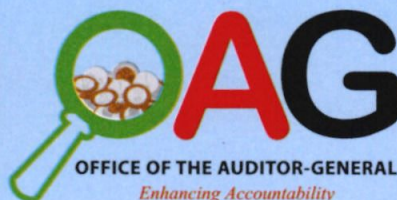


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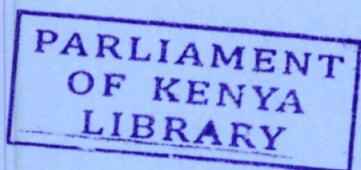
OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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 MAKUENI

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



PROJECT NAME:

SECOND KENYA DEVOLUTION SUPPORT PROGRAMME (KDSP II)

IMPLEMENTING ENTITY: MAKUENI COUNTY

PROJECT GRANT/CREDIT NUMBER: Credit No. 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)**

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Second Kenya Devolution Support Programme (KDSP II)

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

Table Contents

1. Acronyms and Definition of Terms	ii
2. Project Information and Overall Performance	iii
3. Statement of Performance Against the Project's Predetermined Objectives.....	xix
4. Environmental and Sustainability Reporting	xxi
5. Statement of Project Management Responsibilities	xxii
6. Report of the Independent Auditor on Financial Statements for Second Kenya Devolution Support Programme (KDSP II).....	xxiii
7. Statement of Financial Performance for the year ending 30 th June 2026.	1
8. Statement of Financial Position for the year ending 30 th June 2026	2
9. Statement of Changes in Net Assets	4
10. Statement of Cash flow for the year ending 30 th June 2026	5
11. Statement of Comparison of Budget and Actual Amounts as at 30 th June 2026.....	6
12. Notes to the Financial Statements.....	8
13. Annexes	36

Second Kenya Devolution Support Programme (KDSP II)

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

1. Acronyms and Definition of Terms

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
Comparative FY	Financial year preceding the current financial year.

Second Kenya Devolution Support Programme (KDSP II)

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

2. Project Information and Overall Performance

2.1 Name

The project's official name is the Second Kenya Devolution Support Programme (KDSP II)

Objective

The key objective of KDSP II is to strengthen **financial management, intergovernmental coordination, and accountability** for county resources, ensuring improved service delivery. The program operates under three key result areas aimed at building on the successes of the first program:

- **Sustainable Financing and Expenditure Management:** Enhancing county revenue mobilization, managing pending bills, and improving budgetary processes.
- **Intergovernmental Coordination and Institutional Performance:** Improving human resource management (including payroll audits), developing organizational structures, and ensuring effective coordination between county and national governments.
- **Oversight, Participation, and Accountability:** Promoting transparency in governance, strengthening public participation in planning, and enhancing the role of county assemblies in budget scrutiny.

Address

In Makueni County, the project headquarters offices are in Wote, Makueni County, Kenya. The address of its registered office is 78-90300, Makueni

Contacts: The following are the project contacts

Email: county.secretary@makueni.go.ke

Tel. No. 0795717885/0780717885

web: www.makueni.go.ke

Second Kenya Devolution Support Programme (KDSP II)

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

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	December 7th, 2023
Project End Date:	December 31 st , 2027
Project Coordinator:	Zipporah M. Wambua, PhD
Project Development Partner:	National Government (State Department for Devolution) and the World Bank

2.3 Project Overview

Line Ministry or State departments/ County Department	<ul style="list-style-type: none">• State Department for Devolution (SDD) /• Department of Devolution, Public Participation, County Administration & Special Programme
Project number	IDA-7447-KE
Strategic goals of the project	<p>The strategic goals of the project are organized around three key result areas (KRAs);</p> <p>KRA 1 focuses on Sustainable Financing and Expenditure Management, aiming to improve counties' financial sustainability through enhanced revenue mobilization and expenditure management, as well as better fiscal accountability.</p> <p>KRA 2, Intergovernmental Coordination, Institutional Performance, and Human Resource Management, seeks to boost the operational effectiveness of county governments by strengthening institutional capacity and human resource management, and improving national-county coordination.</p> <p>KRA 3, Oversight, Participation, and Accountability, aims to increase county government transparency and accountability to citizens by strengthening oversight bodies, promoting citizen participation, and improving accountability for investments.</p>

Second Kenya Devolution Support Programme (KDSP II)

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

<p>Summary of Project Strategies for achievement of strategic goals</p>	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> • Revenue enhancement: Develop and implement plans to enhance a county's own-source revenue (OSR). This includes cleaning up tax registers and mapping revenue streams. • Expenditure management: Create action plans to manage and reduce pending bills and improve overall financial reporting. • Capacity building: Train revenue and enforcement officers to address challenges in revenue collection and boost staff capacity. • HR and skills audits: Conduct regular audits of payrolls and staff skills to streamline processes, improve data accuracy, and align staffing with departmental functions. • Performance management: Implement and roll out county performance management frameworks to improve service delivery and automate performance contracting. • Organizational structure: Develop and review county organizational structures to ensure approved departmental structures are in place. • Project oversight: Conduct regular project stocktaking exercises to ensure proper oversight and utilization of resources. • Citizen engagement: Develop and implement guidelines for public participation and create feedback mechanisms to enhance citizen engagement. • Documentation and disclosure: Ensure all county funds are used transparently and that documents like the Annual Development Plan, Fiscal Strategy Paper, and Quarterly Budget Implementation Reports are published on county websites.
<p>Other important background information of the project</p>	<p>The project is a follow-up to the first KDSP phase (2016–2021) and seeks to address remaining capacity gaps.</p>

Second Kenya Devolution Support Programme (KDSP II)

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

Areas that the project was formed to intervene	<p>KDSP II builds on the results achieved under KDSP. This includes improvements in:</p> <ul style="list-style-type: none">• Quality of financial statements and financial reporting;• Compliance with budgeting formats;• Adherence to procurement procedures;• Planning, monitoring and evaluation (M&E) (set up of county M&E committees);• Timely development of County Integrated Development Plans (CIDPs) and Annual Development Plans (ADPs);• Processes in public participation
Project duration	Four (4) Years

Second Kenya Devolution Support Programme (KDSP II)

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

Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the project:

- (i) Central Bank of Kenya (CBK)

2.5 Independent Auditor

The project is audited by the Office of the Auditor General, Kenya (OAG), however the program will also commission external audits and assessments to be carried out by various consulting firms

2.6 Roles and Responsibilities

The following are the different people who are working on the project. The list includes the project coordinator and all the key officers involved.

