REPUBLIC OF KENYA

REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

REPORT

PARLIAMENT OF KENYA LIBRARY

OF

THE AUDITOR-GENERAL

PARLIA OF KE LIBRA

ON

SECOND KENYA DEVOLUTION SUPPORT PROGRAM (KDSP II) – PROJECT NUMBER IDA-7447-KE

PARLIAMENT OF KENYA LIBRARY

FOR THE YEAR ENDED 30 JUNE, 2026

COUNTY GOVERNMENT OF MACHAKOS

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

OFFICE OF THE AUDITOR GENERAL
P.O. Box 30084-00100, NAIROBI
MACHAKOS HUB
18 SEP 2026
RECEIVED

SECOND KENYA DEVOLUTION SUPPORT PROGRAM (KDSP II)

COUNTY GOVERNMENT OF MACHAKOS

PROJECT GRANT/CREDIT NUMBER: IDA-7447-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2026

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

Table Contents Page

1. Acronyms, Abbreviations, and Definition of Terms iii
2. Project Information and Overall Performance iv
3. Statement of Performance against the Project's Predetermined Objectives xii
4. Environmental and Sustainability Reporting xv
5. Statement of Project Management Responsibilities xviii
6. Report of the Auditor General on Financial Statements for KDSP II (*the Project)* xx
7. Statement of Financial Performance for the Year Ended 30th June 2026. 1
8. Statement of Financial Position as at 30th June 2026 2
9. Statement of Changes in Net Assets 4
10. Statement of Cashflow for the year ended 30th June 2026 5
11. Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 2026 6
12. Notes to the Financial Statements 8
13. Annexes 41

List of Tables and Charts

List of Tables
List of Charts

1. Acronyms, Abbreviations, and Definition of Terms

A. Acronyms and Abbreviations

CBK	Central Bank of Kenya
CRF	County Revenue Fund
SPA	Special Purpose Account
CGM	County Government of Machakos
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
KDSP II	Second Kenya Devolution Support Program
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 Second Kenya Devolution Support Program (KDSP II),

County Government of Machakos.

Objective

The key objective of KDSP II is to strengthen county performance in the financing, management, coordination and accountability for resources.

Address

County Government of Machakos,

County Headquarters' Building,

Mwatu Wa Ngoma Road,

Machakos Town, Kenya.

Contacts

P.O. Box: 1996-90100

Telephone: (254) 202 004 086

E-mail: info@machakos.go.ke

Website: machakos.go.ke

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	01/07/2024
Project End Date:	30/06/2027
Project Coordinator:	Cynthia Mutheu Ngui
Project Development Partner:	World Bank

2.3 Project Overview

County Department	Devolution
Project number	IDA-7447-KE
Strategic goals of the project	The strategic goals of the project are as follows: i. Sustainable Financing and Expenditure Management. ii. Intergovernmental Coordination, Institutional Performance and Human Resource Management. iii. Oversight, Participation and Accountability.
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Clear multi-level governance structures (national & county governments). (ii) Performance-based financing (Level 1 & Level 2 grants tied to DLIs). (iii) County-led planning & integration with CIDPs. (iv) Strong capacity building and technical support. (v) Rigorous monitoring, evaluation, and learning systems. (vi) Robust safeguards and citizen accountability mechanisms.
Other important background information of the project	The KDSP II program was designed to deepen reforms, promote sustainability, and incentivize performance through results-based funding.

Areas that the project was formed to intervene	The project was formed to intervene in the following problems/gaps: (i) Timeliness of financial transfers to counties and exchequer reforms. (ii) Establishment of institutional frameworks in counties. (iii) Increase Revenue Collection/Mobilization (iv) Reduction of pending bills. (v) Human Resource Management (vi) Performance Contracting (vii) Project Management and accountability
Project duration	3 Years

Project Information and Overall Performance (Continued)

2.4 Bankers

Central Bank of Kenya
P.O Box 6000 - 00200,
Nairobi, Kenya.

2.5 Independent Auditor

Office of the Auditor General,
P.O Box 30084 – 00100,
Nairobi, Kenya.

2.6 Roles and Responsibilities

No	Names	Title designation	Key qualification	Responsibilities
1.	Mercy Ndululu Mutua	Chief Officer - Devolution	Mercy Holds a Bachelor's Degree in International Relations. She has extensive Public Service experience spanning over 6 years. She runs the department responsible for all county administration, decentralised units	The Chief Officer for Devolution holds the authority to incur expenditure and Program Accounting Officer.

			and Citizen Engagement	
2.	Cynthia Mutheu Ngui	Program Coordinator	Holds extensive experience in the management of Development Partner Funding, Accounting and Project Management. She holds an MBA in Finance and is a Certified Public Accountant of Kenya.	Operations and coordination of the program within the county, Financial Management, Supervises Monitoring, Evaluation and Risk management, Reporting and Communication.

