

REPUBLIC OF KENYA



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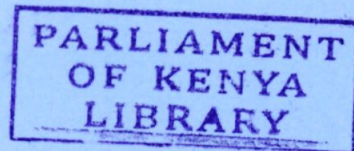
OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON



**KENYA DEVOLUTION SUPPORT PROGRAM
(KDSP) II - PROJECT CREDIT
NO. IDA-7447-KE**

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

COUNTY GOVERNMENT OF ISIOLO

PAPERS LAID	
DATE	7/10/2024
TABLED BY	M.L
COMMITTEE	
CLERK AT THE TABLE	Prlycar



KENYA DEVOLUTION SUPPORT PROGRAM II

COUNTY GOVERNMENT OF ISIOLO

IDA-7447-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2026

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

Kenya Devolution Support Program II
Annual Report and Financial Statements for the financial year ended June 30, 2026

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1. Acronyms, Abbreviations, and Definition of Terms

A. Acronyms and Abbreviations

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
CT	County Treasury
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
WB	World Bank

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is Kenya Devolution Support Program (KDSP II).

Objective

The objective of the project is to improve capacity in service delivery, resource management, and accountability; improve access to decentralized services; ensure effective participation by communities in governance and socioeconomic development; and strengthen intergovernmental cooperation and collaboration for resolution of emerging issues in devolution.

Address

The project headquarters offices are in County Headquarters Building (*Isiolo town*), Isiolo County, Kenya. The address of its registered office is P.O Box 36-60300 Treasury Road, Isiolo, Kenya.

Contacts: The following are the project contacts

P.O. Box: 36-60300 Isiolo

Telephone: (254) 727200100

E-mail: info@isiolo.go.ke

Website: www.isiolo.go.ke

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	2024
Project End Date:	2027
Project Coordinator:	Mr. Gabriel Manyinsa
Project Partner:	Development World Bank

2.3 Project Overview

Line Ministry or State departments/ County Department	State Department for Devolution
Project number	IDA-7447-KE
Strategic goals of the project	The strategic goals of the project are as follows: (i) Revenue mobilization, (ii) Expenditure management, (iii) Intergovernmental coordination, (iv) Human resource management, (v) Performance incentives
Summary of Project Objectives for achievement of goals	<p>The project management aims to achieve the goals through the following means:</p> <p>The objective of the project is to improve capacity in service delivery, resource management and accountability; improve access to decentralized services; ensure effective participation by communities in governance and socioeconomic development; and strengthen intergovernmental cooperation and collaboration for resolution of emerging issues in devolution.</p>
Other important background information of the project	The project builds on the first phase of KDSP I and focuses on strengthening county government capacity, governance and service delivery through performance-based support. It promotes improved revenue mobilization, public financial management, accountability, human resource management and intergovernmental coordination.
Areas that the project was formed to intervene	The project builds on the first phase of (KDSP I) and focuses on improving county-level governance and service delivery through performance-based grants.

Kenya Devolution Support Program II
Annual Report and Financial Statements for the financial year ended June 30, 2026

Project duration	4 Years
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Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the project:

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

2.5 Independent Auditor

The project is audited by the Office of Auditor General, P.O Box 30084- 00100
 Nairobi

2.6 Roles and Responsibilities

No	Names	Title designation	Key qualification	Responsibilities
1.	Gabriel Manyinsa	Program Coordinator	CPA Gabriel holds Master's degree of Science Economics and a Bachelor's degree of science in Economics. He has over 15 years' experience in economic analysis, public finance, and development planning.	Overall program management and coordination: Lead and coordinate the program to meet its objectives, which include strengthening county performance and supporting reforms in key result areas like public financial management,

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Annual Report and Financial Statements for the financial year ended June 30, 2026

				planning and human resources.
2.	CPA Musa Hassan	Program Accountant	CPA Hassan holds a Bachelor's degree in Business Administration (with IT). He has over 8 years progressive experience in financial management and strong expertise in grants management.	Managing and accounting for project funds, maintaining accurate accounting records, ensuring compliance with donor and government financial management guidelines, processing project payments, monitoring budgets and expenditures, supporting audits, and safeguarding project resources through effective financial controls.
	CPA Brenda Kilimo	KRA 1 Focal person	CPA Kilimo is a highly motivated finance professional with over five years of experience in financial management and	Focal person on Sustainable Financing and Expenditure Management.

			analysis. A qualified accountant with a strong foundation in economic principles, bringing a unique blend of accounting expertise and economic insight.	
	Jared Osano	KRA 2 Focal person	Mr Osano holds a Master of Arts in Project Planning and Management and brings over 20 years of progressive experience in public service, transformative human resource best practices, organizational performance and effective public service delivery.	Focal person on intergovernmental coordination, institutional performance & Human Resource Management

2.7 Funding summary

The Project will be implemented over a period of four years, from 2023 to 2027, with an approved total funding of US\$150 million, equivalent to Kshs. 22.5 billion, covering all 47 counties. The budget allocated to Isiolo County for the financial year 2025/2026 is highlighted in the table below:

Project information and overall performance (continued)

A. Source of Funds

Source of funds	Development Partner Commitment		Amount received to date – (30 th June 2026)		Undrawn balance to date	
	Development Partner currency	Kshs	Development Partner currency	Kshs	Development Partner currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
(i) Grant						
KDSP II	KES	422,909,500	KES	70,503,589	KES	352,405,911
(ii) Loan	KES					
(iii) Counterpart funds						
County Government of Isiolo	KES	3,000,000	KES	-	KES	3,000,000
Total	KES	425,909,500	KES	70,503,589	KES	355,405,911

The cumulative amount received from the Development partner to date excludes KES 93,195,908.30 amount that is held in the Designated account.

