notes set out on pages 9 to 23 form an integral part of these financial statements.

The Fund's financial statements were approved on 29/08 2026 and signed by:

.....

Name: Sahara Adow Adan
Administrator of the Fund

Date: 29/08/2026

.....

Name: Jabir. M. Tache
Fund Accountant
ICPAK Member Number: 31856

Date: 29/08/2026

14. Statement of Changes in Net Assets for the Year Ended 30 June 2026

	Accumulated Surplus	Revaluation Reserve	Total
As At 1st July 2024 *(previous FY)*	**286,447,747**	-	**286,447,747**
Return to Exchequer	-	-	-
Surplus/Deficit for the year	(264,225,591)	-	(264,225,591)
Revaluation Gain	-	-	-
Transfer of excess depreciation on revaluation	-	-	-
Other Changes *(specify)*	-	-	-
As at 30th June 2025	**22,222,156**	-	**22,222,156**
As At 1st July 2025 *(current FY)*	22,222,156	-	22,222,156
Return to Exchequer	-	-	-
Surplus/ deficit for the year	5,778,349	-	5,778,349
Revaluation Gain	-	-	-
Transfer of excess depreciation on revaluation	-	-	-
Add: Recognition of Assets	-	-	-
Other Changes *(specify)*	-	-	-
As at June 30, 2026	**28,000,505**	-	**28,000,505**

Nature and purpose of reserves

The accumulated surplus represents the cumulative net resources of the Fund that have not yet been applied to approved climate change adaptation and mitigation projects. These resources are ring-fenced under the Mandera County Climate Change Fund Act, 2021 and are not required to be returned to the County Revenue Fund at the close of the financial year. The Fund holds no revaluation reserve and operates no revolving fund.

15. Statement of Cash Flows for the Year Ended 30 June 2026

Description	Note	2025/2026	2024/2025
		Kshs	Kshs
Cashflow from operating activities			
Receipts			
Revenue Transfers		305,574,277	7,000,000
Miscellaneous Revenue		-	-
Total receipts		**305,574,277**	**7,000,000**
Payments			
Employee costs		-	-
Use of goods and services		75,287,741	32,778,984
Refund of contractors' retention		18,682,286	-
Other Transfers/Subsidies/Grants		-	206,873,072
Certified Works		185,735,137	-
Total payments		**279,705,164**	**239,652,056**
Net cash flow from operating activities	29	25,869,113	(232,652,056)
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		-	-
Specify the activity		-	-
Net cash flow from financing activities		-	-
Net increase/Decrease in cash and cash equivalents		25,869,113	(232,652,056)
Cash and cash equivalent at 1st July	**18**	**53,795,691**	**286,447,747**
Cash and cash equivalent at end June	**18**	**79,664,804**	**53,795,691**

The Public Sector Accounting Standards Board has prescribed the direct method of cash flow preparation and presentation for all entities reporting under the IPSAS accrual basis of accounting.

16. Statement of Comparison of Budget and Actual Amounts for the Period 2025/2026

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable (cash) Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget Carry Overs from previous periods						
Receipts						
Revenue Transfers	393,446,392	36,000,000	429,446,392	305,574,277	123,872,115	71%
Miscellaneous Revenue	-	-	-	-	-	-
Total Revenue	**393,446,392**	**36,000,000**	**429,446,392**	**305,574,277**	**123,872,115**	**71%**
	-	-	-	-	-	0%
Payments	-	-	-	-	-	0%
Employee costs	-	-	-	-	-	0%
Use of goods and services	132,182,645	-	132,182,645	75,287,741	56,894,904	57%
Transfer to other Government Entities	-	-	-	-		0%
Other Transfers/Subsidies/Grants	-	-	-	-	-	0%
Certified Works	261,263,747	36,000,000	297,263,747	185,735,137	111,528,610	62%
Total Payments	**393,446,392**	**36,000,000**	**429,446,392**	**261,022,878**	**168,423,514**	**61%**
Surplus	-	-	-	**44,551,399**	-	

The Fund's approved budget lapses at year end but surpluses are not required by law to be remitted to the exchequer. The budget above excludes the surplus brought forward from 2024/2025 and excludes third-party funds, being contractors' retention, in accordance with the guidance issued by the Public Sector Accounting Standards Board.

