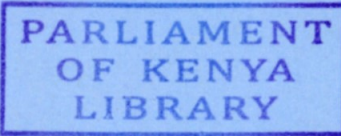


REPUBLIC OF KENYA



**REPORT**

**OF**


**THE AUDITOR-GENERAL**

**ON**

**SECOND KENYA DEVOLUTION SUPPORT PROGRAM (KDSP II) – GRANT/CREDIT NUMBER IDA-7447-KE**

**FOR THE YEAR ENDED 30 JUNE, 2025**

**TAITA TAVETA COUNTY GOVERNMENT**

 <b>THE NATIONAL ASSEMBLY PAPERS LAID</b>	
DATE: 26 FEB 2026	
DAY: THUR	
TABLED BY:	DEPUTY MAJORITY WHIP
CLERK-AT THE-TABLE:	V. WAMBUI



*Revised 30<sup>th</sup> June 2025*



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

**IMPLEMENTING ENTITY: TAITA TAVETA COUNTY GOVERNMENT**

**PROJECT GRANT/CREDIT NUMBER: IDA-7447-KE**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2025**

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**Transitional IPSAS Financial Statements under the International Public Sector Accounting Standards  
(IPSAS)**

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**Second Kenya Devolution Support Program (KDSP II)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

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**Second Kenya Devolution Support Program (KDSP II)**  
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**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
KDSP II	Second Kenya Devolution Support Programme
DPSA	Devolution, Public service & Administration
CECM	County Executive Committee member
CCO	County Chief Officer
Comparative FY	Financial year preceding the current financial year.

**Second Kenya Devolution Support Program (KDSP II)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

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**2. Project Information and Overall Performance**

**2.1 Name and registered office**

**Name**

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

**Objective**

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

**Address**

The project headquarters offices are in Mwatate Town, Taita Taveta County, Kenya. The address of its registered office is P.O. Box 1066-80304 Wundanyi, Kenya

**Contacts:** The following are the project contacts

P.O. Box: 1066-80304

Telephone: (254) 0788186436/0718988717

E-mail: [info@taitataveta.go.ke](mailto:info@taitataveta.go.ke)

Website: [www.taitataveta.go.ke](http://www.taitataveta.go.ke)

**Second Kenya Devolution Support Program (KDSP II)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

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

**2.2 Project Information**

Project Start Date:	18 <sup>th</sup> March 2024
Project End Date:	18 <sup>th</sup> March 2028
Project Coordinator:	Mr. Kenyatta Mnyauro
Project Development Partner:	World Bank through the State Department of devolution

**2.3 Project Overview**

County Department	Devolution, Public service & Administration
Project number	IDA-7447-KE
Strategic goals of the project	The strategic goals of the project are as follows: to strengthen county performance in the financing, management coordination, and accountability for resources.
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) KRA1: Sustainable Financing and expenditure Management (ii) KRA2: Intergovernmental Coordination, Institutional Performance & Human Resource Management. (iii) KRA3: Oversight, Participation & Accountability
Other important background information of the project	The program came as a result of Devolution sector plan 2023-2027
Areas that the project was formed to intervene	The project was formed to intervene in the following problems/gaps: (i) Acceleration of performance of devolution (ii) Establishment of devolved System of Government
Project duration	4 Years

**Second Kenya Devolution Support Program (KDSP II)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

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**Project Information and Overall Performance (Continued)**

**2.4 Bankers**

The following are the bankers for the project:

- (i) **Central Bank of Kenya**  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
**NAIROBI, KENYA**
  
- (ii) **DTB Bank**  
Voi Branch  
Along Posta Road  
P.O. Box 1067-80304  
**WUNDANYI, KENYA**

**2.5 Independent Auditor**

The project is audited by the Auditor General,  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084-GPO 00100  
NAIROBI, KENYA

**2.6 Roles and Responsibilities**

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

No	Names	Title designation	Key qualification	Responsibilities
1	Mr. Paul Maneno Sindeu	CCO-DPSA		Program Accounting Officer
2	Mr. Kenyatta Mnyauro	Ass Director -HRM	BSC-HRM	Program Coordinator
3	Mr. Solomon Nzaro	P. Accountant	BBM-Fin CPA	Program Accountant
4	Ms. Joyce K. Mwachia	Director-Accounting	MBA, CPA	KRA 1
5	Ms. Getrude Mwashighadi	Director-HRM	MBA-SM	KRA 2
6	Mr. Charles Mwadeghu	Snr Admin Officer	DBA	KRA 3

**Second Kenya Devolution Support Program (KDSP II)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

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**2.7 Funding summary**

The Project is for a duration of 4 years from 2024 to 2028 with an approved budget of US\$ 4,186,000 (use Development Partner currency) equivalent to Kshs 540,000,000 as highlighted in the table below:

Second Kenya Devolution Support Program  
Annual Report and Financial Statements for the financial year ended June 30, 2025

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Development Partner Commitment		Amount received to date – (30 <sup>th</sup> June 2025)		Undrawn balance to date	
	Development Partner currency	Kshs	Development Partner currency	Kshs	Development Partner currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
<b>(i) Grant</b>						
KDSPII Level 1	-	150,000,000	-	-	-	150,000,000
KDSPII Level 2	-	352,500,000	-	-	-	352,500,000
<b>(ii) Loan</b>						
Insert name of development partner	-	-	-	-	-	-
Insert name of development partner	-	-	-	-	-	-
<b>(iii) Counterpart funds</b>						
Taita Taveta county Govt	-	22,500,000		2,500,000	-	20,000,000
<b>Total</b>	<b>-</b>	<b>525,000,000</b>	<b>-</b>	<b>2,500,000</b>	<b>-</b>	<b>522,500,000</b>