2.7 Funding summary

The Project is for a duration of 3 years from Financial Year 2024/2025 to 2026/2027 with two levels of funding as follows:

i) Level 1 Grant: Institutional Strengthening

Machakos County received a fixed Level 1 grant of Kshs. 70,503,590 as allocations for both FY 2024/2025 and FY 2025/2026 to set up governance and institutional strengthening structures. In addition, the county transferred Kshs. 5,000,000 as counterpart funding to the KDSP II Special Purpose Account. The County expects to receive an additional equivalent of EUR 234,000 in the 2026/2027 institutional grant continued institutional strengthening.

ii) Level II Grant: Performance Based Service Delivery

This is a conditional grant tied to performance, disbursed only to counties that meet a set of Disbursement Linked Indicators (DLIs). The county was awarded Kshs. 124,354,121.22 at the end of the 2025/2026 FY.

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Development Partner Commitment		Amount received to date – (30th June 2026)		Undrawn balance to date	
	Development Partner currency	Kshs	Development Partner currency	Kshs	Development Partner currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
(i) Grant						
World Bank – KDSP II		194,857,711.22		70,503,590		34,212,919
(ii) Counterpart funds						
County Government of Machakos		5,000,000		5,000,000		
Total	-	**199,857,711.22**		**75,503,590**		**34,212,919**

The cumulative amount received from the Development partner to date excludes Level 2 grant amount of Kshs. 124,354,121.22 as passed by the County Governments Additional Allocation Act on 29th June 2026. The disbursement is held at the CRF Account by the time of reporting and not yet transferred to SPA.

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30th June 2026)		Cumulative amount paid to date – (30th June 2026)		Unutilised balance to date (30th June 2026)	
	Development Partner currency	*Kshs*	Development Partner currency	*Kshs*	Development Partner currency	*Kshs*
	(A)	*(A')*	*(B)*	(B')	*(A)-(B)*	*(A')-(B')*
Grant						
World Bank		70,503,590		36,290,671		34,212,919
Counterpart funds						
Government of Kenya		5,000,000		5,000,000		0
Total		**75,503,590**		**41,290,671**		**34,212,919**

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

i) The program received funds from the Development partner in two batches as follows:

   a) Allocation for FY 2024/2025 of Kshs 35,253,472 was received and transferred to Special Purpose Account on 13/03/2026.

   b) Allocation for FY 2025/2026 of Kshs 35,250,118 was received and transferred to Special Purpose Account on 05/05/2026.

ii) The absorption rate for the project for the period was 54.69%.

iii) The main challenge in implementing the program was late disbursement of funds from the KDSP II program for the funding of work plan.

2.9 Summary of Project Compliance:

Being an institutional strengthening grant, there were no compliance challenges.

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 government entity's performance against predetermined objectives at the end of each financial year.

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

a. DLI 1: Reduce the Average Number of Days it takes for National Treasury, Office of the Controller of Budget and Central Bank of Kenya to process a County Exchequer Requisition Once Submitted.
b. DLI 2: Put in place Core Governance arrangements to Manage public funds.
c. DLI 3: Increase Own Source Revenue by at least 5% annually over and above the Rate of Inflation.
d. DLI 4: Implement Pending Bills Action plans.
e. DLI 5: Integrate HR records, authorized staff establishment and Payroll and uploaded cleaned payrolls in the HRIS-Ke.
f. DLI 6: Enhance accountability for results through an integrated Performance Management Framework.
g. DLI 7: Develop a Public Investment Management Dashboards with citizen feedback mechanisms.