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2026)		Cumulative amount paid to date – (30 th June 2026)		Unutilised balance to date (30 th June 2026)	
	Development Partner currency	Kshs	Development Partner currency	Kshs	Development Partner currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
Grant						
KDSP II	KES	70,503,589	KES	44,073,394	KES	26,430,195
Loan		-	-	-	-	-
Counterpart funds						
County Government of Isiolo	KES	-	KES	-	KES	-
Total	KES	70,503,589	KES	44,073,394	KES	26,430,195

Project information and overall performance (continued)

2.8 *Summary of Overall Project Performance:*

The overall project performance shows that although the budget was duly allocated for the year and cumulatively to date, the actual expenditure remained significantly below projections, resulting in a low absorption rate for the period under review. Consequently, physical progress on the planned outputs and outcomes has been minimal since the project commenced, as key activities could not be undertaken as scheduled. This situation is largely attributed to delayed disbursement of funds, which constrained the timely execution of work plans and hindered meaningful progress. Moving forward, addressing the challenge of delayed releases and strengthening financial flow mechanisms will be essential to enable effective implementation and ensure the project meets its intended objectives in the subsequent periods.

2.9 *Summary of Project Compliance:*

The KDSP II project has consistently adhered to all financial reporting requirements, with auditors in previous reviews raising no compliance concerns. The project continues to uphold strong financial management practices and remains fully committed to meeting all relevant regulations, guidelines, and sector standards to ensure transparency, accountability, and effective implementation.

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

Introduction

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

The key development objectives of the plan are to:

- a) To strengthen county governments' institutional capacity and systems for effective delivery of devolved functions and services.
- b) To improve county-level public financial management, including budget preparation, execution, reporting, revenue management and accountability.
- c) To enhance county governments' planning, monitoring and performance management systems to improve the efficiency and effectiveness of public service delivery.
- d) To strengthen transparency, accountability and citizen participation in county governance and resource management.
- e) To improve the capacity of county governments to mobilize and manage resources, including strengthening own-source revenue systems and financial sustainability.
- f) To strengthen intergovernmental coordination and institutional arrangements for effective implementation of devolution and improved delivery of services to citizens

Progress on the attainment of Project strategic objectives

Isiolo County has made commendable progress in achieving the objectives of KDSP II. Notable gains have been recorded in planning, budgeting, public financial management, public participation, institutional capacity building, and governance. While challenges such as resource limitations and staff turnover persist, the County has laid a solid foundation for enhanced governance and sustainable service delivery. Continued support and consolidation of these gains will further strengthen development outcomes in Isiolo County.

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

Below, we provide the progress on attaining the stated objectives

Table 1 KDSP II activity performance

Project	Objective	Outcome	Indicator	Performance
Sensitization of the County executive and assembly on SPMU organizational structure and job description	No of meetings held to sensitize the County Executive and Assembly on SPMU structure and job description	1	1	meeting held to sensitize the County Executive and Assembly on SPMU structure and job description
Finalization of the job description and appointment of the SPMU team	Appointment letters issued for SPMU team	6	6	Appointment letters issued for SPMU team
Carrying out training of not less than 5 days to Gender officers/focal persons by an institution with an approved gender curriculum.	No of officers trained on Gender Mainstreaming	6	6	6 officers from the Gender department trained at the KSG Embu
Preparation of quarterly progress reports	No of meetings held to prepare quarterly progress reports	4	4	Quarterly progress reports prepared by the CPIU and subjected to both the CPTC and CPSC for review and approval
Review and approval of quarterly progress reports by technical team	No of meetings held to review and approve quarterly progress reports by the CPTC	4	4	
Review and approval of quarterly progress reports by steering team	No of meetings held to review and approve quarterly progress reports by the CPSC	4	4	
Workplan and budget for use of Level 2 Grant in next fiscal year involving sector technical teams	No of meetings held by the CPIU and technical teams to prepare Workplan and budget for use of Level 2 Grant	2	2	meetings held by the CPIU and technical teams to prepare Workplan and budget for use of Level 2 Grant
validation of Workplan and budget with the technical team	No of meetings held to deliberate and approve work plan and budget for level 2 for onward forwarding to the CPTC	1	1	meetings held to deliberate and approve work plan and budget for level 2 for onward forwarding to the CPTC
validation of Workplan and budget with the steering team	No of meetings held to deliberate and approve work plan and budget for level 2 by the CPTC	1	1	meetings held to deliberate and approve work plan and budget for level 2 by the CPTC
Mapping of all Revenue streams and setting up of departmental revenue target	Survey to map all the revenue streams within the County Conducted	1	1	All revenue streams within the County mapped
Hiring of consultant to support development of OSR forecasting tool	OSR forecasting tool developed	1	1	OSR forecasting tool developed
Training workshop of county staff on OSR forecasting tools	No of trainings conducted for County staff on OSR forecasting tools	1	1	Trainings conducted for County staff on OSR forecasting tools

Project	Objective	Outcome	Indicator	Performance
Sensitize top county executive members and county assembly budget committee members on revenue forecasting tools	No of meetings held to sensitize county executive members and county assembly budget committee members on revenue forecasting tools	1	1	meeting held to sensitize county executive members and county assembly budget committee members on revenue forecasting tools
Development of revenue mobilization strategy	Revenue mobilization strategy developed	1	1	
Development of revenue mobilization implementation plan	revenue mobilization implementation plan developed	1	1	revenue mobilization implementation plan developed
Sensitize county executive and county assembly members on revenue mobilization strategy	Meeting held to Sensitize County executive and county assembly members on revenue mobilization strategy	1	1	Meeting held to Sensitize County executive and county assembly members on revenue mobilization strategy
Benchmarking with another county on integrated county revenue management system	Benchmarking with another county on integrated county revenue management system conducted	1	1	benchmarking with another county on integrated county revenue management system conducted
Develop TOR for Consultancy Services	TOR for Consultancy Services developed	1	1	TOR for Consultancy Services developed
Develop specifications for the integrated county revenue management system	specifications for the integrated county revenue management system developed	1	1	specifications for the integrated county revenue management system developed
Training of staff on integrated county revenue management system	No of meeting held to train county staff on integrated county revenue management system	1	1	staff trained on integrated county revenue management system and roll out of the system ongoing
Development of Tariff & Pricing policy	Tariff & Pricing policy developed	1	1	Tariff & Pricing policy developed
Conduct public participation of OSR legislations	public participation of OSR legislations conducted	1	1	public participation of OSR legislations conducted at the ward level across the 10 wards of Isiolo County
Sensitize County executive and county assembly members on OSR legislation	meetings held to sensitize County executive and county assembly members on OSR legislation	1	1	County executive and county assembly members were sensitized on OSR legislation.
Capacity building on the use of pending bills templates	No of meetings held to capacity build relevant	1	1	relevant committee and staff capacity