Second Kenya Devolution Support Program  
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Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 <sup>th</sup> June 2025)		Cumulative amount paid to date – (30 <sup>th</sup> June 2025)		Unutilised balance to date (30th June 2025)	
	Development Partner currency	Kshs	Development Partner currency	Kshs	Development Partner currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Grant</b>						
KDSPII Level 1	-	-	-	-	-	-
KDSPII Level 2	-	-	-	-	-	-
<b>(i) Loan</b>						
Insert name of development partner	-	-	-	-	-	-
Insert name of development partner	-	-	-	-	-	-
	-	-	-	-	-	-
<b>(ii) Counterpart funds</b>	-	-	-	-	-	-
Taita Taveta county Govt	-	2,500,000	-	2,458,097	-	41,903
<b>Total</b>	-	2,500,000	-	2,458,097	-	41,903

**Second Kenya Devolution Support Program  
Annual Report and Financial Statements for the financial year ended June 30, 2025**

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

**2.8 Summary of Overall Project Performance:**

Output	Indicator	Annual Target FY 2024/25	Quarter Two(Q2) Target FY 2024/25	Quarter Two (Q2) Achievement FY 2024/25	Cumulative Achievement FY 2024/25	Remarks on variance
Core governance arrangements to manage public funds and development partner funding, performance monitoring, and legal compliance	Signed participation agreements	Signing of Participation agreement and uploading in the county website	Signed participation agreements	Signed participation agreements	Signed participation agreements	Target achieved
	Prepared and approved work plan, cash plan and budget	Preparation and approval of work plan, cash plan and budget	Prepared and approved work plan, cash plan and budget	Prepared and approved work plan, cash plan and budget	Prepared and approved work plan, cash plan and budget	Target achieved
Oversight and Accountability	Established and approved program management structure CPSC, CPTC, CPI U	Establishment and approval of program management structure CPSC, CPTC, CPIU and	Established and approved program management structure CPSC, CPTC, CPIU	Established and approved program management structure CPSC, CPTC, CPIU	Established and approved program management structure CPSC, CPTC, CPIU	Target achieved
Establish institutional framework for the implementation of KDSP II at the MCG	County Program Implementation Unit Staff trained on Program/Project Management	Training of County Program Implementation Unit Staff on Program/Project Management	County Program Implementation Unit Staff trained on Program/Project Management	County Program Implementation Unit Staff trained on Program/Project Management	County Program Implementation Unit Staff trained on Program/Project Management	Target achieved
	Nominated members for KDSP II Committees CPSC, CPIU, SPMU, CTIPTS.	Nomination of members for KDSP II Committees CPSC, CPIU, SPMU, CTIPTS.	Nominated members for KDSP II Committees CPSC, CPIU, SPMU, CTIPTS.	Nominated members for KDSP II Committees CPSC, CPIU, SPMU, CTIPTS.	Nominated members for KDSP II Committees CPSC, CPIU, SPMU, CTIPTS.	Target achieved
	Trained County Program Steering Committee (CPSC)	Capacity Building of the County Program Steering Committee (CPSC)	Trained County Program Steering Committee (CPSC)	Trained County Program Steering Committee (CPSC)	Trained County Program Steering Committee (CPSC)	Target achieved

**Second Kenya Devolution Support Program**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

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	Trained Building of the County Program Technical Committee	Capacity Building of the County Program Technical Committee	Trained Building of the County Program Technical Committee	Trained Building of the County Program Technical Committee	Trained Building of the County Program Technical Committee	Target achieved
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The following challenges were reported during the implementation

- i. Delay in disbursement of funds to implement hampering timely implementation of the programs
- ii. Inadequate training to fully implement the second KDSP
- iii. Slow progress in implementation of the second KDSP

Recommendations

- i. Timely release of funds to fully implement the program
- ii. Train all units as per the work plan to achieve quality results
- iii. Fast track the implementation of the second KDSP for timely delivery the work plan targets.

### **3. Statement of Performance against Project's Predetermined Objectives**

#### **Introduction**

The Program is expected to significantly improve outcomes in the counties participating in the Program under each of the three key results areas (KRAs). The Program supports a series of key interventions (at the input and output levels) that contribute to intermediate outcomes, which in turn contribute to outcomes. The Program is structured around three KRAs to achieve the development objectives, as follows:

- i. **KRA 1: Sustainable Financing and Expenditure Management.** This KRA will support efforts toward enhancing financing to and expenditure management by counties. In this KRA, the national-level activities entail the development of frameworks and guidelines for county revenue mobilization, policy to support financing for service delivery units, and structures and tools to support counties' institutionalization of shared project management functions, that is, the county Single Project Management Unit (SPMU). The expected outcomes will include improved revenue mobilization agenda (for example, increased revenue collection, enhanced accuracy of fiscal forecasting, and expansion of revenue base), timely communication on releases of conditional grants, automation of the county exchequer requests, and implementation of pending bills action plans.
- ii. **KRA 2: Intergovernmental Coordination, Institutional Performance, and Human Resource Management.** KRA 2 will support the National Government and county governments initiatives toward strengthening intergovernmental coordination, institutional performance, and human resource management (HRM). The national-level activities financed through Investment Project Finance (IPF) will support the development of policy and administrative procedures for the operationalization of intergovernmental, intercity, and inter-municipality forums. The IPF will also support the development of guidelines including on county HR and skills audits, model organization structures for customization by counties, and performance management. Disbursement-Linked Indicators (DLIs) under this KRA will target counties implementing recommendations of HR, skills, and payroll audits; aligning county staffing with departmental functions in select sectors; and improving credibility of the payroll.

