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REPORT

OF

THE AUDITOR-GENERAL

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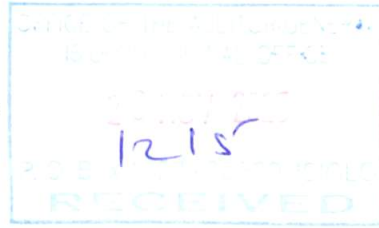
EQUALISATION FUND

FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF ISIOLO

PAPERS LAID	
DATE	18/02/2026
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Isiolo County Government
Equalisation Fund

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2025

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

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1. Acronyms and Definition of Key Terms

A: Acronyms

AGPO	Access to Government Procurement Opportunities
CA	County Assembly
CBK	Central Bank of Kenya
CDF	Constituency Development Fund
CEO	Chief Executive Officer
CECM	County Executive Committee Member
CIDP	County Integrated Development Plan
CRA	Commission on Revenue Allocation
CT	County Treasury
EF	Equalisation Fund
EFAB	Equalisation Fund Advisory board
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
NGO	Non-Governmental Organisation
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PIIC	Project Identification and Implementation Committee
PPE	Property, Plant & Equipment
PPPs	Public Private Partnerships
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
WB	World Bank

B: Definition of Key Terms

Fiduciary Management- Members of Management are directly entrusted with the responsibility of the financial resources of the organization.

Comparative Year- Means the prior period.

2. Key Entity Information and Management

(a) Background information

The Equalisation Fund was established under Article 204 (1) of the Constitution of Kenya (CoK), 2010, and operationalized by the Public Finance Management (Equalisation Fund Administration) Regulations, 2021. The Equalisation Fund (EF) is domiciled in National Treasury , Kenya.

(b) Principal Activities

The EF shall be used to provide basic services, including water, roads, health facilities, and electricity, to marginalized areas to the extent necessary to bring the quality of those services to the level generally enjoyed by the rest of the nation.

(c) Key Management

The *Fund's* management is under the following key organs:

No.	Designation
1.	County Technical Committee
2.	Sub County Technical Committee
3.	Project Identification and Implementation Committee

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	County Executive Committee Member for Finance	Hon. Abdullahi J. Banticha
2.	Head of Finance	Mbithi Joseph
3.	Head of Procurement	Stephen Muthomi
4.	Fund Accountant	Monica Nkirote

Key Entity Information and Management (continued)

(e) Fiduciary Oversight Arrangements

- **Equalization fund Oversight typically involves a combination of government agencies which includes;**
 - **Commission on Revenue Allocation (CRA):** Responsible for identifying marginalized areas that qualify for Equalization Fund allocation.
 - **Controller of Budget:** Oversees the withdrawal and disbursement of funds from the Equalization Fund.
 - **Equalization Fund Advisory Board:** Provides guidance and oversight on the management of the Fund.
- **Oversight mechanisms applied:**
 - **Project identification and selection:** Ensuring projects align with the needs of marginalized communities.
 - **Financial accountability:** Regular audits to verify proper expenditure of funds.
 - **Reporting requirements:** County governments must submit detailed reports on project progress and financial usage.
 - **Parliamentary oversight:** Committees in Parliament can review and scrutinize the Equalization Fund's activities.

(f) Entity Headquarters

P.O. Box 36-60300
County Headquarters Building
Treasury Road
Isiolo, KENYA

(g) Entity Contacts

Telephone: (254) 723738483
E-mail: info@isiolo.go.ke
Website: www.isiolo.go.ke

(h) Entity Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
NAIROBI, KENYA

(i) Independent Auditor





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

(j) Principal Legal Adviser

1. The Attorney General
State Law Office and Department of Justice
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

2. County Attorney
P.O. Box 36-60300
Isiolo
County

3. Key Management Team

Name	Details
<p>County Executive Committee Member for Finance Hon. Abdullahi J. Banticha</p> 	<p><i>Hon. Banticha is a Kenyan politician who holds a Bachelors Degree in Education from Maseno University. He served on the house committee on Energy, Communication and Information in 2015.</i></p>
<p>Fund Engineer - Eng. Abduba Ahmed Abduba</p> 	<p>Mr. Abduba is registered engineer, holds Master's degree in Project planning and Management and Bachelor's degree in Civil Engineering. Has good experience in project planning, management, supervision, implementation and design works.</p>
<p>Ag. Head of Procurement - Mr. Stephen Muthomi</p> 	<p>Mr. Stephen holds a degree in Supply Chain Management. He has good experience in contract management supply planning and inventory management.</p>
<p>Ms. Monica Nkirote - Fund Accountant</p> 	<p>CPA Monica is a Certified Public Accountant (CPA) (K), and holds a bachelor's degree in accounting. She has a vast experience in financial reporting, Corporate Taxation and Public Finance Management.</p>

4. Report of the County Executive Committee Member for Finance

It is my pleasure to present the County Government of Isiolo Equalization fund, Reports and Financial Statements for the financial year ended **30th June 2025**. The Financial Statements present the financial performance of the County Government Executive.