No	Names	Title designation	Key qualification	Responsibilities
1	H.E Mutula Kilonzo Junior CBS	The Governor-Makueni County	LLB	Chair - County Program Steering Committee
2	Hon. Douglas Mbilu	Speaker-County Assembly of Makueni	Health Sciences	Member-County Program Steering Committee (CPSC)
3	Benjamin Kioko KasaMBA	Chair Person- County Public Service Board	Health Sciences	Member-County Program Steering Committee (CPSC)
4	Dr. Justine M. Kyambi	County Secretary	PhD (Education)	Member-County Program Steering Committee (CPSC) / Chair CPTC
5	Damaris Mumu Kavoi	CECM-Finance, Planning, Budget & Revenue and Head of County Treasury	Finance and Accounting	Member-County Program Steering Committee (CPSC)
6	Mr. Nicholas M. Nzioka	CECM-Department of Devolution, Public Participation, County Administration & Special Programme	Social Sciences	Member-County Program Steering Committee (CPSC)/ Co-Chair CPTC
7	Eng. Peter Mumu Nyamai	CECM-Infrastructure, Transport, Public works & energy	Engineering	Member-County Program Steering Committee (CPSC)
8	Zipporah Wambua, PhD	Director Public Participation & Civic Education	PhD (Intercultural Studies)	County KDSP II Program Coordinator (Secretary)

Second Kenya Devolution Support Programme (KDSP II)

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

No	Names	Title designation	Key qualification	Responsibilities
9	Daniel Mutuku Ndolo	Chief Officer- Department of Devolution, Public Participation, County Administration & Special Programme	Agricultural Education and Extension	Program Accounting Officer
11	Redempta Kavindu	CEO-CPSB	Project Management and Administration	Member-County Program Technical Committee (CPTC)
12	John Nthuka Nguni	Chief Officer-Financial Services	Business Administration	Member-County Program Technical Committee (CPTC)
13	Dr. Geoffrey Ngovi Muthoka	Chief Officer-Environment & Climate Change	PhD Mathematics	Member-County Program Technical Committee (CPTC)
14	Nicholis Mutisya Mutua	Chief Officer-Gender, Children, Youth, Sports & Social Services	Computer Systems	Member-County Program Technical Committee (CPTC)
15	Dr. Jossylyn Nzilani Mutua	Chief Officer-Trade, Marketing, Industry, Culture & Tourism	PhD (Organizational Leadership Development(Business & Entrepreneurship Concentration))	Member-County Program Technical Committee (CPTC)
16	Kelvin Mutuku	Clerk-County Assembly	Finance and Accounting	Member-County Program Technical Committee (CPTC)
17	Dr. Victoria Kyallo	Chief Officer-Public Service Management	Project Management Professional Certification	Member-County Program Technical Committee (CPTC)
18	Naomi Nthambi	Chief Officer-Infrastructure, transport, public works, housing & energy	Electrical And Electronic Engineering	Member-County Program Technical Committee (CPTC)
19	Felistus K. Mutune	Chief Officer-Office of the Governor	Linguistics, Media and Communication	Member-County Program Technical Committee (CPTC)
20	Mathias Mbweli	Economist	Actuarial Science	Member-County Program Implementation Unit /KRA-1 Focal person

Second Kenya Devolution Support Programme (KDSP II)

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

No	Names	Title designation	Key qualification	Responsibilities
21	CHRP K Jennifer Kaleli	Director HRM	Human Resource Management and Development	Member-County Program Implementation Unit /KRA-2 Focal person
22	Dr. Becorace Wambua	Deputy Director-Knowledge Management, Research & capacity development	PhD - Business Administration (Entrepreneurship)	Member-County Program Implementation Unit /KRA-3 Focal person
23	Ruth Mwongeli	Budget Officer	Economics and Sociology	Member-County Program Implementation Unit (M&E)
24	Stephen Musyoki	Principal Fiscal Analyst-County Assembly	Finance and Accounting	Member-County Program Implementation Unit
25	Griffins Mutevu	Deputy Director Budget Office-County Assembly	Finance and Accounting	Member-County Program Implementation Unit
26	Bernard Wambua	Participatory Development Officer	Community Development	Member-County Program Implementation Unit (GRM Focal Person)
27	Kelvin Mutua	Environment Officer	Environmental studies	Member-County Program Implementation Unit (Environmental Safeguards Focal Person)
28	Abednego Mutungwa	Disability mainstreaming officer	Social Sciences	Member-County Program Implementation Unit (PWD Mainstreaming)
29	Dennis Muthoka	Communication Officer	Public Relations	KDSP II –Communications officer
30	CPA Aleks Kimanzi	Project Accountant	Finance and Accounting	Program Accountant
31	Joy Koki	Project Procurement Officer	Accounting/Supply Chain Management	Program Procurement officer
32	Zipporah Waeni	Social Development Officer	Social Sciences	Member-County Program Implementation Unit (Social Safeguards)
33	Evarlyn Kaluki	Principal Children Officer	Social Sciences	Member-County Program Implementation Unit (County Gender Officer)

Second Kenya Devolution Support Programme (KDSP II)

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

2.7 Funding summary

The Project is for a duration of four (4) years from 2023 to 2027 with an approved budget of US\$ 5,734,034 equivalent to Kshs 742,500,000 as highlighted in the table below;

(Central Bank / Interbank Reference: as at 30th June 2026 of \$1=kshs. 129.49)

NB: The KDSP II Programme does not prescribe a specific amount or fixed percentage of counterpart funding to be provided by participating County Governments. Consequently, the County Government determines the level of counterpart funding to be allocated based on the priority of programme activities, available fiscal space, approved budgetary provisions and competing county development needs, while taking into consideration the overall objectives and implementation requirements of the Programme.

Accordingly, counterpart funding allocations may vary from one financial year to another depending on the availability of resources and the priorities identified by the County Government within the approved budget framework.