Budget notes

(a) Changes between the original and the final budget. The original budget of Kshs. 393,446,392 was increased by a supplementary appropriation of Kshs. 36,000,000, giving a final budget of Kshs. 429,446,392. The supplementary appropriation was applied in full to the certified works vote, funded by an increase in the expected FLLoCA conditional grant. The adjustment is therefore an increase in appropriation rather than a reallocation between votes. (IPSAS 24.29)

(b) Significant under-utilisation of receipts — 71 per cent. Receipts fell short of the final budget by Kshs. 123,872,115. Of this, Kshs. 28,000,505 represents FLLoCA grant revenue that was recognised in the year but had not been received in cash at 30 June 2026 and is carried as a receivable at Note 19. The remaining balance represents budgeted transfers that were not disbursed within the financial year.

Budget reconciliation

The statement below reconciles the actual amounts on a comparable basis included in the Statement of Comparison of Budget and Actual Amounts to the closing cash and cash equivalents reported in the Statement of Cash Flows.

	Description of particulars	Amount in Kshs.
	Actual surplus as per the Statement of Comparison of Budget and Actual Amounts	**44,551,399**
1	Add: cash and cash equivalents brought forward at 1 July 2025, being the surplus carried over from prior periods, which was not included in the approved budget for the year	53,795,691
2	Less: contractors' retention refunded during the year, being third-party funds executed against the budgets of prior periods and excluded from the actual amounts above	(18,682,286)
	Closing cash and cash equivalents as per the Statement of Cash Flows	**79,664,804**

17. Notes to the Financial Statements

1. General Information

The Mandera County Climate Change Fund is established by, and derives its authority and accountability from, the Mandera County Climate Change Fund Act, 2021. The Fund is wholly owned by the County Government of Mandera and is domiciled in Kenya. The Fund's principal activity is to facilitate climate finance in the County in support of community-initiated climate change adaptation and mitigation projects.

2. Statement of Compliance and Basis of Preparation

The Fund's financial statements have been prepared in accordance with, and comply with, International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Fund, and all values are rounded to the nearest Kenya Shilling. The accounting policies have been applied consistently to all the years presented. The financial statements have been prepared on the historical cost basis unless stated otherwise, and on the accrual basis of accounting. The cash flow statement is prepared using the direct method.

3. Adoption of New and Revised Standards

(a) New and amended standards adopted in the year ended 30 June 2026

IPSAS 43 Leases, IPSAS 44 Non-Current Assets Held for Sale and Discontinued Operations, IPSAS 45 Property, Plant and Equipment and IPSAS 46 Measurement became effective for annual periods beginning on or after 1 January 2025 and have been adopted by the Fund in the year under review. The adoption of these standards had no material effect on the amounts recognized or disclosed in these financial statements, as the Fund holds no leases, no non-current assets held for sale and no property, plant and equipment at either reporting date.

(b) New and amended standards in issue but not yet effective

Standard	Effective date and impact
IPSAS 47: Revenue	Applicable 1 January 2026. This standard supersedes IPSAS 9 Revenue from Exchange Transactions, IPSAS 11 Construction Contracts and IPSAS 23 Revenue from Non-Exchange Transactions, bringing all guidance on accounting for revenue under one standard. The objective is to establish the principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from revenue transactions. As the whole of the Fund's revenue arises from transfers, the Fund expects the principal effect to relate to the assessment of binding arrangements and enforceable conditions attaching to FLLoCA conditional grants, and is assessing whether any portion of such grants will require presentation as deferred income in future periods.

Standard	Effective date and impact
IPSAS 48: Transfer Expenses	Applicable 1 January 2026. The standard establishes the principles that a transfer provider shall apply to report useful information about the nature, amount, timing and uncertainty of expenses and cash flows arising from transfer expense transactions. The Fund made no transfers during the year under review but has done so in prior periods and will apply the standard where relevant.
IPSAS 49: Retirement Benefit Plans	Applicable 1 January 2026. The standard prescribes the accounting and reporting requirements for public sector retirement benefit plans. It is not expected to be relevant to the Fund, which employs no staff directly.
IPSAS 50: Exploration for and Evaluation of Mineral Resources	Applicable 1 January 2027. The standard specifies the financial reporting for the exploration for and evaluation of mineral resources. It is not expected to be relevant to the Fund.

(c) Early adoption of standards

The Fund did not early-adopt any new or amended standard in the financial year.

4. Summary of Significant Accounting Policies

(a) Revenue recognition — revenue from non-exchange transactions

Revenue from non-exchange transactions with other government entities is measured at fair value and recognized on obtaining control of the asset (cash, goods, services or property) if the transfer is free from conditions, and it is probable that the economic benefits or service potential related to the asset will flow to the Fund and can be measured reliably.