**Second Kenya Devolution Support Program**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

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- iii. KRA 3: Oversight, Participation and Accountability. KRA 3 will support improvements in oversight, participation, and accountability. The IPF component will support the development of guidelines on project stocktaking, community-led project management committees, and climate change risk screening and preparedness (including assessment of the climate resilience of existing infrastructure assets). It will also support the rollout of the county Public Investment Management (PIM) framework. The expected outcomes include the establishment of Program management committees, county compliance with the PIM framework, and the development and operationalization of a county investment dashboard with a citizen feedback interface (which is used to improve public investments). Additionally, it is expected that county assemblies will establish a fiscal bureau to strengthen the role of the legislatures in budget scrutiny and oversight.

**Progress on the attainment of strategic development objectives**

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives.

**Second Kenya Devolution Support Program  
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Below, we provide the progress on attaining the stated objectives:

<b>Project</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Health Services	To construct a three-storey and terrace hospital building housing key critical and surgical departments.	A fully constructed and operational three-storey hospital complex	Reduced patient referrals to distant tertiary hospitals city	<i>N/A</i>
Health Services	To enhance emergency response through the establishment of a fully functional Accident and Emergency Unit	Functional Accident & Emergency, ICU, HDU, and surgical wards.	Improved access to emergency and surgical care	<i>N/A</i>
Health Services	To improve intensive and high-dependency care capacity by establishing well-equipped ICU and HDU units	Functional ICU, HDU, and surgical wards	Reduced morbidity and mortality rates from emergency conditions	<i>N/A</i>

**Second Kenya Devolution Support Program  
Annual Report and Financial Statements for the financial year ended June 30, 2025**

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**4. Environmental and Sustainability Reporting**

The Second Kenya Devolution Support Program exists to transform lives. This is our purpose; the driving force behind everything we do. It is what guides us to deliver our strategy, which is founded on five (5) pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

**1. Sustainability strategy and profile**

The Second Kenya Devolution Support Program has continued to structure its programs towards development projects and activities that depicts high sense of value for money and goes a long way in alleviating the residents suffering and improving their ease of doing business.

The County Executive has also been in the forefront in engaging donors, potential investors and other strategic partners through Memorandum of Understandings and Agreements on various programs geared towards improving the living standards of the County Residents. Some notable donors include USAID, NDMA, Kenya Red Cross, World Bank and European Union.

**2. Environmental performance**

To promote sustainable land use and environmental conservation the County Government undertook various capacity building and provision of materials geared towards environmental protection and sustainable land use.

Some of these activities include, but not limited to promotion of farm water harvesting structures such as terraces, running tree planting campaigns during rainy seasons, distribution of organic manure, excavation of water pans and desisting of canals in Taveta Sub County. This has greatly contributed in creation of a conducive environment to its residents and increased agricultural productivity through irrigation and control of flood waters. As a strategy in protecting our environment and riparian lands the County Government has developed Taita Taveta Sand Harvesting Act, 2020 to guide in the exploitation of sand as a resource in the construction sector.

**3. Employee welfare**

The County Government revamped its efforts in improving the welfare of its employees as a key ingredient to employee motivation and satisfactory work performance. Some of these activities includes the provision of Comprehensive Medical Cover to all its cadre of staff.

**Second Kenya Devolution Support Program**  
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The County also recruited additional staff through a competitive process by the County Public Service Board for the understaffed departments of Health Services, Education and Libraries, Revenue Directorate and Public Service and Administration. Through the process casual staff were replaced with long term contracts hence a boost on staff job security.

The County always strive to adhere to the Employment Act, 2007, Salaries and Remuneration Commission circulars and Human Resource manuals in the engagement and management of staff. Also, the County continued to undertake staff appraisals and is usually a key tool before any promotion is undertaken.

**4. Market place practices**

To entrench the spirit of competition in its activities, the County Government during the year under review embraced E-Procurement when sourcing of goods and services. The system enhances openness and transparency as tenders were advertised on the local dailies and also posted on the IFMIS portal hosted at The National Treasury. The same were opened, evaluated, awarded, inspected and received through the system hence sealing loopholes of any collusion that could have occurred.

The County Treasury through its Procurement Directorate trained all the suppliers, contracts and cyber operators' through-out the County to build their capacity on online bidding and submission of tenders. Also, the County strived to settle its pending bills as evidenced by creation of a budget line in Finance Department to offset the long outstanding debts.

As a strategy in promoting the growth of its markets, efforts were made to ensure that hawkers were directed to the available slots in the urban markets and all advertisements were registered and licensed by the County Government before undertaking their activities.

Furthermore, the County Government through the Department of Health Services inspected all hotels, eateries and other food outlets in order to safeguard the wellbeing and interests of its residents. This exercise was boosted by recruitment and deployment of additional Public Health officers to various sub-counties.

**5. Community Engagements-**

The County Government through its various Departments and in collaboration with other stakeholders has been engaging in various community initiatives that have helped improved people's living standards. Several public participation exercises were conducted to collect views

**Second Kenya Devolution Support Program**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

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and contributions from the County residents on issues such proposed projects, progress reports, budgets, etc having a bearing on service delivery.