**Project information and overall performance (continued)**

Below is the funding summary:

A. Source of Funds

Source of funds	Development Commitment Partner		Amount received to date – (30 th June 2026)		Undrawn balance to date	
	Development Partner currency	Kshs	Development Partner currency	Kshs	Development Partner currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
(i) Grant						
World Bank	5,734,034	742,500,000.00	544,471	70,503,589.00	5,189,562	671,996,411.00
(ii) Loan						
	-	-	-	-	-	-
(iii) Counterpart funds						
Government of Makeni County	-	25,000,000.00	-	25,000,000.00	-	-
Total	5,734,034	767,500,000.00	544,471	95,503,589.00	5,189,562	671,996,411.00

Second Kenya Devolution Support Programme (KDSP II)

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

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))		Unutilized 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						
World Bank	544,471	70,503,589.00	539,833	69,902,950.00	4,639	600,639.00
-	-	-	-	-	-	-
Loan						
-	-	-	-	-	-	-
-	-	-	-	-	-	-
Counterpart funds						
Government of Kenya	-	25,000,000.00	-	25,000,000.00	-	-
Total	-	95,503,589.00	-	94,902,950.00	-	600,639.00

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

2.8.1 Budget performance against actual amounts for the current period and for cumulative to-date

In FY2025/26, the project received a total of kshs. 95,503,589 comprising of kshs. 25,000,000 counterpart funding and World Bank kshs. 70,503,589 (this was received in two tranches of kshs. 35,253,471 and kshs. 35,250,118 on 4th February 2026 and 6th May 2026 respectively). Utilization as at 30th June was kshs. 94,902,950 translating to an absorption rate of 99.37%

2.8.2 Physical progress based on outputs and outcomes since project commencement, the County has made significant progress in each of the result areas.

- a. Under DLI 3, The county government invested in putting in place strategies to increase their own-source revenue by at least 5 percent annually, over and above the rate of inflation. The interventions included: the development of a Revenue Enhancement Strategy; formulation and implementation of a county Revenue Enhancement Action Plan, organizing the county revenue teams for a multisector approach in revenue reporting and learning; sensitization on the role of revenue in county development; Finance Bill, and Tax Waivers Bill.
- b. **DLI 4**, the County focused on improving financial accountability. This particular focus was on strengthening the county's capacity to ensure Zero Pending bills by the year 2028. The target was implemented through establishment of the county Pending bills committee/unit to ensure tracking, documentation and reporting of pending bills implementation; preparation and implementation of Pending Bills action plans and enhancing the timely quarterly reporting to the county treasury and subsequently the controller of Budgets office. The target has ensured reducing stock of pending bills and maintaining county's pending bills at minimal levels through the verification and settlement of pending bills and training accountants on accrual accounting.
- c. **DLI 5** focused on ensuring integration between the county's HR records, authorized staff establishment and payroll, and uploaded cleaned payrolls in the HRMIS. The county recorded major milestones in human resource management, including undertaking a HR & Staff Audit, full automation and migration of the payroll system, implementation of HRMIS, and training of HR officers. Based on the Audits, the county government has developed action plans to implement the various audit recommendations including those from the SRC M&E reports, annual HR audits and Payroll Audits.
- d. **DLI 6** focused on enhancing accountability for results through an integrated performance management framework. It also focused on strengthening the county's institutional arrangements for performance management; cascading of performance contracts to all staff and implementing integrated performance management guidelines.
- e. **DLI 7** was specific to enhancing development and implementation of public investment management dashboards with citizen feedback mechanisms. The target enabled the county to

Strengthen the county's project monitoring and reporting dashboard; undertake project stock taking including Geo-mapping and documentation of all projects since 2013 to 2026. Further, the target enhanced citizen engagement and governance by enabling structured public participation, establishment of development committees'/project management committees, capacity building of PMCs and digitization of participatory processes. Additionally, the DLI enables the sensitization of the KDSP program to all stakeholders; establishment of program structures and their capacity building; preparation of Investment Grant proposals, and integration of Environmental, Social safeguards in the county's participatory development cycle and reporting on the KDSP II program at the county and national levels.

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

Programme /Project	Objective	Outcome	Indicator	Performance
Enhancing Sustainable Financing and Expenditure Management	Own Source Revenue Mobilization and Pending Bills Implementation	Increased Funding of County Budget through OSR	% increase of OSR from the previous FY	The county recorded 23% increase of the revenue generated from the previous FY 2023/24
			Revenue enhancement Plan in Place	A draft REAP was prepared
			The County Waivers Administration bill in place	Tax Waivers administration bill submitted to the County assembly for approval
			OSR potential report	Mapped revenue streams including SBP & PSV.
			Establishment of OSR interdepartmental structures	OSR structures operationalized
			Development of County OSR strategy	Approved OSR Strategy
		Reduced Pending Bills	Development and Implementation of Pending Bills action plans	Pending Bills action plans developed and implemented
			Operationalization of pending bills committee and reporting	Pending Bills Verification Committee established and Operational
Enhancing County's Institutional Performance, and Human Resource Management.	To strengthen the county's organizational development for improved	Improved efficiency and accountability in county governance	HR and skills audit report	<ul style="list-style-type: none"> • HR and skills audit conducted and report shared • HR and Skills Audit Action Plans developed • HR and Skills Audit Action Plans implementation reports

Second Kenya Devolution Support Programme (KDSP II)

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

Programme /Project	Objective	Outcome	Indicator	Performance
	performance and accountability		Updated HR records and Payroll data by migrating all staff to HRIS-Ke by June,2025	HR records and Payroll data for all staff have been migrated to HRIS-Ke, as per the scope.
			County integrated Performance Management framework in place	Adopted the new PC guidelines and applied in them in setting 2025/26 PC targets. All staff have signed the performance contract. Further evaluation for previous year was conducted too
Accountable Governance and Oversight	Improving Oversight, Participation, and Accountability	Enhanced transparency and citizen engagement in governance processes	County projects inventory in place	The county took stock of projects and programmes implemented across the county aligned to the Stocktaking guidelines
			No. of sensitization forum for County Assembly Committees members on KDSP II held	Members of the County Assembly sensitized on KDSP II Program
			Digitized Participatory processes	Ongoing. The county prepared online data collection tools. The tools were used during the public participation for FY 2025/26 Budget and CFSP
			Updated project data in the investment dashboards	The county has a Project Monitoring and Tracking System which is updated regularly
			Guidelines on screening of proposed infrastructure investments Preparatory activities related to potential project investments	The County prepared KDSP II screening checklist, eligibility criteria for selection of projects/ programmes and feasibility study template.