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

Project	Objective	Outcome	Indicator	Performance
	committee and staff on the use of pending bills templates			built on the use of pending bills templates
Technical review of 2024/25 pending Bills	No of meetings held to undertake review of 2024/25 pending Bills	1	1	review of 2024/25 pending Bills undertaken
Development of Pending Bill action plan	Pending Bill action plan developed	1	1	ending Bill action plan developed
presentation of pending bill action plan to executive for adoption	No of meetings conducted for presentation of pending bill action plan to executive for adoption	1	1	pending bill action plan presented to executive and adopted
Training of internal audit/pending bills verification committees	No of meetings held to train internal audit/pending bills verification committees	1	1	internal audit/pending bills verification committees trained
Development of debt/pending bills management strategy	debt/pending bills management strategy developed	1	1	debt/pending bills management strategy developed
Preparation of Quarterly reports on the status of pending bills	No of Quarterly reports on the status of pending bills developed	4	4	Quarterly reports on the status of pending bills developed
Preparation of the Report of the pending bills verification committee/ internal audit	Report of the pending bills verification committee/ internal audit developed	1	1	Report of the pending bills verification committee/ internal audit developed
Development of the HR manual	HR manual developed	1	1	Done
Development of implementation plan for the HR audit report Skills audit, Payroll, and SRC M&E reports	No of meetings held	1	1	Done
Sensitization of the county top management team (executive and assembly) on implementation of the HR audit report Skills audit, Payroll, and SRC M&E reports	No of meetings held	1	1	Done
Review of the staff establishment with technical team from ministry	No of meetings held to Review of the staff establishment with technical team from ministry	1	1	The staff establishment was finalized and reviewed with support of technical team from ministry and uploaded into HRIS
Uploading of the approved staff establishment to the HRIS-KE with technical team from ministry	No of meetings held to Upload the approved staff establishment to the HRIS-KE with technical team from ministry	1	1	
Training on Performance contracts and individual staff performance appraisal processes	No of meetings held to train on Performance contracts and individual staff performance appraisal processes	3	3	CECMs, CCOs and Directors groups were trained on Performance contracts and individual staff

Project	Objective	Outcome	Indicator	Performance
Conducting of Performance contracts and individual staff performance appraisal processes	No of meetings Conducted to finalize the signing of Performance contracts and individual staff performance appraisal	3	3	performance appraisal processes and signing of the same were conducted
Hiring of a consultant to Develop an online database providing updated and interactive data on county projects publicly available on county website	interactive online data base developed	1	1	interactive or line data base developed and updated with data
preparation of detailed stock-take of all projects (completed, ongoing, new, and stalled) with implementation plan for key recommendations developed	detailed project stock take activity conducted	1	1	Teams from different technical directorate were composed to conduct a detailed project stock take across the 10 wards of the County.
Project Concept Notes prepared for pipelined projects.	No of Project Concept Notes prepared for pipelined projects.	3	3	teams from different departments of Env, Public Works, Physical planning, NEMA, NDMA and DOSH were formed to undertake the exercise
carrying out pre-feasibility study report	No of pre-feasibility study report produced	3	3	
carrying out Climate, disaster, environmental, and social screening report	No of Climate, disaster, environmental, and social screening report produced	3	3	

Challenges

Isiolo County has experienced several challenges in the implementation of the KDSP II Level 1 Grant which have affected the timely execution and effectiveness of programme activities.

1. Delays in receipt of funds from the National Government, resulting in postponement of planned activities and disruption of implementation schedules. In addition, the County has at times faced budget constraints in providing adequate counterpart financing, thereby limiting the scale of implementation.
2. Frequent transfers of key technical staff, which disrupt continuity and institutional memory.
3. Delayed reporting and inconsistent data quality, making it difficult to adequately measure results and outcomes.
4. Inadequate familiarity with KDSP II operational guidelines, exposing the County to compliance risks.
5. Competing development priorities within the County, which sometimes divert attention and resources from KDSP II activities.

Opportunities

1. Strengthening of county institutional capacity through technical assistance, training, and system development initiatives.
2. Improvement of public financial management systems, including budgeting, accounting, procurement, and audit compliance mechanisms.
3. Promotion of a performance-based management culture focused on results, accountability, and efficient service delivery.
4. Strengthening of intergovernmental relations between National and County Governments and development partners to improve coordination and policy coherence.
5. Creation of avenues for private sector engagement and investment through partnerships and value chain development initiatives.
6. Advancement of digital transformation through adoption of information management systems, automation, and e-governance solutions.
7. Enhancement of citizen engagement and stakeholder participation in governance and development processes.
8. Facilitation of knowledge sharing, peer learning, and adoption of best practices across counties.

4. Environmental and Sustainability Reporting

The main mandate of KDSP II is to strengthen the capacity of Kenya's county governments to deliver public services efficiently and transparently by improving their financing, resource management, coordination, institutional performance, human-resource systems, oversight and citizen accountability. Its sustainability strategy rests on building strong institutional systems — including frameworks for revenue mobilization and expenditure management, robust human-resource management, intergovernmental coordination, transparent budgeting and procurement, community participation and mechanisms for oversight and accountability — such that counties can continue delivering quality services, manage resources responsibly, and maintain public trust over the long term.

1. Sustainability strategy, risk management and profile

The project has rolled out several sustainable efforts, including strengthening county-level financial management systems, automating payroll and HR, instituting public participation and accountability frameworks and setting up performance-based institutional and investment grants to ensure efficient service delivery.