Where a transfer is subject to conditions that give rise to a present obligation to return the resources if those conditions are not satisfied, the Fund recognizes a liability in respect of the transfer and recognizes revenue as and when the conditions are satisfied. Conditional transfers received from the FLLoCA Programme are assessed at each reporting date; at 30 June 2026 no amount was carried as deferred income, all conditions attaching to grants recognised having been satisfied at that date.

Transfers to which the Fund has an enforceable entitlement at the reporting date but which have not been received in cash are recognised as receivables from non-exchange transactions.

(b) Revenue recognition — revenue from exchange transactions

Interest income is accrued using the effective yield method, which discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The Fund earned no interest income during the year, as its account at the Central Bank of Kenya is a non-interest-bearing exchequer account.

(c) Certified works

Certified works comprise expenditure on short-term third-party civil works projects, including community boreholes, water pans, flood control structures, river-bank protection and greening and restoration works. Such expenditure is recognized as an expense in the period in which the works are certified by the responsible technical officer as having been executed. The resulting assets do not vest in the Fund; they are constructed for, and are handed over to, the communities and County departments that will operate and maintain them. Accordingly, no asset is recognised by the Fund in respect of certified works, and expenditure is not capitalized as property, plant and equipment.

(d) Budget information

The original budget for the financial year 2025/2026 was approved by the County Assembly of Mandera before the commencement of the financial year. A supplementary appropriation of Kshs. 36,000,000 was subsequently approved and has been added to the original budget in arriving at the final budget.

The Fund's budget is prepared on a different basis from the actual income and expenditure disclosed in these financial statements. The financial statements are prepared on the accrual basis using a classification based on the nature of expenses in the Statement of Financial Performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements have been 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 presented in the Statement of Comparison of Budget and Actual Amounts, and a statement reconciling the actual amounts on a comparable basis to the closing cash and cash equivalents per the Statement of Cash Flows is presented immediately following it.

(e) Financial instruments

IPSAS 41 addresses the classification, measurement and derecognition of financial assets and financial liabilities. At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of an instrument not measured at fair value through surplus or deficit, transaction costs directly attributable to its acquisition or issue.

Financial assets. The Fund classifies its financial assets as subsequently measured at amortized cost, at fair value through net assets, or at fair value through surplus or deficit, on the basis of both the Fund's management model and the contractual cash flow characteristics of the asset. The Fund's financial assets comprise cash and cash equivalents and receivables from non-exchange transactions, all of which are held within a management model whose objective is to collect contractual cash flows and are accordingly measured at amortized cost.

Receivables. Receivables are recognized at fair value less any allowance for uncollectible amounts and are assessed for impairment on a continuing basis. The Fund assesses, on a forward-looking basis, the expected credit loss associated with its financial assets carried at amortized cost, and recognizes a loss allowance at each reporting date. The Fund's receivable at 30 June 2026 is due from the FLLoCA Programme under the National Treasury; the counterparty risk is assessed as minimal and no allowance for impairment has been recognised.

Financial liabilities. The Fund classifies its financial liabilities as subsequently measured at amortized cost. The Fund's financial liabilities comprise trade and other payables.

(f) 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 that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Bank balances include amounts held at the Central Bank of Kenya at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short-term cash imprests and advances to authorized public officers or institutions which were not surrendered or accounted for at the end of the financial year.

(g) Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Fund 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. The Fund does not recognise a contingent liability but discloses details of any contingency in the notes to the financial statements unless the possibility of an outflow is remote. The Fund does not recognise 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 its control.

(h) Comparative figures

Where necessary, comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. Two matters affecting the comparative column are disclosed below.

(i) Reclassification. The prior year's financial statements presented expenditure under the captions used in the reporting template then in force, being use of goods and services, contracted services, grants and subsidies, and repair and maintenance. In these financial statements the comparative amounts have been reclassified to the captions prescribed by the current reporting template. Contracted services of Kshs. 3,090,000 and repair and maintenance of Kshs. 2,996,582 have been reclassified into use of goods and services. The reclassification has no effect on total expenses, on the surplus or deficit for the prior year, or on net assets at the beginning or end of the prior year.

(ii) Correction of an arithmetical error. The note to use of goods and services in the prior year's financial statements was cast as Kshs. 26,693,402, whereas the individual amounts disclosed within that note sum to Kshs. 26,693,401. The comparative figures in these financial statements adopt the correct cast. The effect is to reduce prior year total expenses by Kshs. 1 to Kshs. 287,733,019 and to reduce the prior year deficit by Kshs. 1 to Kshs. 264,225,591. The correction has the effect that the prior year accumulated surplus carried forward, being Kshs. 22,222,156, now agrees with the total net assets reported in the prior year Statement of Financial Position, which it did not previously do. The correction has no effect on assets, liabilities or net assets at either reporting date.