Second Kenya Devolution Support Programme (KDSP II)

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



Programme /Project	Objective	Outcome	Indicator	Performance
Accountable Governance and Oversight	Improving Oversight, Participation, and Accountability	Enhanced transparency and citizen engagement in governance processes	including feasibility assessments, ESIA's	
			No. of project management committees trained mechanisms	412 PMCs were trained on project governance, monitoring, oversight, grievance handling, stakeholder engagement
			No. of Gender officers trained	15 Gender officers trained on Mainstreaming gender in development 12 County Officers trained on Social Risk Management in Development Projects
			Updated GRM frameworks in place and Redress structures in place	There is a county grievance redress mechanism structure in place' GRM framework updating is in progress

Second Kenya Devolution Support Programme (KDSP II)

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

2.8.3 absorption rate for each year since the commencement of the project.

KDSPII programme received its first funding from world in FY2025/26 and the absorption rate is presented below. The absorption rate is determined by comparing actual expenditure incurred during the respective financial year against the ACTUAL funds received during that year.

Funds Received	Amount (Kshs.)
World Bank	70,503,589
County Matching Fund	25,000,000.00
Total	95,503,589
Actual Expenditure (Kshs.)	
	94,902,949
Absorption Rate (%)	
	99%

The Project recorded an absorption rate of 99%. The high absorption rate demonstrates substantial utilization of the funds made available to the Project during the year.

2.8.4 Implementation challenges and recommend the next steps.

During the financial year under review, implementation of the Kenya Devolution Support Programme Phase II (KDSP II) experienced some challenges that affected the timely execution of planned activities and achievement of some programme objectives. The key implementation challenges included:

1. Delays in disbursement of programme funds, which affected the timely implementation of planned activities and the ability of the County Government to execute activities within the approved implementation schedules.
2. Foreign exchange fluctuations, which affected the actual value of funds received against the approved budget, particularly under the Institutional Grant, thereby creating variations between planned and available resources.

Recommended Next Steps

To address the above challenges and enhance the effectiveness and sustainability of the KDSP II Programme, the following measures are recommended:

1. Enhance engagement with the National Government, programme financing partners and other relevant stakeholders to facilitate timely disbursement of programme funds and provide clarity on outstanding financing and implementation requirements.

Second Kenya Devolution Support Programme (KDSP II)

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

2. Strengthen capacity of programme implementation teams through targeted training and technical support in financial management, procurement, project management, monitoring and evaluation, and results-based reporting.
3. Strengthen risk management and internal controls to minimize financial, operational, procurement and compliance risks.
4. Ensure timely preparation and implementation of subsequent work plans and budgets, taking into account lessons learnt, outstanding activities and available programme resources.

2.9 Summary of Project Compliance:

During the financial year under review, the Kenya Devolution Support Programme Phase II (KDSP II) was implemented in accordance with the applicable Government of Kenya laws, regulations, policies, guidelines and the provisions of the relevant financing agreements governing the Programme.

The Programme maintained appropriate financial management and internal control arrangements to support accountability, transparency and proper utilization of programme resources. Financial transactions were processed through the approved government financial management systems and were supported by relevant documentation in accordance with the applicable financial management and reporting requirements.

The Programme also complied with the approved work plans, budgets, procurement plans and implementation arrangements, subject to the implementation challenges and funding constraints highlighted in the preceding sections. Procurement of goods, works and services was undertaken in accordance with the applicable public procurement legal and regulatory framework, while payments were subjected to the prescribed approval and verification processes.

The County Government further complied with the requirements relating to financial reporting, monitoring and oversight, including preparation and submission of programme financial reports and maintenance of relevant accounting and supporting records. Programme implementation was also subjected to internal monitoring, management oversight and the applicable audit and accountability mechanisms.

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

During the financial year ended 30 June 2026, Makueni County made progress towards the achievement of the predetermined objectives of the Second Kenya Devolution Support Programme (KDSP II). The implementation of the Programme focused on strengthening sustainable financing and expenditure management, institutional performance and human resource management, intergovernmental coordination, oversight, citizen participation and accountability.

KRA 1: Sustainable Financing and Expenditure Management

The predetermined objective under this Key Result Area was to strengthen County systems for planning, budgeting, revenue management, expenditure management, procurement, financial reporting and accountability. During FY2025/26, the County continued to strengthen public financial management systems, budget implementation, expenditure controls, financial reporting and accountability in accordance with the applicable legal and regulatory requirements. The achievement under this area is ongoing, as continuous strengthening of public financial management systems, processes and internal controls remains necessary to enhance efficiency, transparency, accountability and prudent utilization of public resources.

KRA 2: Intergovernmental Coordination, Institutional Performance and Human Resource Management

The predetermined objective under this Key Result Area was to strengthen institutional capacity, human resource management, organizational performance and coordination of County functions. During FY2025/26, the County undertook capacity-building and institutional strengthening activities and maintained programme coordination structures to facilitate effective implementation of KDSP II interventions. The achievement is ongoing, as institutional strengthening, capacity development and improvement of organizational performance require continuous implementation and monitoring.

KRA 3: Oversight, Participation and Accountability

The predetermined objective under this Key Result Area was to strengthen oversight, transparency, citizen participation and accountability in County governance and service delivery. During FY2025/26, the County continued to strengthen mechanisms for public participation, oversight, transparency and accountability in the planning, implementation and monitoring of County programmes. The achievement is ongoing, with further strengthening of citizen engagement, public participation and oversight mechanisms required to enhance accountability and responsiveness in County service delivery.

KDSP II Level 2 Service Delivery and Investment Grant

The predetermined objective of the KDSP II Level 2 Service Delivery and Investment Grant was to finance eligible investments aimed at improving service delivery and strengthening County institutional capacity. During FY2025/26, the County provided for KDSP II Level 2 investments in its budget and commenced implementation of the approved prerequisite activities, including identification of priority projects, preparation of Bills of Quantities (BoQs), and undertaking of both pre-feasibility and post-feasibility studies. However, the funding required to commence the actual implementation of the investment projects had not been received by the end of the financial year. The objective was therefore partially achieved. The County subsequently received Kshs. 124,354,121.20 on 9th July 2026, and implementation of the approved investment projects is expected to commence in FY2026/27.

KDSP II Matching Grant

The predetermined objective of the KDSP II Matching Grant was to support targeted institutional and service delivery improvements through the matching grant component. During FY2025/26, the County provided for and implemented activities under the KDSP II Matching Grant in accordance with the approved programme framework and County priorities.