Progress on the attainment of strategic development objectives

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

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

Disbursement Linked Indicator	Expected Output	Indicator	Performance
Reduce the Average Number of Days it takes for National Treasury, Office of the Controller of Budget and Central Bank of Kenya to process a County Exchequer Requisition Once Submitted.	Reduced number of days to process a county exchequer requisition once submitted	Number of days to process a county exchequer requisition once submitted reduced to 20	Number of days have been reduced from over 30 days to 10
Put in place Core Governance arrangements to Manage public funds.	Core Governance arrangements to Manage public funds.	Annual Work plans and Budgets for Level 1 &2 prepared and approved, Qualified or Unqualified Audit Opinion for 2023/2024, Implementation Reports of the Program, SPMU Structure Approved, Approved training Plan for Gender officers	100%
Increase Own Source Revenue by at least 5% annually over and above the Rate of Inflation.	Increased Own Source Revenue by at least 5% annually over and above the Rate of Inflation.	OSR increased by at least 5% over and above the rate of inflation for the FY 2025/2026	100% Achieved
Implement Pending Bills Action plans.	Implemented Pending Bills Action Plans	Pending Bills Action Plans Prepared, Pending Bills Verification Committee Report prepared.	50%
Integrate HR records, authorised staff establishment and Payroll and uploaded cleaned payrolls in the HRIS-Ke.	Integrated HR records, authorised staff establishment and Payroll and uploaded cleaned payrolls in the HRIS-Ke.	Payroll Audits Conducted, All staff assigned Unified Payroll numbers, Cleaned Payroll uploaded in HRIS, Action Plans Prepared, Staff establishment approved	90% Achieved

Enhance accountability for results through an integrated Performance Management Framework.	Implemented Performance Contracting.	Vetted and signed Performance contracts targets in the three levels of Pc's aligned with CIDP, ADP & Policy priorities.	90% Achieved
Develop a Public Investment Management Dashboards with citizen feedback mechanisms.	Developed a Public Investment Management Dashboards with citizen feedback mechanisms.	A detailed stock-take of all county projects undertaken. Project Stock take is available to the public through County external website. County External website has a functionality for citizens to provide feedback on the project stocktaking. Screening of proposed Infrastructure investment.	100% Achieved.

4. Environmental and Sustainability Reporting

The County Government of Machakos continues to integrate sustainability principles into its planning, budgeting, and reporting processes under KDSP II. The County's progress demonstrates that strong financial management and environmental stewardship go hand in hand in achieving resilient and inclusive local development.

1. Sustainability strategy, risk management and profile

Machakos County's sustainability strategy under the Second Kenya Devolution Support Programme (KDSP II) aligns with the County Integrated Development Plan (CIDP 2023–2027) and Kenya's Vision 2030 goal of achieving inclusive, green growth. The County adopts a "Sustainability-by-Design" approach — integrating environmental, social, and governance (ESG) principles across all devolved functions.

Strategic Focus Areas:

- Climate-resilient infrastructure development (roads, water, and health facilities).
- Mainstreaming climate change adaptation into planning, budgeting, and performance frameworks.
- Resource efficiency and green procurement, ensuring energy- and water-efficient investments.
- Transparency and accountability in financial and environmental reporting.

The sustainability framework is guided by:

- The Public Finance Management (PFM) Act, 2012,
- Climate Change Act, 2016,
- National Climate Change Action Plan (NCCAP), and
- KDSP II Environmental and Social Management Framework (ESMF)

2. Environmental performance

Under KDSP II, Machakos County has made progress in managing environmental and social risks associated with infrastructure and service delivery investments.

Key Achievements:

- Environmental Screening and Safeguards Compliance: All KDSP II-supported projects underwent environmental and social screening in line with World Bank regulations.
- Empowered Environmental Safeguards Officers through training.
- Mainstreamed Environmental Screening and Safeguards Compliance across county departments that implement development projects.

Employee welfare

KDSP II emphasizes institutional strengthening, including improved welfare and work conditions for county staff.

Key Interventions:

- Capacity Building: Continuous training of finance, planning, procurement, and environmental officers on PFM, safeguards, and digital systems (IFMIS, HRIS-Ke).
- Occupational Health and Safety: Implementation of OHS guidelines in project sites to ensure safe working environments.
- Equal Opportunity and Inclusion: Gender mainstreaming across county departments.
- Staff Wellness: County health insurance and psychosocial support programs introduced in partnership with the department of health.

3. **Marketplace practices-**

   a) **Responsible Supply chain and supplier relations-**

   Machakos County promotes responsible marketplace practices that ensure ethical conduct, transparency, and sustainability in procurement and service delivery.

   Initiatives and Achievements:

   b) Transparent Procurement: Adoption of e-procurement and disclosure of award information in line with KDSP II performance standards.
   c) Local Content Promotion: Preference given to local suppliers and

youth- or women-owned enterprises in county contracts.

d) Green Procurement: Inclusion of sustainability criteria (energy efficiency, waste management, local materials) in tender evaluation.

e) Anti-Corruption Measures: Strengthening of internal audit and integrity systems; regular financial reporting to the County Assembly and Controller of Budget.

Community Engagements

Community participation and Citizen Engagement remains central to the KDSP II philosophy of accountable service delivery.