(i) Related parties

The Fund regards a related party as a person or entity with the ability to exercise control individually or jointly, or to exercise significant influence over the Fund, or vice versa. Members of key management are regarded as related parties and comprise the members of the Board of Trustees and the key management team.

(j) Nature and purpose of reserves

The Fund creates and maintains reserves in terms of specific requirements. The accumulated surplus represents cumulative resources of the Fund not yet applied to approved projects, which are ring-fenced under the Mandera County Climate Change Fund Act, 2021.

(k) Changes in accounting policies and estimates

The Fund recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impracticable. There were no changes in accounting policy during the year.

5. Significant Judgements and Sources of Estimation Uncertainty

The preparation of the Fund's financial statements in conformity with IPSAS requires management to make judgements, 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. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(a) Recognition of conditional transfers. Management is required to judge whether conditions attaching to FLLoCA conditional grants have been satisfied at the reporting date and, accordingly, whether the transfer is recognised as revenue or carried as deferred income. Management has concluded that all conditions attaching to grants recognised in the year had been satisfied at 30 June 2026 and that no amount falls to be deferred.

(b) Recognition of the receivable from the FLLoCA Programme. Management is required to judge whether the Fund has an enforceable entitlement at the reporting date to transfers committed but not received in cash. Management has concluded that the Fund has such an entitlement in respect of Kshs. 28,000,505, and that recovery is virtually certain, the counterparty being the National Treasury. No allowance for impairment has accordingly been recognised.

(c) Non-capitalization of certified works. Management is required to judge whether the civil works financed by the Fund give rise to an asset controlled by the Fund. Management has concluded that they do not, on the basis that the works are constructed for, and handed over to, the communities and County departments that operate and maintain them, and that the Fund retains neither control of the assets nor the right to their service potential. Certified works are accordingly expensed as incurred.

(d) Completeness of trade payables. Management is required to estimate the amount of certified works and services delivered but not paid at the reporting date. The amount recognised is based on certificates issued and invoices received up to the date of approval of these financial statements.

6. Revenue Transfers

Description	2025/2026	2024/2025
	Kshs	Kshs
Unconditional Transfers		
Transfers from County Government of Mandera	129,500,000	7,000,000
Transfers from Development partners	-	-
Other unconditional transfers (Specify)	-	-
Total Unconditional Transfers (a)	**129,500,000**	**7,000,000**
Conditional Transfers		
Transfers from FLLoCA	187,567,354	16,507,428
Transfers from Development partner 2	-	-
Other conditional transfers (specify)	-	-
Total Conditional Transfers (b)	**187,567,354**	**16,507,428**
Total Transfers for the Year (a + b)	**317,067,354**	**23,507,428**

(a) Details of revenue transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	Total transfers (2025/2026)	2024/2025
	Kshs	Kshs	Kshs	Kshs
GOK Funding	129,500,000	-	129,500,000	7,000,000
Development Partner 1	187,567,354	-	187,567,354	16,507,428
Development Partner 2	-	-	-	-
Subtotal	317,067,354	-	317,067,354	23,507,428
Deferred Income realized	-	-	-	-
Transfers in Kind	-	-	-	-
Total	317,067,354	-	317,067,354	**23,507,428**

Of the total transfers recognised in the year, Kshs. 289,066,849 was received in cash by 30 June 2026 and Kshs. 28,000,505 remained receivables at that date (see Note 19). Total cash credited to the Fund's account during the year was Kshs. 305,574,277, which includes Kshs. 16,507,427 credited on 27 October 2025 in settlement of the receivable recognised at 30 June 2025.

7. Miscellaneous Revenue

Description	2025/2026	2024/2025
	Kshs.	Kshs.
Interest income	-	-
Other miscellaneous revenue	-	-
Total	-	-

8. Employee Costs

Description	2025/2026	2024/2025
	Kshs.	Kshs.
Basic salaries of permanent employees	-	-
Basic wages of temporary employees	-	-
Personal allowances paid as part of salary	-	-
Pension and other social security contributions	-	-
Total	-	-

The Fund employs no staff directly. Its operations are discharged by officers of the County Government of Mandera seconded to the County Climate Change Unit, whose emoluments are borne by the County Government and are not charged to the Fund.