Second Kenya Devolution Support Programme (KDSP II)

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

4. Environmental and Sustainability Reporting

The Second Kenya Devolution Support Programme (KDSP II) recognizes the importance of environmental sustainability and responsible management of natural resources in the implementation of County development programmes and investments.

During the financial year ended 30 June 2026, Makueni County continued to integrate environmental and social considerations into the planning and implementation of KDSP II activities and investments. The County sought to ensure that programme interventions were implemented in compliance with applicable environmental laws, regulations, safeguards and County development priorities.

For investments involving physical infrastructure and service delivery, environmental and social considerations were taken into account during the planning, appraisal and implementation processes, with the objective of minimizing potential adverse environmental and social impacts and promoting sustainable development.

The County also continued to promote responsible use of public resources, efficient utilisation of materials and appropriate management of waste arising from project activities. Where applicable, implementing departments and contractors were required to observe relevant environmental, occupational health and safety requirements during project implementation.

The Programme further provides an opportunity for the County to strengthen climate-resilient and environmentally sustainable approaches in the delivery of public services and development investments. Going forward, the County will continue to strengthen environmental and social safeguards, compliance monitoring and stakeholder engagement to ensure that KDSP II interventions contribute to sustainable development while minimizing adverse environmental and social impacts.

Overall, the implementation of KDSP II during the year was undertaken with due consideration of environmental sustainability, social safeguards and responsible resource utilization.

Second Kenya Devolution Support Programme (KDSP II)

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

5. Statement of Project Management Responsibilities

The Chief Officer for the department of Devolution, Public Participation, County Administration and Special Programme and the Project Coordinator (Director in charge of Public Participation and Civic Education) 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 year ending 30th June 2026.

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

The Chief Officer for the County Department of Devolution, Public Participation, County Administration and Special Programme 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, Public Participation, County Administration and Special Programme 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 for the year ending 30th June 2026, and of the Project's financial position as at that date. The Chief Officer for Devolution, Public Participation, County Administration and Special Programme 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, Public Participation, County Administration and Special Programme 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, Public Participation, County Administration and Special Programme and the Project Coordinator on 3rd September 2026 and signed by:



Daniel Ndolo
Chief officer



Zipporah Wambua
Project Coordinator

REPUBLIC OF KENYA

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



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

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Second Kenya Devolution Support Program (KDSP II) - Project Number: IDA-7447- KE set out on pages 1 to 36,

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 Makueni

which comprise of the statement of financial position as at 30 June, 2026, and the statement of financial performance, statement of financial position, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, Cap. 412B. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of 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 Makueni 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 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

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.450,409,500 and Kshs.95,503,589 respectively, resulting in an under-funding of Kshs.354,905,911 or 79% of the budget.

The underfunding affected the planned activities and may have impacted negatively on service delivery to the residents of Makueni County.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of the Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, Cap. 412B and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, Cap. 412B. Reasonable assurance is a high level of assurance

but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

24 September, 2026

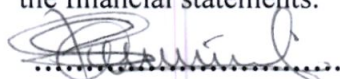
Second Kenya Devolution Support Programme (KDSP II)

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

7. Statement of Financial Performance for the year ending 30th June 2026.

	Notes	FY2025/26
		Kshs
Revenue		
Revenue Transfers	6	224,860,295.00
Miscellaneous Revenue	7	-
Total revenue		224,860,295.00
Expenses		
Employee costs	8	-
Use of goods and services	9	94,902,950.00
Depreciation and amortization expense	10	-
Transfer to other Government Entities	11	-
Other Transfers/Subsidies/Grants	12	-
Finance Costs	13	-
Certified Works	14	-
Total expenses		94,902,950.00
Other gains/(losses)		
Gain/Loss on sale of assets	15	-
Gain/Loss on foreign exchange transactions	16	(2,405,910)
Impairment loss	17	-
Surplus/ (deficit)		127,551,435.00

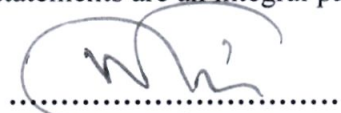
The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.



Daniel Ndolo
Chief Officer



Zipporah Wambua
Project Coordinator



CPA Aleks Kimanzi
Project Accountant
ICPAK Member No:16464

Second Kenya Devolution Support Programme (KDSP II)

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

8. Statement of Financial Position for the year ending 30th June 2026

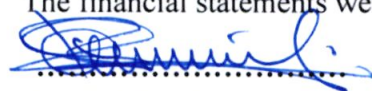
	Note	As at 30 th June 2026	1 st July 2025
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	18	600,639.00	-
Receivables	19	126,950,796	-
Inventories	20	-	-
Prepayment	21	-	-
Total Current Assets		127,551,435.00	-
Non-Current Assets			
Property, Plant and Equipment	22	-	-
Intangible Assets	23	-	-
Right of use assets	24	-	-
Total Non- Current Assets		-	-
Total Assets (a)		127,551,435.00	-
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		-	-
Total Non-Current Liabilities		-	-
Total Liabilities (b)		-	-
Net Assets (a-b)		127,551,435.00	-
Represented By:			
Accumulated Surplus		127,551,435.00	-
Revaluation Reserve		-	-

Second Kenya Devolution Support Programme (KDSP II)

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

	Note	As at 30 th June 2026	1 st July 2025
		Kshs	Kshs
Total Net Assets		127,551,435.00	-

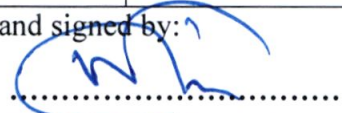
The financial statements were approved on 3rd September 2026 and signed by:



Daniel Ndolo
Chief Officer



Zipporah Wambua
Project Coordinator



CPA Aleks Kimanzi
Project Accountant
ICPAK Member No.16464

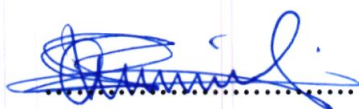
Second Kenya Devolution Support Programme (KDSP II)

Annual Report and Financial Statements for the financial year ended 30th June 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 (<i>specify</i>)	-	-	-
As at 30th June 2025	-	-	-
As At 1st July 2025			
Return to Exchequer	-	-	-
Surplus/ deficit for the year	127,551,435.00	-	127,551,435.00
Revaluation Gain	-	-	-
Transfer of excess depreciation on revaluation	-	-	-
Add: Recognition of Assets	-	-	-
Other Changes (<i>specify</i>)	-	-	-
As at June 30, 2026	127,551,435.00	-	127,551,435.00