During the year under review several specialized medical camps, such as cancer screening, orthopaedic medical camps, were held in various parts of the County. This included a blood donation drive in partnership with Kenya Red Cross Society and The Kenya National Blood Transfusion Service (KNBTS) that was aimed at boosting the capacity of the County and the region in meeting blood demands in case of an emergency.

**Second Kenya Devolution Support Program**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

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**5. Statement of Project Management Responsibilities**

The **Chief Officer** for the County department of Devolution, Public service & Administration and the **Project Coordinator** are responsible for the preparation and presentation of the Program 's financial statements, which give a true and fair view of the state of affairs of the Project for the financial year ended on June 30, 2025.

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 Program , (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 Program , (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 service & Administration and the Program Coordinator accept responsibility for the Program '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 service & Administration and the Program Coordinator are of the opinion that the Program 's financial statements give a true and fair view of the state of the Program 's transactions during the financial year ended June 30, 2025, and of the Program 's financial position as at that date. The Chief Officer for the County Department of Devolution, Public service & Administration and the Program Coordinator further confirm the completeness of the accounting records maintained for the Program, which have been relied upon in the preparation of the Program financial statements and the adequacy of the systems of internal financial control.

The Chief Officer for the County Department of Devolution, Public service & Administration and the Program Coordinator confirm that the Program has complied fully with applicable Government Regulations and the terms of external financing covenants and that Program funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

**Second Kenya Devolution Support Program  
Annual Report and Financial Statements for the financial year ended June 30, 2025**

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**Approval of the Program Financial Statements**

The Program financial statements were approved by the Chief Officer for the County Department of Devolution, Public service & Administration and the Program Coordinator on

28 Nov / 2025 and signed by:



Name: Mr. Paul Maneno Sindeu  
Chief Officer-DPSA



Name: Mr. Kenyatta Mnyauro  
Project Coordinator

# REPUBLIC OF KENYA



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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) – GRANT/CREDIT NUMBER IDA-7447-KE - FOR THE YEAR ENDED 30 JUNE, 2025 - TAITA TAVETA COUNTY GOVERNMENT**

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### **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, 2012, and the Public Audit Act, 2015. 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 – Grant/Credit Number IDA-7447-KE Taita Taveta County Government set out on pages 1 to 33, which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial performance, statement

of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. 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 – Grant/Credit Number IDA-7447-KE - Taita Taveta County Government as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Financing Agreement Credit Number IDA-7447-KE dated 2 February, 2024 and the Public Finance Management Act, 2012

In addition, the special accounts statements present fairly, transactions for the year, and the closing balance have been reconciled with the books of account.

### **Basis for Opinion**

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

### **Emphasis of Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amount reflects final receipts budget and actual on comparable basis amounts of Kshs.40,000,000 and Kshs.2,500,000 respectively, resulting in receipts shortfall of Kshs.37,500,000 or 94% of the budget.

The underfunding may have impacted negatively on service delivery to the citizens.

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, I have determined there are no other key audit matters to communicate in my report.

## **Other Information**

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

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

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Late Submission of Financial Statements to the Auditor-General**

The financial statements for Second Kenya Devolution Support Project (KDSP II) were submitted on the 18 November, 2025 two and half months after the statutory deadline of 31 August, 2025. This is contrary to National Treasury Circular No. AG.3/88.Vol.VII (41) of 4 December, 2024 which required that the financial statements be submitted to the Auditor-General by 31 August, 2025.

In the circumstances, Management was in breach of the law.

#### **2. Failure to Report Utilization of Funds**

The statement of Financial Performance and as disclosed under Note 9 to the Financial Statements reflects use of goods and services of Kshs.2,458,097. However, the expenditure was not reported to the County Assembly of Taita Taveta County and the Controller of Budget. This was contrary to Paragraph 76 of the Second Kenya Devolution Support Program (KDSP II) County Program Operations Manual (CPIU),

2024, which states that the County Government will report on the use of the grant as part of its normal reporting to the County Assembly and the Controller of Budget. Second, twice a year (that is, at the end of the second quarter and at the end of the financial year), each County that has received the grants will need to report to the NPCU on the use of the grant, the progress and improvements made, and the problems encountered (if any) together with an outlook on the activities for the next six (6) months. No evidence was provided to show that the project had reported on the use of the funds to NPCU.

In the circumstances, Management was in breach of the law.

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, 2015 and based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **Lack of Risk Management policy**

Assessment of the internal control system in place for the Second Kenya Devolution Support Program revealed that the Project had not established risk management policy to identify, disaster recovery plan to mitigate and control operational and other risks that the project may face from time to time. In addition, the fund had not carried out any risk assessments to identify and address key areas of concern and document specific controls in response to risks noted.

In the circumstances, the effectiveness of internal controls could not be confirmed.

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Conclusion

As required by Financing Agreement Credit Number IDA-7447-KE dated 2 February, 2024, I report, based on my audit, that:

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

### Basis for Conclusion

The Financing Agreement requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Project's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### Responsibilities of the Management and those Charged with Governance

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

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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, 2015 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, 2015. 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, 2015.