9. Use of Goods and Services

Description	2025/2026	2024/2025
	Kshs	Kshs
Utilities, supplies and services	-	-
Bank charges	-	999
Communication, supplies and services	-	-
Domestic travel and subsistence	8,463,700	14,143,600
Foreign travel and subsistence	-	-
Fuel and lubricants	1,500,000	1,500,000
General office supplies	3,678,320	10,628,802
Stationery, Printing, advertising, and information supplies	-	-
Office rent	-	-
Training payments	-	-
Hospitality supplies and services	-	420,000
Insurance costs	-	-
Specialized materials and services	56,796,115	-

Description	2025/2026	2024/2025
	Kshs	Kshs
Other operating payments(specify)	2,703,954	3,090,000
Routine maintenance – vehicles and other transport equipment	2,145,652	2,996,582
Routine maintenance- other assets	-	-
Total	**75,287,741**	**32,779,983**

10. Depreciation and Amortization Expense

Description	2025/2026	2024/2025
	Kshs.	Kshs.
Property, plant and equipment	-	-
Intangible assets	-	-
Right-of-use assets	-	-
Total	-	-

11. Transfers to Other Government Entities

Description	2025/2026	2024/2025
	Kshs.	Kshs.
Transfers to other government entities	-	-
Total	-	-

12. Other Transfers, Subsidies and Grants

Description	2025/2026	2024/2025
	Kshs.	Kshs.
Transfers to non-governmental organisations and community groups	-	254,953,036
Subsidies	-	-
Total	-	**254,953,036**

13. Finance Costs

Description	2025/2026	2024/2025
	Kshs.	Kshs.
Interest and other finance costs	-	-

Description	2025/2026	2024/2025
Total finance costs	-	-

14. Certified Works

Description	2025/2026	2024/2025
	Kshs.	Kshs.
Payments relating to works certified in the year	156,336,460	-
Works certified and unpaid at 30 June 2026 (Notes 25 and 26)	79,664,804	-
Total	**236,001,264**	-

15. Gain/(Loss) on Sale of Assets

Description	2025/2026	2024/2025
	Kshs.	Kshs.
Property, plant and equipment	-	-
Total gain/(loss) on sale of assets	-	-

16. Gain/(Loss) on Foreign Exchange Transactions

Description	2025/2026	2024/2025
	Kshs.	Kshs.
Gain/(loss) on foreign exchange transactions	-	-
Total	-	-

The Fund transacts exclusively in Kenya Shillings and holds no foreign currency balances.

17. Impairment Loss

Description	2025/2026	2024/2025
	Kshs.	Kshs.
Impairment of financial and non-financial assets	-	-
Total impairment loss	-	-

18. Cash and Cash Equivalents

Description	2025/2026	2024/2025
	Kshs.	Kshs.
Cash at bank	79,664,804	53,795,691
Cash on hand	-	-
Total cash and cash equivalents	**79,664,804**	**53,795,691**

Detailed analysis of bank balances

Financial institution	Account number	2025/2026	2024/2025
		Kshs.	Kshs.
Local currency accounts			
Central Bank of Kenya	1000504951	79,664,804	53,795,691
Total local currency balances		**79,664,804**	**53,795,691**
Foreign currency accounts		-	-
Total bank account balances		**79,664,804**	**53,795,691**

19. Receivables

Description	2025/2026	2024/2025
	Kshs.	Kshs.
Receivables from non-exchange transactions	28,000,505	16,507,428
Contractors' advance payments	-	-
Other receivables	-	-
Total receivables	**28,000,505**	**16,507,428**

Ageing analysis of receivables

Ageing	2025/2026	% of total	2024/2025	% of total
Under one year	28,000,505	100%	16,507,428	100%
Over one year	-	-	-	-
Total	**28,000,505**	**100%**	**16,507,428**	**100%**

The receivable at 30 June 2026 represents conditional grant funding committed under the FLLoCA Programme for the year under review to which the Fund had an enforceable entitlement at the reporting date but which had not been received in cash. The receivable of Kshs. 16,507,428 recognised at 30 June 2025 was received in full during the year, being credited to the Fund's account on 27 October 2025. As the counterparty is the National Treasury, the credit risk attaching to the receivable is assessed as minimal and no allowance for impairment has been recognised.