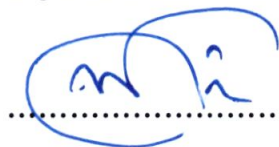
The financial statements were approved on 3rd September 2026 3rd September 2026 and signed by:



Daniel Ndolo
Chief Officer



Zipporah Wambua
Project Coordinator



CPA Aleks Kimanzi
Project Accountant
ICPAK Member No.16464

Second Kenya Devolution Support Programme (KDSP II)

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

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

Description	Note	FY2025/26	FY2024/25
		Kshs	Kshs
Cash flow from operating activities			
Receipts			
Revenue Transfers		95,503,589.00	-
Miscellaneous Revenue		-	-
Total receipts		95,503,589.00	-
Payments			
Employee costs		-	-
Use of goods and services		94,902,950.00	-
Transfer to other Government Entities		-	-
Other Transfers/Subsidies/Grants		-	-
Certified Works		-	-
Total payments		94,902,950.00	-
Net cash flow from operating activities	29	600,639.00	-
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		-	-
<i>Specify the activity</i>		-	-
Net cash flow from financing activities		-	-
Net increase/Decrease in cash and cash equivalents		-	-
Cash and cash equivalent at 1st July 2026	18	600,639.00	-
Cash and cash equivalent at end June 2026	18	600,639.00	-

Second Kenya Devolution Support Programme (KDSP II)

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

11. Statement of Comparison of Budget and Actual Amounts as at 30th June 2026

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable 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	415,000,000	35,409,500	450,409,500.	95,503,589	329,905,911	22%
Miscellaneous Revenue	-	-	-			
Total Revenue	415,000,000	35,409,500	450,409,500.	95,503,589	329,905,911	22%
Payments						
Employee costs	-	-	-	-	-	-
Use of goods and services	415,000,000	35,409,500	450,409,500.	94,902,950	355,506,550	21%
Transfer to other Government Entities	-	-	-	-	-	-
Other Transfers/Subsidies/Grants	-	-	-	-	-	-
Certified Works	-	-	-	-	-	-
Total Payments	415,000,000	35,409,500	450,409,500	94,902,950	355,506,550	
Surplus	-		-	600,639.00		-

Budget notes

1. The County had budgeted kshs. 352,500,000 for Level 2 Investment Grant, however this money had not been funded as at 30th June 2026, resulting in an underutilization of 22.45%.
2. The change between the original and final budgets was a result of a reallocation of FY2024/25 funds amounting.

Second Kenya Devolution Support Programme (KDSP II)

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

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	600,639.00
1	<i>Reason for differences. E.g. Gratuity held from previous periods that are not affecting current year's budget</i>	-
2	<i>Reason for differences. E.g. Funds received in the period and were not in the approved budget</i>	-
3	<i>Reason for differences: E.g. Contractor's Retention/Deposit cash executed in the budget and is still retained in bank</i>	-
4	Reason for differences	-
	Closing Cash and Cash Equivalent as per the statement of Cash flows	600,639.00

12. Notes to the Financial Statements

1. General Information

Makueni County is established by and derives its authority and accountability from County Governments Act no. 17 of 2012. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity as enshrined in the Constitution of 2010 is to devolve power, resources, and representation to the local level to enhance democracy; improve service delivery, and promote equitable development.

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 3rd September 2026

Basis of Preparation

These financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period. These financial statements have been prepared on an accrual basis unless otherwise specified (for example, the Statement of Cash Flows). Under an accrual basis, revenues are recognized when rights to assets are earned or levied rather than when cash is received, and expenses are recognized when obligations are incurred rather than when they are settled. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Entity. The accounting policies adopted have been consistently applied to all the years presented.

Reporting period

The reporting period for these financial statements is for the period ended 30th June 2026.

3. Adoption of New and Revised Standards

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

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

Standard	Effective date and impact:
	<p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <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><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an MDA shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48- Transfer Expenses	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>

Second Kenya Devolution Support Programme (KDSP II)

Annual Reports and Financial Statements for the year ended 30th June 2026.

Standard	Effective date and impact:
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
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 Project has not early adopted any new or revised accounting standards, amendments or interpretations that have been issued but are not yet effective. The Project continues to assess the potential impact of such standards and amendments and will adopt them when they become effective, as applicable

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

Interest income

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

b) Budget information

The original budget for FY 2025/2026 was approved by the County Assembly 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. Accordingly, the entity recorded additional appropriations of KShs. 37,500,000 on 4th Dec,2025 (FY 2025/2026) budget following the County Assembly's approval (being FY2025/26 level one institutional grant). 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 financial performance has been presented on page 5 under section 4 of these financial statements.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of the item of property appropriately plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus, or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Notes to the financial statements ((continued))

d) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

e) 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.

f) 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.

g) Financial instruments

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. 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. Makueni County does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the county's financial statements.

Financial assets

Classification

The entity classifies its financial assets as subsequently measured at amortized 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.

Financial liabilities

Classification

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

h) 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*.

i) 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.

j) Nature and purpose of reserves

Makueni County does not create and maintains reserves in terms of specific requirements.

k) Changes in accounting policies and estimates

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

l) Employee benefits

Retirement benefit plans

Makueni County 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.

m) 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.

n) 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.

o) Related parties

Makueni County 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.

p) Service concession arrangements

Makueni County 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 county 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 county also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

q) 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.

r) Subsequent events

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

Notes to the financial statements

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the 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 that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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 County.
- 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.

Provisions

No provision was made during the financial year.

6. Revenue Transfers

Description	As at 30 th June 2026
	KShs
Unconditional Transfers	
GoK Counter Part funding	25,000,000.00
Transfers from Development partners	
<i>Other unconditional transfers (Specify)</i>	-
Total Unconditional Transfers (a)	25,000,000.00
Conditional Transfers	
Transfers from Development partners 1	199,860,295.00
Transfers from Development partner 2	-
<i>Other conditional transfers (specify)</i>	-
Total Conditional Transfers (b)	-
Total Transfers for the Year (a + b)	224,860,295.00

Second Kenya Devolution Support Programme (KDSP II)

Annual Reports and Financial Statements for the year ended 30th June 2026.

a) Details to Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	Amount moved to Capital fund	Total transfers (Current FY)
	Kshs	Kshs	Kshs	Kshs
GOK Funding	25,000,000.00	-	-	25,000,000.00
Development Partner 1	199,860,295.00	-	-	199,860,295.00
Development Partner 2	-	-	-	-
Subtotal	224,860,295.00	-	-	224,860,295.00
Deferred Income realized	-	-	-	-
Transfers in Kind	-	-	-	-
Total	224,860,295.00	-	-	224,860,295.00

Notes to the financial statements

7. Miscellaneous revenue

Description	As at 30 th June 2026
	Kshs
Interest Income	-
<i>Others (specify)</i>	-
Total	-

8. Employee Costs

Description	As at 30 th June 2026
	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	-

Second Kenya Devolution Support Programme (KDSP II)
Annual Reports and Financial Statements for the year ended 30th June 2026.