Highlights:

- Public Participation Forums: Held in all nine sub-counties to guide project prioritization and budgeting of county projects.
- Civic Education: Awareness sessions conducted on environmental conservation, social safeguards, and citizen oversight.
- Social Inclusion: Deliberate inclusion of women, youth, and persons with disabilities in project committees and training programs.
- Partnerships: Collaboration with the civil society on environmental conservation and livelihood improvement projects (e.g., tree nurseries, water user associations).

Impact:

Community trust and ownership of county projects through Community Led Project Management Committees as implemented under KDSP II have significantly improved, enhancing sustainability and reduction in project resistance or vandalism.

5. Statement of Project Management Responsibilities

The Chief Officer for the County department of Devolution and the Project Coordinator are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for the Period ended on June 30th, 2026.

This responsibility includes:

(i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period,

(ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project,

(iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud,

(iv) Safeguarding the assets of the project,

(v) Selecting and applying appropriate accounting policies and

(vi) Making accounting estimates that are reasonable in the circumstances.

The Chief Officer for the County Department of Devolution and the Project Coordinator accept responsibility for the Project's financial statements, which have been prepared on the accrual basis method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Chief Officer for the County Department of Devolution and the Project Coordinator are of the opinion that the Project's financial statements give a true and fair view of the state of the Project's transactions during the Period ended June 30th, 2026, and of the Project's financial position as at that date. The Chief Officer for County Department of Devolution and the Project Coordinator further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements and the adequacy of the systems of internal financial control.

The Chief officer for the County Department of Devolution and the Project Coordinator confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants and that Project funds received during the financial year

under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

The Project financial statements were approved by the Chief Officer for the County Department of Devolution and the Project Coordinator on 17/09/ 2026 and signed by:

.....	.....
Mercy N. Mutua	**Cynthia Mutheu Ngui**
Chief Officer	**Project Coordinator**

REPUBLIC OF KENYA

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

REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Second Kenya Devolution Support Program (KDSP II) - Project Number IDA-7447- KE set out on pages 1 to 41, which comprise of the statement of financial position as at 30 June, 2026, 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 for the year then ended in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, Cap. 412B. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Second Kenya Devolution Support Program (KDSP II) - Project Number IDA-7447- KE as at 30 June, 2026 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the participation agreement on the second devolution support program (KDSP II) between the National Government of the Republic of Kenya and County Government of Machakos dated 3 June, 2024 and the Public Finance Management Act, Cap. 412A.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Second Kenya Devolution Support Program (KDSP II) - Project Number IDA-7447- KE Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.437,500,000 and Kshs.75,503,590 respectively resulting to an under-funding of Kshs.361,996,410 or 83% of the budget. Similarly, the Program Management expended Kshs.41,290,671 against actual receipts of Kshs.75,503,590 resulting to an under-absorption of Kshs.34,212,919 or 45% of the receipts.

The under-funding and under-absorption affected the planned activities and may have impacted negatively on service delivery to the residents of Machakos County.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Information

Management is responsible for the Other Information set out on pages iv to xix which comprise of Project Information and Overall Performance, Statement of Performance Against Predetermined Objectives, Environmental and Sustainability Reporting and Statement of Project Management Responsibilities, The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Failure to Conduct Capacity Building for Internal Audit and Audit Committee

Review of the program's capacity-building/training records for the period revealed that no capacity building activities were undertaken for County's internal audit unit and audit Committee. This was contrary to Paragraph 81 of the Second Kenya Devolution Support Program Operations Manual, 2024 which requires Counties to strengthen fiduciary oversight by utilizing their existing internal audit units as a shared service for the Program and building the capacity of internal audit units through training and other capacity-enhancement initiatives. In addition, it requires establishing and supporting functioning Audit Committees in line with the Public Finance Management requirements, and ensuring that Audit Committees follow up on audit queries and oversee the implementation of audit recommendations.

In the circumstances, Management was in breach of the Program manual.