20. Inventories

Description	2025/2026	2024/2025
	Kshs.	Kshs.
Consumable stores	-	-
Total inventories at the lower of cost and net realizable value	-	-

21. Prepayments

Description	2025/2026	2024/2025
	Kshs.	Kshs.
Prepayments	-	-
Total prepayments	-	-

22. Property, Plant and Equipment

Cost or valuation	Buildings	Motor vehicles	Infrastructure assets	Total
As at 1 July 2025	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
As at 30 June 2026	-	-	-	-
Accumulated depreciation and impairment				

Cost or valuation	Buildings	Motor vehicles	Infrastructure assets	Total
As at 1 July 2025	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2026	-	-	-	-
Net book value as at 30 June 2026	-	-	-	-
Net book value as at 30 June 2025	-	-	-	-

The Fund held no property, plant and equipment at either reporting date. Civil works financed by the Fund are constructed for, and handed over to, the communities and County departments that operate and maintain them, and are expensed as certified works in accordance with the policy at Note 4 (c). Motor vehicles used in the Fund's operations belong to the County Government of Mandera; the Fund bears the running and maintenance costs of those vehicles, which are disclosed within use of goods and services at Note 9.

23. Intangible Assets

Description	2025/2026	2024/2025
	Kshs.	Kshs.
Cost at 1 July	-	-
Additions	-	-
Accumulated amortization	-	-
Net book value at 30 June	-	-

24. Right-of-Use Assets

Description	2025/2026	2024/2025
	Kshs.	Kshs.
Cost at 1 July	-	-
Additions in the period	-	-
Accumulated depreciation	-	-
Net book value at 30 June	-	-

The Fund is not party to any lease arrangement falling within the scope of IPSAS 43. Office accommodation is provided by the County Government of Mandera at no charge to the Fund.

25. Trade and Other Payables

Description	2025/2026	2024/2025
	Kshs.	Kshs.
Trade payables — final certificates and invoices unpaid	76,942,715	26,676,588
Employee payables	-	-
Retention monies (see Note 26)	-	-
Total trade and other payables	**76,942,715**	**26,676,588**

Ageing analysis of trade and other payables

Ageing	2025/2026	% of total	2024/2025	% of total
Under one year	76,942,715	100%	26,676,588	100%
1 – 2 years	-	-	-	-
2 – 3 years	-	-	-	-
Over 3 years	-	-	-	-
Total	**76,942,715**	**100%**	**26,676,588**	**100%**

26. Third-Party Deposits

Description	2025/2026	2024/2025
	Kshs.	Kshs.
Contractors' retention	2,722,089	21,404,375
Gratuity	-	-
Other deposits	-	-
Total third-party deposits	**2,722,089**	**21,404,375**

27. Deferred Income

Description	2025/2026	2024/2025
	Kshs.	Kshs.
Deferred income from development partners	-	-
Total deferred income	-	-

28. Lease Liabilities

Description	2025/2026	2024/2025
	Kshs.	Kshs.
At the start of the year	-	-
Additions	-	-
Paid during the year	-	-
At the end of the year	-	-

29. Cash Generated from Operations

Description	2025/2026	2024/2025
	Kshs.	Kshs.
Surplus/(deficit) for the year	5,778,349	(264,225,591)
Adjusted for:		
Depreciation and amortization	-	-
Impairment	-	-
Working capital adjustments		
(Increase)/decrease in receivables	(11,493,077)	(16,507,428)
Increase/(decrease) in trade and other payables	50,266,127	26,676,588
Increase/(decrease) in third-party deposits	(18,682,286)	21,404,375
Increase/(decrease) in deferred income	-	-
Net cash flows from operating activities	**25,869,113**	**(232,652,056)**

30. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the Fund include those parties that have the ability to exercise control or significant influence over its operating and financial decisions. The Fund is related to the following parties:

- The County Government of Mandera, being the ultimate parent of the Fund;
- The County Department of Water, Energy, Environment, Natural Resources and Climate Change, being the parent department under which the Fund was established;
- The members of the Board of Trustees; and

- Key management personnel of the Fund.

Transactions with related parties

Description	2025/2026	2024/2025
	Kshs.	Kshs.
Transfers received from the County Government of Mandera	129,500,000	7,000,000
Compensation of key management personnel borne by the Fund	-	-
Total	**129,500,000**	**7,000,000**

Members of the Board of Trustees are public officers of the County Government of Mandera and receive no remuneration from the Fund in respect of their service on the Board. Key management personnel are seconded from the County Government and their emoluments are borne by the County Government. Office accommodation and motor vehicles are provided to the Fund by the County Government at no charge.

31. Financial Risk Management

The Fund's activities expose it to a limited range of financial risks, principally credit risk and liquidity risk. The Fund's overall risk management approach focuses on the unpredictability of the timing of exchequer releases and seeks to minimize the potential adverse effect of that unpredictability on programme delivery. The Fund does not hedge any risk.