On the macro- and political-economy side, broader trends such as pressure on public finances, the need for the county to raise more of their own-source revenue and national fiscal constraints influence sustainability priorities which has pushed the county to adopt revenue forecasting and streamline expenditure.

KDSP II's approach aligns with international best practices in devolution and public financial management by emphasizing transparent budgeting, performance-based grants, citizen participation, oversight mechanisms and climate-resilient planning.

Among its key achievements: improved financial reporting and budgeting compliance in the county, establishment of county M&E committees, timelier development of County Integrated Development Plans (CIDPs) and Annual Development Plans (ADPs), stronger procurement and expenditure practices, increased public participation and accountability structures

2. Environmental performance

Isiolo County's KDSP II project is guided by the Environmental Management and Coordination Act (EMCA 1999), the program's own Environmental and Social Management Framework (ESMF) and county-level environmental policies that emphasize sustainable land use, biodiversity protection, and responsible resource management. The project has achieved notable successes in promoting community awareness and integrating environmental safeguards into development activities.

3. Employee welfare

The project relies on and fully aligns with existing county government policies, which guide the hiring process in accordance with legal requirements, gender balance considerations, stakeholder engagement, and regular policy reviews. Counties' frameworks also cover skills enhancement, career development, performance appraisal, and reward systems, ensuring fair and transparent workforce management. In addition, the project operates under county policies that comply with the Occupational Safety and Health Act (OSHA) 2007, and it supports counties as needed to strengthen these systems and ensure safe, lawful, and effective service delivery.

4. Marketplace practices-

a) Responsible Supply chain and supplier relations-

The project maintains good business practices by adhering to an open and competitive tendering process that ensures fairness, transparency, and equal opportunity for all qualified suppliers. It upholds responsible supplier relations by honouring all contractual obligations and making every effort to ensure that payments are processed promptly and on time, fostering trust, accountability, and long-term positive partnerships with vendors.

b) Responsible ethical practices

The KDSP II project upholds strict ethical and anti-corruption practices by following all established procedures to prevent misuse of resources and ensuring full transparency in its operations. It maintains responsible political neutrality, delivering fair and just services without partisan influence, and consistently promoting integrity, accountability, and professionalism in all project activities.

c) Regulatory impact assessment

The project strives to safeguard the rights of all citizens and stakeholders by ensuring inclusive participation, transparent processes, and fair access to information and services. It promotes an environment where every stakeholder's voice is respected and protected, reinforcing accountability and trust throughout project activities and stakeholder's rights.

5. Community Engagements

The project actively supports CSR initiatives and engages communities through various forms of social investment, including charitable contributions, capacity-building activities, and targeted support to local development efforts. It promotes and complements county initiatives in education, sports, healthcare, labour relations, staff training and development, and water and sanitation, ensuring that project activities contribute positively to community well-being and long-term social impact.

5. Statement of Project Management Responsibilities

The Chief Officer for the department of Public Service Management and the Project Coordinator are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the situation of the Project for the financial year ended June 30, 2026.

This responsibility includes (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the project, (v) Selecting and applying appropriate accounting policies and (v) Making accounting estimates that are reasonable in the circumstances.

They both accept responsibility for the Project's financial statements, which have been prepared on the accrual basis method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

They are of the opinion that the Project's financial statements give a true and fair view of the state of the Project's transactions during the financial ended June 30, 2026, and of the Project's financial position as at that date. Further, they confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements and the adequacy of the systems of internal financial control.

Moreover, they confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

The Project financial statements were approved by the Chief Officer for the County Public Service Management and the Project Coordinator for KDSP II on 09/09/2026 2026 and signed by:



Name: Rashid Iribo
Chief Officer PSM



Name: Gabriel Manyinsa
Project Coordinator



comprise of the Project Information and Overall Performance, Statement of Performance Against Project's Predetermined Objectives, Environmental and Sustainability Reporting, and Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, Cap. 412B and based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Lack of Audit Committee

During the year under review, the Project was subjected to an internal audit review by the Isiolo County Executive internal audit unit. However, there was no audit committee in place contrary to Regulation 155(1) of the Public Finance Management (County Governments) Regulations, Legal Notice No. 35 of 2015, which requires the head of internal audit to report administratively to the accounting officer and functionally to the audit committee to ensure operational independence.

In the circumstances, the effectiveness of the internal audit function could not be confirmed, while Management was in breach of the law.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- i. Adequate accounting records have been kept by the Project so far as appears from the examination of those records; and
- ii. The Project's financial statements are in agreement with the accounting records and returns.

Basis for Conclusion

The Financing Agreement No. IDA-7447-KE dated 2 February, 2024, requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Project's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and those Charged with Governance

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

21 September, 2026

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KENYA DEVOLUTION SUPPORT PROGRAM (KDSP) II - PROJECT CREDIT NO. IDA-7447-KE FOR THE YEAR ENDED 30 JUNE, 2026 - COUNTY GOVERNMENT OF ISIOLO

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying transitional financial statements of Kenya Devolution Support Program (KDSP) II - Project Credit No. IDA-7447-KE set out on pages 1 to 41, which comprise of the statement of financial position as at 30 June, 2026, and the statement of financial performance, statement of changes in net assets, statement of cash flows and 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

Report of the Auditor-General on Kenya Devolution Support Program (KDSP) II - Project Credit No. IDA-7447-KE for the year ended 30 June, 2026 - County Government of Isiolo

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 financial statements present fairly, in all material respects, the financial position of Kenya Devolution Support Program (KDSP) II - Project Credit No. IDA-7447-KE as at 30 June, 2026 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Financing Agreement No. IDA-7447-KE dated 2 February, 2024 between the International Development Association and the Republic of Kenya, the Public Finance Management Act, Cap. 412A and The National Treasury and Economic Planning Circular No.3 of 14 April, 2025.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Devolution Support Program (KDSP) II - Project Credit No. IDA-7447-KE Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total revenue budget and actual on comparable basis of Kshs.425,909,500 and Kshs.70,503,589 respectively, resulting in an under-funding of Kshs.355,405,911 or 83% of the budget. Further, the Project spent an amount of Kshs.44,073,394 against actual receipts amount of Kshs.70,503,589, resulting in an under-utilization of Kshs.26,430,195 or 37% of actual receipts.