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 opinion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

21 September, 2026

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

	Notes	FY 2025/2026	Comparative FY 2024/2025
		Kshs	Kshs
Revenue			
Revenue Transfers	6	199,857,711	-
Miscellaneous Revenue	7	-	-
Total revenue		**199,857,711**	-
Expenses			
Employee costs	8	-	-
Use of goods and services	9	46,880,605	-
Depreciation and amortization expense	10	-	-
Transfer to other Government Entities	11	-	-
Other Transfers/Subsidies/Grants	12	-	-
Finance Costs	13	-	-
Certified Works	14	-	-
Total expenses		**46,880,605**	-
Other gains/(losses)			
Gain/Loss on sale of assets	15	-	-
Gain/Loss on foreign exchange transactions	16	-	-
Impairment loss	17	-	-
Surplus/ (deficit)		**152,977,106**	-

The financial statements were approved on 17/09/ 2026 and signed by:

.....	.....	.....
Mercy Mutua	**Cynthia Mutheu Ngui**	**CPA Esther Ndolo**
Chief Officer	**Project Coordinator**	**Project Accountant**
		ICPAK Member No: 16646
Date:10th September 2026	**Date:10th September 2026**	**Date:10th September 2026**

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

	Note	Current FY 2025/2026	Comparative FY 2024/2025
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	18	34,212,919	-
Receivables	19	124,354,121	-
Inventories	20	-	-
Prepayment	21	572,576	-
Total Current Assets		**159,139,616**	**-**
Non-Current Assets			
Property, Plant and Equipment	22	-	-
Intangible Assets	23	-	-
Right of use assets	24	-	-
Total Non- Current Assets		**-**	**-**
Total Assets (a)		**159,139,616**	**-**
Liabilities			
Current Liabilities			
Trade and Other Payables	25	6,162,510	-
Third Party Deposits	26	-	-
Deferred Income	27	-	-
Current Lease Liabilities	28	-	-
Total Current Liabilities		**6,162,510**	**-**
Non-Current Liabilities			
Non-current lease liability	28	-	-
Total Non-Current Liabilities		**-**	**-**
Total Liabilities (b)		**6,162,510**	**-**
Net Assets (a-b)		**152,977,106**	
Represented By:			
Accumulated Surplus		152,977,106	-
Revaluation Reserve		-	-
Total Net Assets		**152,977,106**	**-**

NB:

1. The amount of **Ksh. 124,354,121** was revenue earned but not received in Special Purpose Account. The amount came after 30th June 2026.
2. The amount of **Ksh. 572,576** is an advance payment made to Kenya School of Government for a workshop which was postponed to FY 2026/2027.

The financial statements were approved on 17/09/ 2026 and signed by:

.....	.....	.....
Mercy Mutua	**Cynthia Mutheu Ngui**	**CPA Esther Ndolo**
Chief Officer	**Project Coordinator**	**Project Accountant**
		ICPAK Member No. 16646
Date:10th September 2026	**Date:10th September 2026**	**Date:10th September 2026**

9. Statement of Changes in Net Assets

	Accumulated Surplus	Revaluation Reserve	Total
As At 1st July 2024	-	-	-
Return to Exchequer	-	-	-
Surplus/Deficit for the year	-	-	-
Revaluation Gain	-	-	-
Transfer of excess depreciation on revaluation	-	-	-
Other Changes *(specify)*	-	-	-
As at 30th June 2025	-	-	-
As At 1st July 2025	-	-	-
Return to Exchequer	-	-	-
Surplus/ deficit for the year	152,977,106	-	**152,977,106**
Revaluation Gain	-	-	-
Transfer of excess depreciation on revaluation	-	-	-
Add: Recognition of Assets	-	-	-
Other Changes *(specify)*	-	-	-
As at June 30, 2026	**152,977,106**	-	**152,977,106**

The financial statements were approved on 17/09/ 2026 and signed by:

.....	.....	.....
Mercy Mutua	**Cynthia Mutheu Ngui**	**CPA Esther Ndolo**
Chief Officer	**Project Coordinator**	**Project Accountant**
		ICPAK Member No. 16646
Date:10th September 2026	**Date:10th September 2026**	**Date:10th September 2026**

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

Description	Note	Current FY 2025/2026	Comparative FY 2024/2025
		Kshs	Kshs
Cash flow from operating activities			
Receipts			
Revenue Transfers		75,503,590	-
Miscellaneous Revenue		-	-
Total receipts		**75,503,590**	-
Payments			
Employee costs		-	-
Use of goods and services		41,290,671	-
Transfer to other Government Entities		-	-
Other Transfers/Subsidies/Grants		-	-
Certified Works		-	-
Total payments		**41,290,671**	-
Net cash flow from operating activities	29	**34,212,919**	-
Cash flow from investing activities			
Acquisition of non-financial assets		-	-
Proceeds from sale of Assets		-	-
Acquisition of Intangible assets		-	-
Net cash flows from investing activities		-	-
Cash flow from financing activities			
Repayment of Lease Principal		-	-
Specify the activity		-	-
Net cash flow from financing activities		-	-
Net increase/Decrease in cash and cash equivalents		**34,212,919**	-
Cash and cash equivalent at 1st July	**18**	-	-
Cash and cash equivalent at end June 2026	**18**	**34,212,919**	-