(a) Credit risk

Credit risk is the risk that a counterparty will be unable to pay an amount in full when due. The Fund's exposure arises from its bank balance held at the Central Bank of Kenya and from its receivable from the FLLoCA Programme under the National Treasury. Both counterparties are organs of the Government of Kenya and the credit risk is assessed as minimal. The maximum exposure to credit risk at the reporting date was Kshs. 107,665,309 (2024/2025: Kshs. 70,303,119), being the carrying amount of cash and cash equivalents and receivables. No amount is past due or impaired.

(b) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who manages liquidity risk through continuous monitoring of forecast and actual cash flows. The Fund held current assets of Kshs. 107,665,309 at the reporting date against total liabilities of Kshs. 79,664,804, giving a current ratio of 1.35 to 1 (2024/2025: 1.46 to 1). The table below presents the contractual undiscounted cash flows payable by the Fund. Balances due within twelve months equal their carrying amounts, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1 and 3 months	Over 3 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 June 2026 — trade payables	76,942,715	-	-	76,942,715
At 30 June 2026 — contractors' retention	-	-	2,722,089	2,722,089
At 30 June 2025 — trade payables	26,676,588	-	-	26,676,588
At 30 June 2025 — contractors' retention	-	-	21,404,375	21,404,375

(c) Market risk, interest rate risk and foreign currency risk

The Fund holds no interest-bearing assets or liabilities and no financial instruments measured at fair value, and is accordingly not exposed to interest rate risk or to price risk. The Fund transacts exclusively in Kenya Shillings and holds no foreign currency balances, and is accordingly not exposed to foreign currency risk. No sensitivity analysis is therefore presented.

(d) Capital risk management

The objective of the Fund's capital risk management is to safeguard its ability to continue as a going concern and to maintain sufficient resources to meet its commitments to contractors and communities as they fall due. The Fund's capital comprises its accumulated surplus of Kshs. 28,000,505 (2024/2025: Kshs. 22,222,156). The Fund holds no borrowings.

32. Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets requiring disclosure at 30 June 2026 (2024/2025: nil).

33. Events After the Reporting Period

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

34. Ultimate and Holding Entity

The Fund is a County Public Fund established by the Mandera County Climate Change Fund Act, 2021 under the County Department of Water, Energy, Environment, Natural Resources and Climate Change. Its ultimate parent is the County Government of Mandera.

35. Currency

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

18. Annexes

Annex I: Progress on Follow-Up of Prior Year Auditor's Recommendations

The following is a summary of the issues raised by the external auditor and the management comments provided.

Ref.	Issue / observation from the Auditor	Management comments	Status	Timeframe
1	Budgetary Control and Performance (Emphasis of Matter) The statement of comparison of budget and actual amounts reflected a final income budget and actual receipts on a comparable basis of Kshs. 458,522,025 and Kshs. 293,447,747 respectively, an under-funding of Kshs. 165,074,278 or 36% of budget. Expenditure of Kshs. 239,652,056 against receipts of Kshs. 293,447,747 represented an under-utilisation of Kshs. 53,795,691 or 18% of receipts.	Absorption improved materially in the year under review. Against a final budget of Kshs. 429,446,392 the Fund realised receipts of Kshs. 305,574,277 (71%) and incurred cash expenditure of Kshs. 261,022,878 (61%), compared with certified works of nil in the prior year. The residual under-funding arises from the timing of exchequer releases from the National Treasury to the County Revenue Fund, which remains outside the control of the Fund. Management continues to front-load procurement so that certification and payment are not concentrated in the final quarter.	Not Resolved	30 June 2027
2	Absence of Regulations to Operationalize the Mandera County Climate Change Act, 2021 The Mandera County Climate Change Act, 2021 was enacted but the enabling regulations had not been developed or approved by the County Executive and County Assembly, contrary to Section 21(1) of the Climate Change Act, 2016 and Sections 12 and 104 of the Public Finance Management Act, 2012.	The Regulation is in draft form waiting approval	Not Resolved	30 June 2027