9. Use of Goods and Services

Description	As at 30 th June 2026
	Kshs
Utilities, supplies and services	-
Bank charges	-
Communication, supplies and services	-
Domestic travel and subsistence	59,962,195
Foreign travel and subsistence	-
Fuel and lubricants	-
General office supplies	-
Stationery, Printing, advertising, and information supplies	-
Office rent	-
Training payments	11,442,314
Hospitality supplies and services	10,231,441
Insurance costs	-
Specialized materials and services	-
Other operating payments (consultancy)	13,267,000.
Routine maintenance – vehicles and other transport equipment	-
Routine maintenance- other assets	-
Total	94,902,950

Notes to the financial statements

10. Depreciation and Amortization expense

Description	As at 30 th June 2026
	Kshs
Property, Plant and Equipment	-
Intangible Assets	-
Total	-

11. Transfer to Other Government Entities

Description	As at 30 th June 2026
	Kshs
-	-
-	-
-	-
-	-
Total	-

Second Kenya Devolution Support Programme (KDSP II)
Annual Reports and Financial Statements for the year ended 30th June 2026.

12. Other Transfers/Subsidies/Grants

Description	As at 30 th June 2026
	Kshs
Transfers to Non-Government Organizations	-
Subsidies	-
<i>Others Specify</i>	-
Total	-

13. Finance Costs

Description	Insert Current FY	Insert Comparative FY
	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	As at 30 th June 2026
	Kshs
Road Works	-
Water Works	-
Energy Infrastructure	-
<i>Others Specify</i>	-
Total	-

15. Gain/Loss on Sale of Assets

Description	As at 30 th June 2026
	Kshs
Property, plant and equipment	-
Intangible assets	-
Other assets not capitalized	-
Total gain/loss on sale of assets	-

Provide brief explanation on gains on sale of fixed assets)

Second Kenya Devolution Support Programme (KDSP II)
Annual Reports and Financial Statements for the year ended 30th June 2026.

16. Gain/Loss on foreign exchange transactions

Description	As at 30 th June 2026
	Kshs
Gain on foreign exchange transactions	-
Loss on foreign exchange transactions	2,405,910.00
Total Gain/Loss	2,405,910.00

17. Impairment Loss

Description	As at 30 th June 2026
	Kshs
Property, Plant and Equipment	-
Intangible Assets	-
<i>Others specify</i>	-
Total Impairment Loss	-

18. Cash and Cash Equivalents

Description	As at 30 th June 2026	1 st July 2026
	Kshs	Kshs
Cash in Bank	600,639.00	-
Cash on hand	-	-
<i>Others (Specify)</i>	-	-
Total Cash and Cash Equivalents	600,639.00	-

Project Bank Accounts

Details	As at 30 th June 2026	1 st July 2026
	Kshs	Kshs
Foreign Currency Accounts		
Central Bank of Kenya [A/c No	-	-
Kenya Commercial Bank [A/c No.....]	-	-
Co-operative Bank of Kenya [A/c No.....]	-	-
<i>Others (specify)</i>	-	-
Total Foreign Currency balances	-	-
Local Currency Accounts	-	-

Second Kenya Devolution Support Programme (KDSP II)

Annual Reports and Financial Statements for the year ended 30th June 2026.

Central Bank of Kenya [A/c No. 100***018]	600,639.00	-
Kenya Commercial Bank [A/c No.....]	-	-
Co-operative Bank of Kenya [A/c No.....]	-	-
Others (<i>specify</i>)	-	-
Total local currency balances	-	-
Total bank account balances	600,639.00	-

19. Receivables

Description	FY2025/26	FY2024/25
	Kshs	Kshs
Counter Part Funding	-	-
Contractor's Advance payments	-	-
KDSP II Level 2 Grant for FY2025/26	126,950,796.00	-
Total Receivables	126,950,796.00	-

Ageing analysis for Receivables

Description	FY2025/26		FY2024/25	
	Kshs		Kshs	
	FY2025/26	% of the total	FY2024/25	% of the total
Less than 1 year	126,950,796.00	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	126,950,796.00	%	-	%

20. Inventories

Description	As at 30 th June 2026	1 st July 2026
	Kshs	Kshs
Consumable stores	-	-
Construction stores	-	-
<i>Others consumables (specify)</i>	-	-
Less: allowance for impairment	-	-
Total inventories	-	-

Second Kenya Devolution Support Programme (KDSP II)

Annual Reports and Financial Statements for the year ended 30th June 2026.

21. Prepayments

Description	As at 30 th June 2026	1 st July 2026
	Kshs	Kshs
Insurance	-	-
Rent	-	-
<i>Others specify</i>	-	-
Total inventories	-	-

Second Kenya Devolution Support Programme (KDSP II)

Annual Reports and Financial Statements for the year ended 30th June 2026.

Notes to the financial statements

22. Property, Plant and Equipment

Current FY

Cost/Value	Motor vehicles	Furniture and fittings	ICT Equipment	Other Assets (specify)	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Depreciation rate	25%	10%	30%	12.5%		
As At 1July 2025 (opening balances)	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-
As at 30th June 2026	-	-	-	-	-	-
	-	-	-	-	-	-
Depreciation And Impairment	-	-	-	-	-	-
As at 1July 2026	-	-	-	-	-	-
Depreciation charge for the year	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-
As at 30th June 2026	-	-	-	-	-	-
	-	-	-	-	-	-
Net Book Values	-	-	-	-	-	-
As at 30 th June 2026	-	-	-	-	-	-
As at 30 th June 2026	-	-	-	-	-	-

Second Kenya Devolution Support Programme (KDSP II)
Annual Reports and Financial Statements for the year ended 30th June 2026.