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**

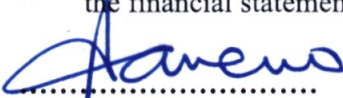
**04 December, 2025**


**Second Kenya Devolution Support Program  
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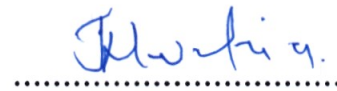
**7. Statement of Financial Performance for the Year Ended 30th June 2025.**

	Notes	FY 2024/25
		Kshs
<b>Revenue</b>		
Revenue Transfers	6	40,000,000
Miscellaneous Revenue	7	-
<b>Total revenue</b>		<b>40,000,000</b>
<b>Expenses</b>		
Employee costs	8	-
Use of goods and services	9	2,458,097
Depreciation and amortization expense	10	-
Transfer to other Government Entities	11	-
Other Transfers/Subsidies/Grants	12	-
Certified Works	13	-
<b>Total expenses</b>		<b>2,458,097</b>
<b>Other gains/(losses)</b>		
Gain/Loss on sale of assets	14	-
Gain/Loss on foreign exchange transactions	15	-
Impairment loss	16	-
<b>Surplus/ (deficit)</b>		<b>37,541,903</b>

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

  
 Name: Paul Maneno Sindeu  
 Chief Officer

  
 Name: Kenyatta Mnyauro  
 Program Coordinator

  
 Name:  
 Program Accountant  
 ICPAK Member No:  
 12587

**Second Kenya Devolution Support Program  
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**8. Statement of Financial Position as at 30<sup>th</sup> June 2025**

	Note	FY 2024/25	1 <sup>st</sup> July 2024
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash equivalents	17	41,903	-
Receivables	18	37,500,000	-
Inventories	19	-	-
Prepayment	20	-	-
<b>Total Current Assets</b>		-	-
<b>Non-Current Assets</b>			
Property, Plant and Equipment	20	-	-
Intangible Assets	21	-	-
<b>Total Non- Current Assets</b>		-	-
<b>Total Assets (a)</b>		<b>37,541,903</b>	-
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	22	-	-
Third Party Deposits	23	-	-
Deferred Income	24	-	-
<b>Total Current Liabilities</b>		-	-
<b>Total Liabilities (b)</b>		-	-
<b>Net Assets (a-b)</b>			
<b>Represented By:</b>			
Accumulated Surplus		37,541,903	-
<b>Total Net Assets</b>		<b>37,541,903</b>	-

The financial statements were approved on 28/11/2025 and signed by:

  
Name: Paul Maneno Sindeu  
Chief Officer

  
Name: Kenyatta Mnyauro  
Program Coordinator

  
Name:  
Program Accountant  
ICPAK Member No: 12587

**Second Kenya Devolution Support Program  
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**9. Statement of Changes in Net Assets**


Description	Accumulated Surplus
	Kshs
As at 30 <sup>th</sup> June 2024 (Cash Basis)	-
Adjustments:	
Asset Recognition	-
Liabilities recognition	-
<b>As at 1<sup>st</sup> July 2024</b>	<b>-</b>
Surplus/(Deficit) for the year	37,541,903
<b>As at 30<sup>th</sup> June 2025</b>	<b>37,541,903</b>

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

The financial statements were approved on 28/11 2025 and signed by:

  
Name: Paul Maneno Sindeu  
Chief Officer

  
Name: Kenyatta Mnyauro  
Program Coordinator

  
Name:  
Program Accountant  
ICPAK Member No:  
12587

**Second Kenya Devolution Support Program  
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**10. Statement of Cashflow for the year ended 30<sup>th</sup> June 2025**

Description	Note	Insert Current FY Kshs
<b>Cashflow from operating activities</b>		
<b>Receipts</b>		
Revenue Transfers		2,500,000
Miscellaneous Revenue		-
<b>Total receipts</b>		<b>2,500,000</b>
<b>Payments</b>		
Employee costs		-
Use of goods and services		2,458,097
Transfer to other Government Entities		-
Other Transfers/Subsidies/Grants		-
Certified Works		-
<b>Total payments</b>		<b>2,458,097</b>
<b>Net cash flow from operating activities</b>	26	41,903
<b>Cashflow from investing activities</b>		
Acquisition of non-financial assets		-
Proceeds from sale of Assets		-
Acquisition of Intangible assets		-
<b>Net cash flows from investing activities</b>		-
<b>Cash flow from financing activities</b>		
<i>Specify the activity</i>		-
<b>Net cash flow from financing activities</b>		-
Net increase/Decrease in cash and cash equivalents		41,903
<b>Cash and cash equivalent at 1<sup>st</sup> July 2024</b>	17	-
<b>Cash and cash equivalent at end June 2025</b>	17	<b>41,903</b>

**Second Kenya Devolution Support Program**  
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**11. Statement of Comparison of Budget and Actual Amounts for the Year ended 30<sup>th</sup> June 2025**

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	
<b>Budget Carry Overs from previous periods</b>	-	-	-	-	-	-
<b>Receipts</b>						
Revenue Transfers	37,500,000	2,500,000	40,000,000	2,500,000	37,500,000	6%
Miscellaneous Revenue	-	-	-	-	-	-
<b>Total Revenue</b>	<b>37,500,000</b>	<b>2,500,000</b>	<b>40,000,000</b>	<b>2,500,000</b>	<b>37,500,000</b>	<b>6%</b>
	-	-	-	-	-	-
<b>Payments</b>						
Employee costs	-	-	-	-	-	-
Use of goods and services	37,500,000	2,500,000	40,000,000	2,458,097	37,541,903	6%
Transfer to other Government Entities	-	-	-	-	-	-
Other Transfers/Subsidies/Grants	-	-	-	-	-	-
Certified Works	-	-	-	-	-	-
<b>Total Payments</b>	<b>37,500,000</b>	<b>2,500,000</b>	<b>40,000,000</b>	<b>2,458,097</b>	<b>37,541,903</b>	<b>6%</b>
<b>Surplus</b>	-	-	-	41,903	(41,903)	-

**Budget Reconciliation**

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	41,903
1	Reason for differences	-
	Closing Cash and Cash Equivalent as per the statement of Cash flows	<b>41,903</b>

**Second Kenya Devolution Support Program(KDSP II)**  
**Annual Reports and Financial Statements for the year ended June 30, 2025.**

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**12. Notes to the Financial Statements**

**1. General Information**

The entity is established by and derives its authority and accountability from xxx Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to strengthen county performance in the financing, management, coordination, and accountability for resources.