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	395,000,000	42,500,000	437,500,000	75,503,590	361,996,410	17.26%
Miscellaneous Revenue	-	-	-	-	-	-
Total Revenue	**395,000,000**	**42,500,000**	**437,500,000**	**75,503,590**	**361,996,410**	**17.26%**
Payments						
Employee costs	-	-	-	-	-	-
Use of goods and services	395,000,000	42,500,000	437,500,000	41,290,671	396,209,329	9.44%
Transfer to other Government Entities	-	-	-	-	-	-
Other Transfers/Subsidies/Grants	-	-	-	-	-	-
Certified Works	-	-	-	-	-	-
Total Payments	**395,000,000**	**42,500,000**	**437,500,000**	**41,290,671**	**396,209,329**	**9.44%**
Surplus	**-**	**-**	**-**	**34,212,919**	**-**	**-**

NB

1.Budget underutilization was due to Non remittance of Kshs. 352,000,000 by the development partner budgeted under level 2 grant.

2.The adjustment to the original budget with Kshs 42,500,000 was for the allocation meant for FY 2024/2025 which was not remitted during the period. This was moved forward to FY 2025/2026.

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	152,977,106
1	Less: Revenue Earned but not received in SPA account	(124,354,121)
2	Add :Payables (expenditure incurred but not paid)	6,162,510
3	Less: Prepayments	(572,576)
	Closing Cash and Cash Equivalent as per the statement of Cash flows	**34,212,919**

12. Notes to the Financial Statements

1. General Information

The Second Kenya Devolution Support Program (KDSP II) is established by and derives its authority and accountability from the PFM Act (2012) and the Constitution of Kenya. The program is financed primarily by the World Bank and coordinated by Kenya National Government State Department for Devolution.

2. Statement of Compliance and Basis of Preparation

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

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

These financial statements were authorized for issue by the accounting officer on 31/08/2026

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	***Applicable 1st January 2025*** The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	***Applicable 1st January 2025*** The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
IPSAS 45- Property Plant and Equipment	***Applicable 1st January 2025*** The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has 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.

Standard	Effective date and impact:
IPSAS 46 Measurement	***Applicable 1st January 2025*** The objective of this standard was to improve measurement guidance across IPSAS by: i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value.

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

Standard	Effective date and impact:
IPSAS 47-Revenue	***Applicable 1st January 2026*** This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an MDA shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48-Transfer Expenses	***Applicable 1st January 2026*** The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and 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.

Standard	Effective date and impact:
IPSAS 49-Retirement Benefit Plans	***Applicable 1st January 2026*** The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	***Applicable 1st January 2027*** The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.
IPSAS 51: Tangible Natural Resources Held For Conservation	***Applicable 1st January 2028*** The objective of this standard is to establish the principles that an entity shall apply to report relevant information to users of financial statements about the nature, amounts, timing, and uncertainties arising from tangible natural resources held for conservation. A tangible natural resource held for conservation is a naturally occurring tangible asset that is managed to prevent its degradation.
IPSASB SRS 1: Climate Related Disclosures	***Applicable 1st January 2028*** This standard provides principles for an entity to address climate-related risks and opportunities arising from an entity's activities and operations. The standard provides disclosures on governance, strategy, risk management, and metrics and targets.

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 Council or Board on ***26th June 2025.*** Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of cash flows has been presented on page ***6*** 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	x%
Others (Specify)	

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

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

d) Lease Liability

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

Recognition

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

- The amount of the initial lease liability.
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred; and

- An estimate of the costs to be incurred in dismantling and removing the underlying asset or restoring the site.

Measurement

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

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

e) Lease Liability

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

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

f) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

g) Research and development costs

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

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

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

development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

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.

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 xx.*

Financial liabilities

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

i) Inventories

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

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

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

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

Inventories (Continued)

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

j) Provisions

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

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

n) Foreign currency transactions

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

o) Borrowing costs

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

p) Related parties

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

q) Service concession arrangements

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

r) Cash and cash equivalents

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

s) Subsequent events

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

Notes to the financial statements

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

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

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.