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 Information

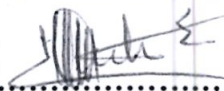
The Management is responsible for the Other Information set out on page iv to xxii which

Kenya Devolution Support Program. II
Annual Report and Financial Statements for the financial year ended June 30, 2026

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

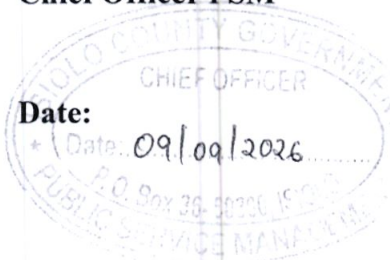
	Notes	FY 2025/26	FY 2024/25
		Kshs	Kshs
Revenue			
Revenue Transfers	6	163,699,497	-
Miscellaneous Revenue	7	-	-
Total revenue		163,699,497	-
Expenses			
Employee costs	8	-	-
Use of goods and services	9	44,073,394	-
Depreciation and amortization expense	10	-	-
Transfer to other Government Entities	11	-	-
Other Transfers/Subsidies/Grants	12	-	-
Finance Costs	13	-	-
Certified Works	14	-	-
Total expenses		44,073,394	-
Other gains/(losses)			
Gain/Loss on sale of assets	15	-	-
Gain/Loss on foreign exchange transactions	16	-	-
Impairment loss	17	-	-
Surplus/ (deficit)		119,626,103	-

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



Name: Rashid Iribo
Chief Officer PSM

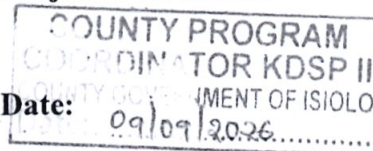
Date: 09/09/2026





Name: Gabriel Manyinsa
Project Coordinator

Date: 09/09/2026





Name: Musa Hassan
Project Accountant

ICPAK Member No:
36046

Date: 09/09/2026

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

	Note	FY 2025/26	FY 2024/25
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	18	26,430,195	-
Receivables	19	93,195,908	-
Inventories	20	-	-
Prepayment	21	-	-
Total Current Assets		119,626,103	-
Non-Current Assets			
Property, Plant and Equipment	22	-	-
Intangible Assets	23	-	-
Right of use assets	24	-	-
Total Non- Current Assets		-	-
Total Assets (a)		119,626,103	-
Liabilities			
Current Liabilities			
Trade and Other Payables	25	-	-
Third Party Deposits	26	-	-
Deferred Income	27	-	-
Current Lease Liabilities	28	-	-
Total Current Liabilities		-	-
Non-Current Liabilities			
Non-current lease liability	28	-	-
Total Non-Current Liabilities		-	-
Total Liabilities (b)		-	-
Net Assets (a-b)		119,626,103	
Represented By:			
Accumulated Surplus		119,626,103	-
Revaluation Reserve		-	-
Total Net Assets		119,626,103	-

Kenya Devolution Support Program II

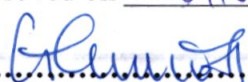
Annual Report and Financial Statements for the financial year ended June 30, 2026

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



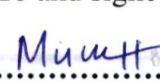
Name: Rashid Iribo
Chief Officer PSM





Name: Gabriel Manyinsa
Project Coordinator





Name: Musa Hassan
Project Accountant

ICPAK Member No. 36046

Date 09/09/2026

Kenya Devolution Support Program II
Annual Report and Financial Statements for the financial year ended June 30, 2026

9. Statement of Changes in Net Assets

	Accumulate d Surplus	Revaluatio n Reserve	Total
As At 1st July 2024	-	-	-
Return to Exchequer	-	-	-
Surplus/Deficit for the year	-	-	-
Revaluation Gain	-	-	-
Transfer of excess depreciation on revaluation	-	-	-
Other Changes (<i>specify</i>)	-	-	-
As at 30th June 2025	-	-	-
As At 1st July 2025	-	-	-
Return to Exchequer	-	-	-
Surplus/ deficit for the year	119,626,103	-	119,626,103
Revaluation Gain	-	-	-
Transfer of excess depreciation on revaluation	-	-	-
Add: Recognition of Assets	-	-	-
Other Changes (<i>specify</i>)	-	-	-
As at June 30, 2026	119,626,103	-	119,626,103

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



Name: Rashid Iribo
Chief Officer PSM



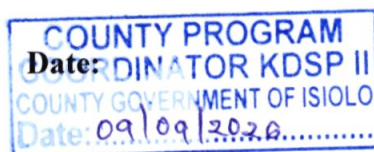
Name: Gabriel Manyinsa
Project Coordinator



Name: Musa Hassan
Project Accountant

ICPAK Member No. 36046

Date: 09/09/2026



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

Description	Note	FY 2025/26 Kshs	FY 2024/25 Kshs
Cashflow from operating activities			
Receipts			
Revenue Transfers		70,503,589	-
Miscellaneous Revenue		-	-
Total receipts		70,503,589	-
Payments			
Employee costs		-	-
Use of goods and services		44,073,394	-
Transfer to other Government Entities		-	-
Other Transfers/Subsidies/Grants		-	-
Certified Works		-	-
Total payments		44,073,394	-
Net cash flow from operating activities	29	26,430,195	-
Cashflow from investing activities			
Acquisition of non-financial assets		-	-
Proceeds from sale of Assets		-	-
Acquisition of Intangible assets		-	-
Net cash flows from investing activities		-	-
Cash flow from financing activities			
Repayment of Lease Principal		-	-
<i>Specify the activity</i>		-	-
Net cash flow from financing activities		-	-
Net increase/Decrease in cash and cash equivalents		26,430,195	-
Cash and cash equivalent at 1st July 2025	18	-	-
Cash and cash equivalent at end June 2026	18	26,430,195	-