**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).

**Guiding note during the transition period:**

The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS), and the entity has taken advantage of the transitional provisions under IPSAS 33 and therefore this is the 1st year transitional financial statements.

The entity has not recognized intangible Assets, service concession assets and related liabilities and financial instruments. The entity has undertaken necessary initiatives such as Capacity building to be fully compliant by the end of the transitional period.

The financial statements are 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.

The Financial statements were authorized for issue by the Accounting Officer on 28th November, 2025

**3. Adoption of New and Revised Standards**

- i) *New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>

**Second Kenya Devolution Support Program(KDSP II)  
Annual Reports and Financial Statements for the year ended June 30, 2025.**

Standard	Effective date and impact:
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<b><i>Applicable 1<sup>st</sup> January 2025</i></b> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
IPSAS 45- Property Plant and Equipment	<b><i>Applicable 1<sup>st</sup> January 2025</i></b> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46 Measurement	<b><i>Applicable 1<sup>st</sup> January 2025</i></b> The objective of this standard was to improve measurement guidance across IPSAS by: <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> The standard also introduces a public sector specific measurement bases called the current operational value.

***ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025***

Standard	Effective date and impact:
IPSAS 47- Revenue	<b><i>Applicable 1<sup>st</sup> January 2026</i></b>

**Second Kenya Devolution Support Program(KDSP II)  
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Standard	Effective date and impact:
	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 entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48- Transfer Expenses	<i>Applicable 1<sup>st</sup> January 2026</i> 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.
IPSAS 49- Retirement Benefit Plans	<i>Applicable 1<sup>st</sup> January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<i>Applicable 1<sup>st</sup> January 2027</i> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: <ul style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</li> <li>iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</li> </ul>

*iii) Early adoption of standards*

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

**Second Kenya Devolution Support Program(KDSP II)**  
**Annual Reports and Financial Statements for the year ended June 30, 2025.**

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**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 2024-2025 was approved by the Council or Board on 25<sup>th</sup> June 2024. 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 2,500,000 on the FY 2024/2025 budget following the Council/ Board's approval. 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 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 according to the acronyms you use in your financial statements 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.

**Second Kenya Devolution Support Program(KDSP II)**  
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**Notes to the financial statements**

**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.

**Second Kenya Devolution Support Program(KDSP II)**  
**Annual Reports and Financial Statements for the year ended June 30, 2025.**

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**Notes to the financial statements**

**g) Financial instruments**

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

***Financial assets***

***Classification***

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

***Subsequent measurement***

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

***Amortized cost***

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

**Second Kenya Devolution Support Program(KDSP II)**  
**Annual Reports and Financial Statements for the year ended June 30, 2025.**

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**Notes to the financial statements**

**Fair value through net assets/ equity**

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

**Fair value through surplus or deficit**

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

**Trade and other receivables**

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

**Impairment**

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

**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.

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**Notes to the financial statements**

**Inventories (Continued)**

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

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

**k) Changes in accounting policies and estimates**

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

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**Notes to the financial statements**

**l) Employee benefits**

**Retirement benefit plans**

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

**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**

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

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**Notes to the financial statements**

**p) Service concession arrangements**

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

**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 year ended June 30, 2025.

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**Notes to the financial statements**

**5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes 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 *Entity*.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset

**Provisions**

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

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

**Second Kenya Devolution Support Program(KDSP II)  
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**Notes to the financial statements**

**6. Revenue Transfers**

Description	FY 2024/25
	KShs
<b>Unconditional Transfers</b>	
Counter Part funding	2,500,000
Transfers from Development partners	-
Other unconditional transfers (Specify)	-
<b>Total Unconditional Transfers (a)</b>	<b>2,500,000</b>
<b>Conditional Transfers</b>	
Transfers from Development partners 1	37,500,000
Transfers from Development partner 2	-
<i>Other conditional transfers (specify)</i>	-
<b>Total Conditional Transfers (b)</b>	<b>-</b>
<b>Total Transfers for the Year (a + b)</b>	<b>40,000,000</b>

**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 FY 2024/25
	Kshs	Kshs	Kshs	Kshs
Counter Part funding	2,500,000	-	-	2,500,000
KDSP II Level 1	-	37,500,000	-	37,500,000
KDSP II Level 2	-	-	-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Deferred Income realized	-	-	-	-
Transfers in Kind	-	-	-	-
<b>Total</b>	<b>2,500,000</b>	<b>37,500,000</b>	<b>-</b>	<b>40,000,000</b>

**Second Kenya Devolution Support Program(KDSP II)  
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**Notes to the financial statements**

**7. Miscellaneous revenue**

Description	FY 2024/25
	<u>Kshs</u>
Interest Income	-
Others	-
<b>Total</b>	<b>-</b>