Ref.	Issue / observation from the Auditor	Management comments	Status	Timeframe
3	Failure to Provide Climate Finance Framework Management did not provide the Climate Finance Framework and no evidence was availed to confirm that such a framework had been published, contrary to Section 6(1) of the Mandera County Climate Change Fund Act, 2021, which requires the County Executive Member responsible for environment, in consultation with the Executive Member for Finance, to publish a Climate Finance Framework for the County every two years.	Climate Finance Framework has been developed awaiting publication.	Not Resolved	30 June 2027
4	Non-compliance with the Requirement of Access to Government Procurement Opportunities The approved procurement plan reflected a procurement budget for goods, services and works of Kshs. 279,610,713, of which Kshs. 74,527,187 or 27% was allocated to enterprises owned by youth, women and persons with disability, against the 30% minimum required by Regulation 149 of the Public Procurement and Asset Disposal Regulations, 2020.	Corrective action taken in the FY 2026/2027 plan.	Not Resolved	30 June 2027

Ref.	Issue / observation from the Auditor	Management comments	Status	Timeframe
5	Weaknesses in Imprest Management Staff undertook official assignments without first submitting formal imprest requests, travel-related payments being processed through reimbursement claims after the activities had occurred. Payments were not supported by detailed expenditure schedules or approved activity plans, government-recommended imprest warrant forms (FO.24) were not used, and no imprest register was maintained.	Domestic travel and subsistence expenditure fell from Kshs. 14,143,600 to Kshs. 8,463,700 in the year under review, a reduction of 40%, reflecting a deliberate shift of resources from administration to field delivery. [Management to confirm the date from which FO.24 imprest warrant forms were adopted, that an imprest register is now maintained, and that approved activity plans and expenditure schedules support all travel payments.]	Not Resolved	30 June 2027
6	Unresolved Prior Year Matters (Other Matter) Two issues raised in the report for the year ended 30 June 2024 under the Report on Lawfulness and Effectiveness in the Use of Public Resources — failure to operationalize the Fund and late submission of the financial statements — remained unresolved on review during the 2024/2025 audit.	The Fund is now fully operational. During the year under review, it mobilized revenue of Kshs. 317,067,354 and certified works of Kshs. 236,001,264 through its three-tier governance structure comprising the County Climate Change Planning Board, the County Climate Change Steering Committee and thirty Ward Climate Change Planning Committees. The Fund has also strengthened its financial reporting calendar and has prepared these financial statements for submission within the statutory deadline of 30 September 2026.	Resolved	—

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SAHARA ADOW ADAN

Fund Administrator — Mandera County Climate Change Fund

Date: 29.08.2026

Annex II: Inter-Fund Confirmation Letter

The Fund Administrator
Mandera County Climate Change Fund
P.O. Box 13-70300, MANDERA

The County Government of Mandera wishes to confirm the amounts disbursed to the Mandera County Climate Change Fund as at 30 June 2026, as indicated in the table below. Please compare the amounts disbursed with the amounts received, populate column E, and sign, stamp and return this request.

Reference number	Date disbursed	Recurrent (A)	Development (B)	Total (D) = A + B	Amount received (E)	Difference (F) = D – E
		129,500,000	-	129,500,000	129,500,000	-
Total		**129,500,000**	**-**	**129,500,000**	**129,500,000**	**-**

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

Head of the Accounts Department of the beneficiary Fund:

Name: .....

Signature: .....

Date: .....

Annex III: Reporting of Climate-Relevant Expenditures

The table below summarizes expenditure of a climate-relevant character incurred during the year ended 30 June 2026. The whole of the Fund's expenditure is climate-relevant by virtue of its establishing legislation.

Expenditure category	Nature of intervention	Climate objective	Amount (Kshs.)	Source of funds
Construction of civil works	New community water infrastructure, water pans, flood control structures and river-bank protection works	Adaptation — water security and flood risk reduction	155,626,194	County contribution and FLLoCA grants
Rehabilitation of civil works	Rehabilitation and climate-proofing of existing boreholes, irrigation canals and water supply systems	Adaptation — drought resilience	30,108,943	County contribution and FLLoCA grants
Specialized materials and services	Materials and technical services supplied directly to project sites	Adaptation — programme delivery	56,796,115	County contribution and FLLoCA grants
Other operating payments	Payment to contractor for the Lafey integrated ecosystem restoration project	Adaptation — programme delivery	2,703,954	County contribution and FLLoCA grants

Expenditure category	Nature of intervention	Climate objective	Amount (Kshs.)	Source of funds
Programme operations	Travel and subsistence, fuel, office supplies and vehicle maintenance in support of field delivery	Adaptation — programme delivery	15,787,672	County contribution
Total			**261,022,878**	

Annex IV: Reporting on Disaster Management Expenditure

No disaster management expenditure was incurred during the year ended 30 June 2026. The Fund's expenditure during the year was directed to climate change adaptation and mitigation investment rather than to disaster response.