6. Revenue Transfers

Description	FY 2025/2026	FY 2024/2025
	KShs	Kshs
Unconditional Transfers		
CGM Counter Part funding	5,000,000	-
Transfers from Development partners	194,857,711	-
Other unconditional transfers (Specify)	-	-
Total Unconditional Transfers (a)	**199,857,711**	**-**
Conditional Transfers		
Transfers from Development partners 1	-	-
Transfers from Development partner 2	-	-
Total Conditional Transfers (b)	**-**	**-**
Total Transfers for the Year (a + b)	**199,857,711**	**-**

a) Details to Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	Total transfers 2025/2026)	FY 2024/2025
	Kshs	Kshs	Kshs	Kshs
CGM Funding	5,000,000	-	-	-
World Bank	194,857,711	-	-	-
Subtotal	**199,857,711**	**-**	**-**	**-**
Deferred Income realized	-	-	-	-
Transfers in Kind	-	-	-	-
Total	**199,857,711**	**-**	**-**	**-**

7. Miscellaneous revenue

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Interest Income	-	-
Total	**-**	**-**

8. Employees Costs

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

9. Use of Goods and Services

Description	FY 2025/2026	FY 2024/2025
C	Kshs	Kshs
Utilities, supplies and services	-	-
Bank charges	-	-
Communication, supplies and services	-	-
Domestic travel and subsistence	17,525,800	-
Foreign travel and subsistence	-	-
Fuel and lubricants	-	-
General office supplies	350,000	-
Stationery, Printing, advertising, and information supplies	-	-
Consultants facilitation	429,200	-
Training payments	7,985,930	-
Hospitality supplies and services	11,795,880	-
Public Sensitization/Engagement	6,998,270	
Insurance costs	-	-
Specialized materials and services	-	-
Other operating payments- Transport	1,795,525	-
Routine maintenance – vehicles and other transport equipment	-	-
Routine maintenance- other assets	-	-
Total	**46,880,605**	-

10. Depreciation and Amortization expense

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

11. Transfer to Other Government Entities

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Ministry	-	-
Project	-	-
Department	-	-
County	-	-
Total	-	-

12. Other Transfers/Subsidies/Grants

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Transfers to Non-Government Organizations	-	-
Subsidies	-	-
Total	-	-

13. Finance Costs

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

14. Certified Works

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Specify	-	-
Total	**-**	**-**

15. Gain/Loss on Sale of Assets

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

16. Gain/Loss on foreign exchange transactions

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

17. Impairment Loss

Description	FY 2025/2026	FY 2024/2025
	Kshs	
Property, Plant and Equipment	-	-
Intangible Assets	-	-
Total Impairment Loss	**-**	**-**

18. Cash and Cash Equivalents

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Cash in Bank SPA	34,212,919	-
Cash on hand	-	-
Total Cash and Cash Equivalents	**34,212,919**	**-**

Notes to the financial statements

Project Bank Accounts

Details	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Foreign Currency Accounts		
Central Bank of Kenya	-	-
Kenya Commercial Bank	-	-
Co-operative Bank of Kenya	-	-
Total Foreign Currency balances	-	-
Local Currency Accounts		
Central Bank of Kenya: 1000xxx513	34,212,919	-
Kenya Commercial Bank	-	-
Co-operative Bank of Kenya	-	-
Total local currency balances	34,212,919	-
Total bank account balances	**34,212,519**	-

19. Receivables

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Counter Part Funding	-	-
Level 2 grant World Bank	124,354,121	-
Contractor's Advance payments	-	-
Total Receivables	**124,354,121**	-

NB:Receivables of Kshs. 124,354,121.22 transferred to the county CRF at the end of the year. Not yet transferred to SPA.

Aging analysis for Receivables

Description	FY 2025/2026		FY 2024/2025	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	124,354,121	100 %	-	%
Between 1- 2 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	**124,354,121**	**100 %**	**-**	**%**

20. Inventories

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

Detailed disclosure on inventories

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

21. Prepayments

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Insurance	-	-
Hospitality Dues	572,576	-
Total inventories	**572,576**	**-**

22. Property, Plant and Equipment

Cost/Value	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	Infrastructure Assets	Service Concession Assets	Other Assets (Specify)	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs		Kshs	Kshs
As At 1July 2025\6	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-					-
As at 30th June 2026	-	-	-	-	-	-	-	-	-	-
Depreciation & Impairment										
At 1 July 2026	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-	-	-	-	-
As at 30th June 2026	-	-	-	-	-	-	-	-	-	-
Net Book Value as at 30th June	-	-	-	-	-	-	-	-	-	-

FY 2024/2025

Cost/Value	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	Infrastructure Assets	Service Concession Assets	Other Assets (Specify)	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs		Kshs	Kshs
As at 1 July 2024	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-	-
As at 30th June 2025	-	-	-	-	-	-	-	-	-	-
Depreciation & Impairment										
At 1 July 2025	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-	-	-	-	-
As at 30th June 2025	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Net book Value As at 30th June 2026	-	-	-	-	-	-	-	-	-	-