**8. Employees Costs**

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

**9. Use of Goods and Services**

Description	FY 2024/25
	<u>Kshs</u>
Utilities, supplies and services	-
Bank charges	4,797
Communication, supplies and services	-
Domestic travel and subsistence	2,167,800
Foreign travel and subsistence	-
Fuel and lubricants	-
General office supplies	-
Stationery, Printing, advertising, and information supplies	141,500
Office rent	-
Training payments	-
Hospitality supplies and services	144,000
Insurance costs	-
Specialized materials and services	-
Other operating payments(specify)	-
Routine maintenance – vehicles and other transport equipment	-
Routine maintenance- other assets	-
<b>Total</b>	<b>2,458,097</b>

**Second Kenya Devolution Support Program(KDSP II)**  
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**Notes to the financial statements**

**10. Depreciation and Amortization expense**

Description	FY 2024/25
	Kshs
Property, Plant and Equipment	-
Intangible Assets	-
<b>Total</b>	-

**11. Transfer to Other Government Entities**

Description	FY 2024/25
	Kshs
Ministry ABC	-
Project XYZ	-
Department	-
County xxx	-
<b>Total</b>	-

**12. Other Transfers/Subsidies/Grants**

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

**13. Certified Works**

Description	FY 2024/25
	Kshs
Road Works	-
Water Works	-
Energy Infrastructure	-
<i>Others Specify</i>	-
<b>Total</b>	-

**Second Kenya Devolution Support Program(KDSP II)**  
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**Notes to the financial statements**

**14. Gain/Loss on Sale of Assets**

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

**15. Gain/Loss on foreign exchange transactions**

Description	FY 2024/25
	Kshs
Gain on foreign exchange transactions	-
Loss on foreign exchange transactions	-
<b>Total Gain/Loss</b>	<b>-</b>

**16. Impairment Loss**

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

**17. Cash and Cash Equivalentents**

Description	FY 2024/25	1 <sup>st</sup> July 2024
	Kshs	Kshs
Cash in Bank	41,903	-
Cash on hand	-	-
<i>Others (Specify)</i>	-	-
<b>Total Cash and Cash Equivalentents</b>	<b>41,903</b>	<b>-</b>

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**Notes to the financial statements**

**Project Bank Accounts**

Details	FY 2024/25	1 <sup>st</sup> July 2024
	Kshs	Kshs
<b>Foreign Currency Accounts</b>		
Central Bank of Kenya [A/c No.....]	-	-
Kenya Commercial Bank [A/c No.....]	-	-
Co-operative Bank of Kenya [A/c No.....]	-	-
Others ( <i>specify</i> )	-	-
Total Foreign Currency balances	-	-
<b>Local Currency Accounts</b>		
Kenya Devolution Support Programme II AC 1000745967	-	-
Taita Taveta County II Kenya Devolution Support Programme	41,903	-
Total local currency balances	41,903	-
<b>Total bank account balances</b>	<b>41,903</b>	-

**Second Kenya Devolution Support Program(KDSP II)**  
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**Notes to the Financial Statements (Continued)**

**18. Receivables**

Description	FY 2024/25	1 <sup>st</sup> July 2024
	Kshs	Kshs
KDSP II Level 1	37,500,000	-
Counter Part Funding	-	-
Contractor's Advance payments	-	-
Other Receivables	-	-
<b>Total Receivables</b>	<b>37,500,000</b>	<b>-</b>

**Ageing analysis for Receivables**

Description	FY 2024/25		1 <sup>st</sup> July 2024	
	FY 2024/25	% Of the total	FY 2023/24	% Of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total (a+b)</b>	<b>-</b>	<b>%</b>	<b>-</b>	<b>%</b>

**19. Inventories**

Description	FY 2024/25	1 <sup>st</sup> July 2024
	Kshs	Kshs
Consumable stores	-	-
Construction stores	-	-
Other's consumables	-	-
Less: allowance for impairment	-	-
<b>Total inventories</b>	<b>-</b>	<b>-</b>

**20. Prepayments**

Description	FY 2024/25	1 <sup>st</sup> July 2024
	Kshs	Kshs
Insurance	-	-
Rent	-	-
Others specify	-	-
<b>Total inventories</b>	<b>-</b>	<b>-</b>

**Second Kenya Devolution Support Program(KDSP II)**  
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Notes to the financial statements

**21. Property, Plant and Equipment**

Cost	Motor vehicles	Furniture and fittings	ICT Equipment	Other Assets (specify)	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Depreciation rate</b>	%	%	%	%		
<b>As At 1July 2024 (opening balances)</b>	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2025</b>	-	-	-	-	-	-
	-	-	-	-	-	-
<b>Depreciation And Impairment</b>	-	-	-	-	-	-
<b>As at 1July 2025</b>	-	-	-	-	-	-
Depreciation charge for the year	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-
<b>As At 30<sup>th</sup> June 2025</b>	-	-	-	-	-	-
	-	-	-	-	-	-
<b>Net Book Values</b>	-	-	-	-	-	-
<b>As at 1<sup>st</sup> July 2024</b>	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2025</b>	-	-	-	-	-	-

**Second Kenya Devolution Support Program  
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**Notes to the financial statements**

**22. Intangible Assets**

Description	1 <sup>st</sup> July 2024
	Kshs
<b>Cost</b>	
As at 1 <sup>st</sup> July 2024	-
Additions	-
	-
<b>As At 30<sup>th</sup> June 2025</b>	-
	-
<b>Amortization and impairment</b>	
As at 1 <sup>st</sup> July 2024	-
Amortization	-
Impairment loss	-
<b>As At 30<sup>th</sup> June 2025</b>	-
	-
<b>NBV as at 1<sup>st</sup> July 2024</b>	-
<b>NBV as at 30<sup>th</sup> June 2025</b>	-