Kenya Devolution Support Program. II
Annual Report and Financial Statements for the financial year ended June 30, 2026

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

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable (cash) Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget Carry Overs from previous periods		-	-	-	-	-
Receipts						
Revenue Transfers	425,909,500	-	425,909,500	70,503,589	355,405,911	16.56%
Miscellaneous Revenue	-	-	-	-	-	-
Total Revenue	425,909,500	-	425,909,500	70,503,589	355,405,911	16.56%
Payments						
Employee costs	-	-	-	-	-	-
Use of goods and services	425,909,500	-	425,909,500	44,073,394	381,836,106	10.35%
Transfer to other Government Entities	-	-	-	-	-	-
Other Transfers/Subsidies/Grants	-	-	-	-	-	-
Certified Works	-	-	-	-	-	-
Total Payments	425,909,500	-	425,909,500	44,073,394	381,836,106	10.35%
Surplus	-	-	-	26,430,195	-	-

Budget notes

1. The under utilization was due to the late disbursement of the development exchequer.

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	26,430,195
1	Under utilization of funds due to late disbursement	26,430,195
	Closing Cash and Cash Equivalent as per the statement of Cash flows	26,430,195

12. Notes to the Financial Statements

1. General Information

The KDSP II is established by and derives its authority and accountability from PFM Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to strengthen the performance of the county government in managing resources and delivering devolved services effectively.

2. Statement of Compliance and Basis of Preparation

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

These financial statements were authorized for issue by the accounting officer on 29th July 2026.

3. Adoption of New and Revised Standards

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

Standard	Effective date and impact:
IPSAS 43 Leases	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
IPSAS 45- Property Plant and Equipment	<i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46 Measurement	<i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by:

Standard	Effective date and impact:
	<ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>

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

Standard	Effective date and impact:
IPSAS 47- Revenue	<p>Applicable 1st January 2026</p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an MDA shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48- Transfer Expenses	<p>Applicable 1st January 2026</p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49- Retirement Benefit Plans	<p>Applicable 1st January 2026</p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>

Standard	Effective date and impact:
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ol style="list-style-type: none"> Limited improvements to existing accounting practices for exploration and evaluation expenditures. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.
IPSAS 51: Tangible Natural Resources Held For Conservation	<p><i>Applicable 1st January 2028</i></p> <p>The objective of this standard is to establish the principles that an entity shall apply to report relevant information to users of financial statements about the nature, amounts, timing, and uncertainties arising from tangible natural resources held for conservation.</p> <p>A tangible natural resource held for conservation is a naturally occurring tangible asset that is managed to prevent its degradation.</p>
IPSASB SRS 1: Climate Related Disclosures	<p><i>Applicable 1st January 2028</i></p> <p>This standard provides principles for an entity to address climate-related risks and opportunities arising from an entity's activities and operations. The standard provides disclosures on governance, strategy, risk management, and metrics and targets.</p>

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Finance income

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

b) Budget information

The original budget for FY 2025/2026 was approved by the County Project Steering Committee on **28th August 2025**. Subsequent revision was made on **13th February 2026** to the approved budget in accordance with specific approvals from the same committee. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of cash flows has been presented on page 7 under section **Budget Reconciliation** of these financial statements.

c) Property, plant and equipment

Recognition and Measurement

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

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

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

Items acquired through non-exchange transactions (e.g., donations) are measured at their **deemed cost**, which is the fair value at the date of acquisition. For all other acquisitions, initial measurement is at **cost**, which includes all expenses directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Depreciation and Impairment

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

PPE Item	Depreciation Rate
Buildings	2-10%
Motor vehicles	10-16.67%
Infrastructure assets	2-20%
Furniture and fittings	12.5%
Computers & ICT Equipment	33.3%
Heritage Assets	%
Others (Specify)	

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

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

d) Lease Liability

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

Recognition

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

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

Measurement

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

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

e) Lease Liability

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

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

f) Intangible assets

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

period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

g) Research and development costs

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

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

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

Notes to the financial statements

h) Financial instruments

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

Financial assets

Classification

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

Subsequent measurement

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

Amortized cost

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

Notes to the financial statements

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in Note 17.

Financial liabilities

Classification

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

i) Inventories

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

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

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

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

Notes to the financial statements

Inventories (Continued)

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Project.

j) Provisions

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

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

Notes to the financial statements

m) Employee benefits

Retirement benefit plans

The Project does not provide any retirement benefits for its employees and directors.

n) Foreign currency transactions

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

o) Borrowing costs

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

p) Related parties

The project regards a related party as a person or an entity with the ability to exert control individually or jointly or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Principal and senior managers.

Notes to the financial statements

q) Service concession arrangements

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

r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

s) Subsequent events

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

Notes to the financial statements

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Project's financial statements in conformity with IPSAS requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes requiring a material adjustment to the carrying amount of the affected asset or liability in future periods. State all judgments, estimates, and assumptions made:

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Project based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Project. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 4.