Notes to the financial statements

a) Valuation

Land and buildings/ Equipment are yet to be valued.

b) Property, Plant and Equipment at Cost

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

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

c) Fully depreciated assets

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

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

d) Service Concession assets

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

e) Disclosures on capital work in progress

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

23. Intangible Assets

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 2025	-	-	-	-
Amortization charge for the year	-	-	-	-
Disposal	-	-	-	-
Impairment loss	-	-	-	-
At the end of the period	-	-	-	-
NBV at 30th June 2026	-	-	-	-

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 20xx	-	-	-	-	-
Accumulated Depreciation					
As at 1 July 20xx Current Year	-	-	-	-	-
Charge for the year	-	-	-	-	-
Elimination on Disposal/Transfer out	-	-	-	-	-
As at 30 June 20xx	-	-	-	-	-
	-	-	-	-	-
NBV As at 30 June 20xx	-	-	-	-	-

Previous FY

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

	Buildings	Motor Vehicles	Equipment	Others Specify	Total
	Kshs	Kshs	Kshs		Kshs
As at 30 June 2025	-	-	-	-	-
NBV As at 30 June 2025	-	-	-	-	-

25. Trade and Other Payables

Description	FY 2025/2026		FY 2024/2025	
	Kshs		Kshs	
Trade payables	6,162,510		-	
Employee payables	-		-	
Total trade and other payables	**6,162,510**		-	
Ageing analysis: (Trade and other payables)	**Current FY**	**% of the Total**	**Comparative FY**	**% of the Total**
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (tie to above total)	-		-	

(Provide brief explanation)

Notes to the financial statements

26. Third-Party Deposits

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

27. Deferred Income

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

Deferred Income Movement Schedule

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

Notes to the financial statements

28. Lease Liability

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

Maturity Analysis

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

Analysed as:

Description	Amount
Current	-
Non- Current	-
Total	-

29. Cash Generated from Operations

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
Surplus/Deficit for the year	**152,977,106**	-
Adjusted for:		
Depreciation	-	-
Non-cash grants received	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Working capital adjustments		
Increase/Decrease in inventory	-	-
Increase in receivables	**(124,354,121)**	-
Increase/Decrease in deferred income	-	-
Increase in payables	**6,162,510**	-
Increase in payments received in advance	**(572,576)**	-
Net cash flow from operating activities	**34,212,919**	-

30. Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as of 30th June 2026 are included in the Statement of Financial Assets since the line items are yet to be drawn into the Exchequer Account as a voted provision.

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

Notes to the financial statements

Special Deposit Accounts Movement Schedule

Description	FY 2025/2026	FY 2024/2025
	Kshs	Kshs
(i) A/C Name		
Opening balance	-	-
Total amount deposited in the account	-	-
Total amount withdrawn	-	-
Closing balance (*as per SPA 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 SPA bank account reconciliation attached)	=	=

31.Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

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

Notes to the financial statements

Other related parties include:

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

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

Notes to the financial statements

32.Events after the Reporting Period

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

33.Ultimate And Holding Entity

The Entity is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of xxx.

Its ultimate parent is the Government of Kenya.

34.Currency

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

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe:
Financial Statements				
Lawfulness & Effectiveness in the use of Public Resources				
Effectiveness of Internal Controls, Risk Management & Governance				

.....
Mercy Mutua
Chief Officer

.....
Cynthia Mutheu Ngui
Project Coordinator

Annex 2: Reconciliation of inter-entity transfers

	Project Name: KDSP II			
	Break down of transfers from the State department			
a.	**Government Counterpart funding**			
		Bank Statement Date	Amount (Kshs)	
			-	
			-	
		Total	**-**	
B.	**Direct payments**			
		Bank Statement Date	Amount (Kshs)	
			-	
		Total	**-**	
C.	**Others**			
		Bank Statement Date	Amount (Kshs)	
			-	
			-	
		Total	**-**	
		Total (A+B+C)	**-**	

Project Coordinator
KDSP II

Sign ----------

Head of Accounting Unit
County Department

Sign----------

Annex 3: Fixed Asset Register

Asset class	Historical Cost b/f (Kshs) 2024/2025	Additions during the year (Kshs)	Disposals during the year (Kshs	Transfers in/(out) during the year	Historical Cost c/f (Kshs) 2025/2026
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-Provided

i. Bank Reconciliations statement as at 30th June 2026

ii. Board of Survey Report