**23. Trade and Other Payables**

Description	FY 2024/25		1 <sup>st</sup> July 2024	
	Kshs		Kshs	
Trade payables	-		-	
Employee payables	-		-	
<i>Other payables (specify)</i>	-		-	
<b>Total trade and other payables</b>	-		-	
<b>Ageing analysis: (Trade and other payables)</b>	<b>FY 2024/25</b>	<b>% Of the Total</b>	<b>FY 2023/24</b>	<b>% of the Total</b>
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total (tie to above total)</b>	-		-	

*(Provide brief explanation)*

**Second Kenya Devolution Support Program  
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**Notes to the financial statements**

**24. Third-Party Deposits**

Description	FY 2024/25		1 <sup>st</sup> July 2024	
	Kshs		Kshs	
Contractor's Retention	-		-	
Gratuity	-		-	
<i>Other deposits (specify)</i>	-		-	
<b>Total deposits</b>	-		-	
Ageing analysis: (Refundable deposits)	FY 2024/25	% of the Total	FY 2023/24	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total</b>	-		-	

**25. Deferred Income**

Description	FY 2024/25		1 <sup>st</sup> July 2024	
	Kshs		Kshs	
Development partner 1	-		-	
Development partner 2	-		-	
<i>Others specify</i>	-		-	
<b>Total Deferred Income</b>	-		-	

**Deferred Income Movement Schedule**

	Development Partner 1	Development Partner 2	Others specify	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 1 <sup>st</sup> July 2024	-	-	-	-
Additions	-	-	-	-
Transfers To Performance Statement as Revenue	-	-	-	-
Balance as at 30 <sup>th</sup> June 2025	-	-	-	-

**Second Kenya Devolution Support Program  
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**Notes to the financial statements**

**26. Cash Generated from Operations**

Description	FY 2024/25
	Kshs
<b>Surplus/Deficit for the year</b>	37,541,903
<b>Adjusted for:</b>	-
Depreciation	-
Non-cash grants received	-
Impairment	-
Gains and losses on disposal of assets	-
<b>Working capital adjustments</b>	-
Increase in inventory	-
Increase in receivables	-
Increase in deferred income	(37,500,000)
Increase in payables	-
Increase in payments received in advance	-
<b>Net cash flow from operating activities</b>	41,903

**27. Special Deposit Accounts**

The balances in the Project's Special Deposit Account(s) as of 30th June 2025 are not included in the Statement of Financial Assets since the line items are yet to be drawn into the Exchequer Account as a voted provision.

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

**Second Kenya Devolution Support Program  
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**Notes to the financial statements**

**Special Deposit Accounts Movement Schedule**

Description	FY 2024/25	1 <sup>st</sup> July 2024
	Kshs	Kshs
<b>(i) A/c Name [A/c No...</b>		
Opening balance	-	-
Total amount deposited in the account	-	-
Total amount withdrawn	-	-
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	-	-
<b>(ii) A/c Name [A/c No.....]</b>		
Opening balance (as per the SDA reconciliation)	-	-
Total amount deposited in the account	-	-
Total amount withdrawn	-	-
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	-	-

**28.Related Party Disclosures**

**Nature of related party relationships**

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

**Government of Kenya**

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

**Second Kenya Devolution Support Program  
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**Notes to the financial statements**

**Other related parties include:**

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

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

**Second Kenya Devolution Support Program**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

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**Notes to the financial statements**

**29.Events after the Reporting Period**

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

**30.Ultimate And Holding Entity**

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

**31.Currency**

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

**Second Kenya Devolution Support Program  
Annual Report and Financial Statements for the financial year ended June 30, 2025**

**13. Annexes**

**Annex 1: Prior Year Auditor-General's Recommendations**


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

**Guidance Notes:**

1. Use the same reference numbers as contained in the external audit report;
2. Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
3. Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
4. Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.



**Name: Mr. Paul Maneno Sindeu  
Chief Officer-DPSA**




**Name: Mr. Kenyatta Mnyauro  
Program Coordinator**

**Second Kenya Devolution Support Program  
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**Annex 2: Reconciliation of inter-entity transfers**

Project Name:			
Break down of transfers from the State Department of XXX			
<b>a. Government Counterpart funding</b>			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		xx	
		xx	
	<b>Total</b>	<b>xx</b>	
<b>B. Direct payments</b>			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		xx	
	<b>Total</b>	<b>xx</b>	
<b>C. Others</b>			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		xx	
		xx	
	<b>Total</b>	<b>xx</b>	
	<b>Total (A+B+C)</b>	<b>xx</b>	

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

.....  
  
**Name: Mr. Kenyatta Mnyauro**  
**Program Coordinator**

**Second Kenya Devolution Support Program**  
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**Annex 3: Fixed Asset Register**

<b>Asset class</b>	<b>Historical Cost b/f (Kshs) Previous Year</b>	<b>Additions during the year (Kshs)</b>	<b>Disposals during the year (Kshs)</b>	<b>Transfers in/(out) during the year</b>	<b>Historical Cost c/f (Kshs) Current Year</b>
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					
<b>Total</b>					

**Second Kenya Devolution Support Program**  
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**Annex 4: Other Support Documents**

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30<sup>th</sup> June 2025
- iii. Board of Survey Report
- iv. Special Deposit Account(s) reconciliation statement(s)