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

Notes to the financial statements

6. Revenue Transfers

Description	FY 2025/26	FY 2024/25
	KShs	Kshs
Unconditional Transfers		
GoK Counter Part funding	-	-
Transfers from Development partners	163,699,497	-
Other unconditional transfers (Specify)	-	-
Total Unconditional Transfers (a)	163,699,497	-
Conditional Transfers		
Transfers from Development partners 1	-	-
Transfers from Development partner 2	-	-
Other conditional transfers (specify)	-	-
Total Conditional Transfers (b)	-	-
Total Transfers for the Year (a + b)	163,699,497	-

The purpose of funding is to improve capacity in service delivery, resource management, and accountability; improve access to decentralized services; ensure effective participation by communities in governance and socioeconomic development; and strengthen intergovernmental cooperation and collaboration for resolution of emerging issues in devolution.

a) Details to Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	Total transfers FY 2025/26	FY 2024/25
	Kshs	Kshs	Kshs	Kshs
GOK Funding	-	-	-	-
KDSP II	163,699,497	-	163,699,497	-
Development Partner 2	-	-	-	-
Subtotal	163,699,497	-	163,699,497	-
Deferred Income realized	-	-	-	-
Transfers in Kind	-	-	-	-
Total	163,699,497	-	163,699,497	-

7. Miscellaneous revenue

Description	FY 2025/26	FY 2024/25
	Kshs	Kshs
Interest Income	-	-
Others (specify)	-	-
Total	-	-

8. Employees Costs

Description	FY 2025/26	FY 2024/25
	<u>Kshs</u>	<u>Kshs</u>
Basic salaries of permanent employees	-	-
Basic wages of temporary employees	-	-
Personal allowances paid as part of salary	-	-
Personal allowances paid as reimbursements	-	-
Personal allowances provided in kind	-	-
Pension and other social security contributions	-	-
Compulsory national social security schemes	-	-
Compulsory national health insurance schemes	-	-
Other specify*	-	-
Total	-	-

9. Use of Goods and Services

Description	FY 2025/26	FY 2024/25
	<u>Kshs</u>	<u>Kshs</u>
Utilities, supplies and services	-	-
Bank charges	-	-
Communication, supplies and services	-	-
Domestic travel and subsistence	39,176,000	-
Foreign travel and subsistence	-	-
Fuel and lubricants	-	-
General office supplies	-	-
Stationery, Printing, advertising, and information supplies	378,350	-
Office rent	-	-
Training payments	268,644	-
Hospitality supplies and services	3,053,000	-
Insurance costs	-	-
Specialized materials and services	1,197,400	-
Other operating payments	-	-
Routine maintenance – vehicles and other transport equipment	-	-
Routine maintenance- other assets	-	-
Total	44,073,394	-

10. Depreciation and Amortization expense

Description	FY 2025/26	FY 2024/25
	Kshs	Kshs
Property, Plant and Equipment	-	-
Intangible Assets	-	-
Right of Use Assets	-	-
Others specify	-	-
Total	-	-

11. Transfer to Other Government Entities

Description	FY 2025/26	FY 2024/25
	Kshs	Kshs
Ministry ABC	-	-
Project XYZ	-	-
Department	-	-
County	-	-
Total	-	-

12. Other Transfers/Subsidies/Grants

Description	FY 2025/26	FY 2024/25
	Kshs	Kshs
Transfers to Non-Government Organizations	-	-
Subsidies	-	-
<i>Others Specify</i>	-	-
Total	-	-

13. Finance Costs

Description	FY 2025/26	FY 2024/25
	Kshs	Kshs
Finance leases (amortized cost)	-	-
Unwinding of discount on lease liabilities	-	-
Interest on Lease liabilities	-	-
Others specify	-	-
Total finance costs	-	-

14. Certified Works

Description	FY 2025/26	FY 2024/25
	Kshs	Kshs
Specify	-	-
<i>Others Specify</i>	-	-
Total	-	-

15. Gain/Loss on Sale of Assets

Description	FY 2025/26	FY 2024/25
	Kshs	
Property, plant and equipment	-	-
Intangible assets	-	-
Other assets not capitalised	-	-
Total gain/loss on sale of assets	-	-

16. Gain/Loss on foreign exchange transactions

Description	FY 2025/26	FY 2024/25
	Kshs	
Gain on foreign exchange transactions	-	-
Loss on foreign exchange transactions	-	-
Total Gain/Loss	-	-

17. Impairment Loss

Description	FY 2025/26	FY 2024/25
	Kshs	
Property, Plant and Equipment	-	-
Intangible Assets	-	-
<i>Others specify</i>	-	-
Total Impairment Loss	-	-

18. Cash and Cash Equivalent

Description	FY 2025/26	FY 2024/25
	Kshs	Kshs
Cash in Bank	26,430,194.80	-
Cash on hand	-	-
<i>Others (Specify)</i>	-	-
Total Cash and Cash Equivalent	26,430,194.80	-

Project Bank Accounts

Details	FY 2025/26	FY 2024/25
	Kshs	Kshs
Foreign Currency Accounts	-	-
Local Currency Accounts		
Central Bank of Kenya 100***564	26,430,195	-
Total local currency balances	<u>26,430,195</u>	=
Total bank account balances	<u>26,430,195</u>	=

19. Receivables

Description	FY 2025/26	FY 2024/25
	Kshs	Kshs
Transfers from Development partners	93,195,908	-
Contractor's Advance payments	-	-
<i>Other Receivables (specify)</i>	-	-
Total Receivables	93,195,908	-

The receivables above were part of development funds that reflected after 30th June 2026.

Aging analysis for Receivables

Description	FY 2025/26		FY 2024/25	
	Kshs		Kshs	
	FY 2025/26	% of the total	FY 2024/25	% of the total
Less than 1 year	93,195,908	100%	-	-
Between 1- 2 years	-	-	-	-
Between 2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total (a+b)	93,195,908	-	-	-

20. Inventories

Description	FY 2025/26	FY 2024/25
	Kshs	Kshs
Consumable stores	-	-
Medical supplies	-	-
Spare parts and meters	-	-
Water for distribution	-	-

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Other goods held for resale	-	-
Catering	-	-
Less: allowance for impairment	-	-
Total inventories at the lower of cost and net realizable value	-	-

Detailed disclosure on inventories

	FY 2025/26
Opening balance	-
Additional Inventory in the year	-
Inventory expensed in the year	-
Write-downs in the year	-
Others specify	-
Closing balance	-

21. Prepayments

Description	FY 2025/26	FY 2024/25
	Kshs	Kshs
Insurance	-	-
Rent	-	-
<i>Others specify</i>	-	-
Total inventories	-	-

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Notes to the financial statements

22. Property, Plant and Equipment

FY 2025/2026

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

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FY 2024/2025

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

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Notes to the financial statements

a) Valuation

The project does not own any assets hence no valuation of the same.

b) Property, Plant and Equipment at Cost

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

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

c) Fully depreciated assets

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

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

d) Service Concession assets

The project doesn't have service Concession assets

e) Disclosures on capital work in progress

Theres no capital work in process as at the financial year ended 30th June 2026.