Previous FY

Cost/Value	Motor vehicles	Furniture and fittings	ICT Equipment	Other Assets (specify)	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Depreciation rate	25%	10%	30%	12.5%		
As At 1July 2024 (opening balances)	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-
As at 30th June 2025	-	-	-	-	-	-
	-	-	-	-	-	-
Depreciation And Impairment	-	-	-	-	-	-
As at 1July 2024	-	-	-	-	-	-
Depreciation charge for the year	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-
As at 30th June 2025	-	-	-	-	-	-
	-	-	-	-	-	-
Net book Value As at 30th June 2025	-	-	-	-	-	-
As at 30th June 2026	-	-	-	-	-	-
As at 30th June 2026	-	-	-	-	-	-

Second Kenya Devolution Support Programme (KDSP II)

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

Notes to the financial statements

23. Intangible Assets

Current FY

Description	Indefinite life	Definite life	Work in Progress	Total
Rate	Kshs	Kshs	Kshs	Kshs
Cost/Value at 1st July 2025	xx	xx	xx	xx
Additions	-	-	-	-
Transfers	-	-	-	-
Disposal	-	-	-	-
Cost/Value at 30th of June	-	-	-	-
Amortization and impairment	-	-	-	-
At 1st July 202025	-	-	-	-
Amortization charge for the year	-	-	-	-
Disposal	-	-	-	-
Impairment loss	-	-	-	-
At the end of the period	-	-	-	-
NBV at 30th June 202026	-	-	-	-

Previous FY

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

Second Kenya Devolution Support Programme (KDSP II)

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

24.Right of Use Assets

Current FY

	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	-	-	-	-	-

Previous FY

	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	-	-	-	-	-

Second Kenya Devolution Support Programme (KDSP II)

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

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

25. Trade and Other Payables

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

Notes to the financial statements

26. Third-Party Deposits

Description	Insert Current FY		Comparative FY	
	Kshs		Kshs	
Contractor's Retention	-		-	
Gratuity	-		-	
<i>Other deposits (specify)</i>	-		-	
Total deposits	-		-	
Aging analysis: (Refundable deposits)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	-	-	-	-
1-2 years	-	-	-	-
2-3 years	-	-	-	-

Second Kenya Devolution Support Programme (KDSP II)

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

Over 3 years	-	-	-	-
Total	-	-	-	-

27. Deferred Income

Description	Insert Current FY	Comparative FY
	Kshs	Kshs
Development partner 1	-	-
Development partner 2	-	-
<i>Others specify</i>	-	-
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	-	-	-	-

28. Lease Liability

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

Second Kenya Devolution Support Programme (KDSP II)

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

Maturity Analysis

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

Analyzed as:

Description	Amount
Current	-
Non- Current	-
Total	-

29.Cash Generated from Operations

Description	FY2025/26	FY2024/25
	Kshs	Kshs
Surplus/Deficit for the year	127,551,435.00	-
Adjusted for:		
Depreciation	-	-
Non-cash grants received	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Working capital adjustments		
Increase/Decrease in inventory	-	-
Increase/Decrease in receivables	(126,950,796.00)	-
Increase/Decrease in deferred income	-	-
Increase /Decrease in payables	-	-
Increase in payments received in advance	-	-
Net cash flow from operating activities	600,639.00	-

Second Kenya Devolution Support Programme (KDSP II)

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

30. Special Deposit Accounts

The balance in the Project's Special Deposit Account as of 30th June 2026 is 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.

Special Deposit Accounts Movement Schedule

Description	FY2025/26	FY2024/25
	Kshs	Kshs
A/C Name MAKUENI COUNTY KENYA DEV SUPP ACC II [A/c No. 1000745018]		
Opening balance	-	-
Total amount deposited in the account	95,503,589.00	-
Total amount withdrawn	94,902,950.00	-
Closing balance (as per SDA bank account reconciliation attached)	600,639.00	-

31. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to Makueni County 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 Makueni County, holding 100% of the *County's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Entity, both domestic and external. Other related parties include:

- i. The Parent Ministry.
- ii. County Governments
- iii. Key management.

Second Kenya Devolution Support Programme (KDSP II)

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

Description	FY2025/26	FY2024/25
	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	199,860,296.00	-
Grants from county government	25,000,000.00	-
Donations in kind	-	-
Total	224,860,296.00	-
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	-	-
Payments for goods and services	94,902,950.00	-
Total	94,902,950.00	
d) Key management compensation		
Directors' emoluments	-	-
Compensation to key management	-	-
Total	-	-

Notes to the financial statements

32. Events after the Reporting Period

Subsequent to the reporting period, the County received Kshs. 124,354,121.20 on 9th July 2026 in respect of the KDSP II Level 2 Investment Grant. The amount had been recognized as a receivable in the Statement of Financial Position as at 30th June 2026.

33. Ultimate And Holding Entity

The County Government is a devolved unit of the Republic of Kenya established under Article 176 of the Constitution of Kenya, 2010. The County Government operates within the framework of the Constitution, the County Governments Act, 2012, the Public Finance Management Act, 2012, and other applicable laws and regulations. The County Government is ultimately under the overall authority of the National Government of the Republic of Kenya, while exercising the functions and powers assigned to it under the Constitution and relevant legislation.

34. Currency

The financial statements are presented in Kenya Shillings (Kshs.), which is the functional and reporting currency of the County Government. All financial information has been presented in Kenya Shillings and amounts are rounded to the nearest Kenya Shilling, unless otherwise stated.

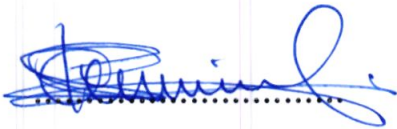
Second Kenya Devolution Support Programme (KDSP II)

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

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

This being the first year of audit of the project, there were no prior-year Auditor-General's recommendations for the County to implement. Consequently, there were no outstanding audit recommendations from a previous audit period.



Daniel Ndolo
Chief Officer



Zipporah Wambua
Project Coordinator

Second Kenya Devolution Support Programme (KDSP II)

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

Annex 2: Reconciliation of inter-entity transfers

The Project did not receive or make any inter-entity transfers during the year under review.

Zipporah Wambua
Project Coordinator

Sign ----- 

CPA Aleks Kimanzi
Head of Accounting Unit

Sign ----- 

Second Kenya Devolution Support Programme (KDSP II)

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

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. Bank Reconciliations statement as at 30th June 2026
- ii. Special Deposit Account(s) reconciliation statement(s)