Kenya Devolution Support Program II
Annual Report and Financial Statements for the financial year ended June 30, 2026

Notes to the financial statements

23. Intangible Assets

FY 2025/2026

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

FY 2024/2025

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

Kenya Devolution Support Program II
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Notes to the financial statements

24. Right of Use Assets

FY 2025/2026

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

FY 2024/2025

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

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Notes to the financial statements

25. Trade and Other Payables

Description	FY 2025/26		FY 2024/25	
	Kshs		Kshs	
Trade payables	-		-	
Employee payables	-		-	
<i>Other payables (specify)</i>	-		-	
Total trade and other payables	-		-	
Ageing analysis: (Trade and other payables)	FY	% of the	FY	% of the
	2025/26	Total	2024/25	Total
Under one year	-	-	-	-
1-2 years	-	-	-	-
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total (tie to above total)	-		-	

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Notes to the financial statements

26. Third-Party Deposits

Description	FY 2025/26		FY 2024/25	
	Kshs		Kshs	
Contractor's Retention	-		-	
Gratuity	-		-	
Other deposits (specify)	-		-	
Total deposits	-		-	
Aging analysis: (Refundable deposits)	FY 2025/26	% of the Total	FY 2024/25	% of the Total
Under one year	-	-	-	-
1-2 years	-	-	-	-
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total	-		-	

27. Deferred Income

Description		FY 2025/26	FY 2024/25
		Kshs	Kshs
Development partner 1		-	-
Development partner 2		-	-
Others specify		-	-
Total Deferred Income		-	-

Deferred Income Movement Schedule

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

Kenya Devolution Support Program II
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Notes to the financial statements

28. Lease Liability

Description	FY 2025/26	FY 2024/25
	Kshs	Kshs
At the start of the year	-	-
Additions	-	-
Discount interest on lease liability	-	-
Paid during the year	-	-
Adjustments	-	-
At the end of the year	-	-

Maturity Analysis

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

Analysed as:

Description	Amount
Current	-
Non- Current	-
Total	-

29. Cash Generated from Operations

Description	FY 2025/26	FY 2024/25
	Kshs	Kshs
Surplus/Deficit for the year	26,430,194.80	-
Adjusted for:		
Depreciation	-	-
Non-cash grants received	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Working capital adjustments		
Increase/Decrease in inventory	-	-

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

Description	FY 2025/26	FY 2024/25
	Kshs	Kshs
Increase/Decrease in receivables	-	-
Increase/Decrease in deferred income	-	-
Increase /Decrease in payables	-	-
Increase in payments received in advance	-	-
Net cash flow from operating activities	26,430,195	-

30. Special Deposit Accounts

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

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

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Notes to the financial statements

Special Deposit Accounts Movement Schedule

Description	FY 2025/26	FY 2024/25
	Kshs	Kshs
(i) A/c Name [A/c No.....]		
Opening balance	-	-
Total amount deposited in the account	-	-
Total amount withdrawn	=	=
Closing balance (as per SDA bank account reconciliation attached)	=	=
(ii) A/c Name [A/c No.....]		
Opening balance (as per the SDA reconciliation)	-	-
Total amount deposited in the account	-	-
Total amount withdrawn	=	=
Closing balance (as per SDA bank account reconciliation attached)	=	=

31. Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

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

Kenya Devolution Support Program II**Annual Report and Financial Statements for the financial year ended June 30, 2026****Notes to the financial statements****Other related parties include:**

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

Description	FY 2025/26	FY 2024/25
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of electricity to the government agencies	-	-
Rent income from the government. Agencies	-	-
Others (specify) e.g. interest and bank charges	-	-
Total	-	-
B) purchases from related parties		
Purchases of electricity from KPLC	-	-
Purchase of water from the government service providers	-	-
Rent expenses paid to the government agencies	-	-
Others (specify)	-	-
Total	-	-
b) Grants /transfers from the government		
Grants from national the government	-	-
Grants from county government	-	-
Donations in kind	-	-
Total	-	-
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	-	-
Payments for goods and services	-	-
Total		
d) Key management compensation		
Directors' emoluments	-	-
Compensation to key management	-	-
Total	-	-

Notes to the financial statements

32. Events after the Reporting Period

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

33. Ultimate And Holding Entity

The Project is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of devolution Its ultimate parent is the Government of Kenya.

34. Currency

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

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13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Financial Statements	-	-	-	-
Lawfulness & Effectiveness in the use of Public Resources	-	-	-	-
Effectiveness of Internal Controls, Risk Management & Governance	-	-	-	-

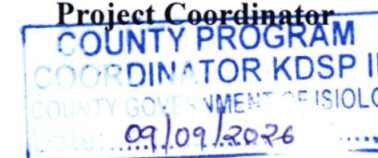


Name: Rashid Iribo
Chief Officer PSM





Name: Gabriel Manyinsa
Project Coordinator



Annex 2: Reconciliation of inter-entity transfers

Project Name:				
Break down of transfers from the State Department of Devolution				
a. KDSP II funding				
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate	
	22/08/2025	35,253,471.00	For FY 2025/2026	
	12/05/2026	35,250,117.80		
	Total	70,503,588.80		
B. Direct payments				
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate	
		-		
	Total	-		
C. Others				
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate	
		-		
		-		
	Total	-		
	Total (A+B+C)	70,503,588.80	For FY 2025/2026	

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

Project Coordinator
KDSP II

Sign 



Head of Accounting Unit
Isiolo County Department

Sign 

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Annex 3: Fixed Asset Register

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

Annex 4: Other Support Documents

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30th June 2026
- iii. Board of Survey Report
- iv. Special Deposit Account(s) reconciliation statement(s)