(i) Financing of the County Equalization Fund

The Equalization Fund in Kenya, established by Article 204 of the Constitution, receives 0.5% of the national government's annual revenue, calculated on the most recent audited accounts. This fund aims to provide basic services to marginalized areas, bringing them up to the level enjoyed by the rest of the nation.

The fund is disbursed to counties in accordance with the Division of Revenue Act and the Equalization Fund Appropriation Act. These grants are tied to specific projects or programs aimed at improving basic services in marginalized areas. The county shall ensure that any projects undertaken under the workplan are carried out in accordance with the Public Procurement and Asset Disposal Act (Cap. 412C), and any other law.

The county remains committed, and continuously pursues the fulfilment of the fiscal responsibility principles as espoused in law. This has been a slow but steady endeavour, as these statements portray a significant adherence to the fiscal responsibility principles, which was remarkable given the difficult and unprecedented times due to drought mitigation, preparedness and response activities within the County.

During the year under review an amount of Kshs. 89,991,630.70 was received from Equalisation fund and subsequently payment made to settle Roads projects that were completed.

(ii) **Summary of Funds Utilization**

The summary of funds utilization against the approved budget during the year ended 30th June 2025 was as follows:

Table 7: Summary of Funds Absorption

	Budget Category	Original Budget (Kshs)	Budget Supplementary Adjustment (Kshs)	Revised Approved Budget (Kshs)	Actual Cumulative Expenditure (Kshs)	Level of Funds Absorption (%)
1	Roads Development	93,161,931	-	93,161,931	89,991,631	97%
2	Water Development	47,383,601	-	47,383,601	-	0%
3	Health Development	25,612,216	-	25,612,216	-	0%
	Total Budget	166,157,748	-	166,157,748	89,991,631	54%

Sources: Isiolo County Equalisation Budget

The County Equalisation fund reported overall absorption level at **54%** for the year under review. The low level of absorption was as result of delayed uploading of the budget for the water and Health Development Projects and disbursement of funds.



.....
Hon. Abdullahi J. Banticha

CECM Finance and Economic Planning



5. Statement of Performance against Predetermined Objectives for FY 2024/2025

Isiolo County Equalisation fund has three strategic pillars and objectives within the current Strategic Plan for the FY 2024/2025. These strategic pillars are as follows:

- **Improve rural road infrastructure** to facilitate connectivity and access to essential services.
- **Enhance healthcare delivery** by upgrading selected health facilities.
- **Increase access to clean and safe water** in underserved areas.

The fund develops its annual work plans based on the above three pillars. Assessment of the Board's performance against its CIDP is done on a quarterly basis. The fund achieved its performance targets set for the FY 2024/2025 period for its three strategic pillars, as indicated below:

Actual Performance

The following is a summary of achievements against each objective for the reporting year:

a) Road Infrastructure Development

- **Target:** Grading of 14 rural access roads across various wards in Isiolo County.
- **Achievement:** All 14 roads were successfully graded as planned, representing a 100% achievement of the infrastructure development target.
- This accomplishment has significantly improved mobility and access to markets, health centres and schools.

b) Healthcare Facility Upgrades

- **Target:** Commence upgrading of selected health facilities to improve service delivery.
- **Achievement:** Projects were initiated and are currently ongoing. Key groundwork, including procurement and site preparations was completed. Full implementation is expected in the next financial year.

c) Water Projects

- **Target:** Initiate the development of water supply systems, including boreholes and distribution infrastructure.
- **Achievement:** Implementation is in progress, with some drilling works and pipeline designs underway. Completion is projected for the next financial year.

Variance Analysis

The performance analysis indicates that while the road infrastructure objective was fully met, there were implementation delays in the health and water projects. These variances are attributed to:

- **Extended procurement timelines** due to strict regulatory compliance.
- **Logistical constraints** related to contractor mobilization in remote areas.
- **Delayed disbursement** of funds in the early part of the financial year.

These factors collectively impacted the timely execution of ongoing projects but are being addressed to ensure delivery in the subsequent year.

Impact Assessment

The immediate impact of the completed road grading has been highly positive:

- Enhanced accessibility for rural populations to essential services such as health care, schools and markets.
- Reduced travel time and transport costs, improving livelihoods and economic participation.

Though still in progress, the anticipated impact of the health and water projects includes:

- Increased access to quality healthcare, especially in remote areas.
- Improved availability of safe and reliable water sources, contributing to public health and resilience in arid zones.

Conclusion and Recommendations

The Isiolo County Equalisation Fund made significant progress during the reporting year, particularly in the road infrastructure sector, where all planned targets were met. While health and water sector projects are ongoing, their foundations have been laid for successful completion in the next financial year.

Recommendations:

- Strengthen project management and coordination to minimize delays and improve efficiency.
- Streamline procurement processes to accelerate the implementation timeline.
- Enhance community engagement to foster ownership and smooth execution of ongoing projects.
- Improve monitoring and evaluation mechanisms to ensure continuous tracking of results and outcomes.

6. Corporate Governance Statement

a) Composition of Committees.

County Technical Committee

1. County Commissioner-Chairperson
2. County Executive Committee Member for Finance.
3. Constituency Development Fund managers.
4. Representative of County Assembly.
5. Representatives of implementing sectors with prioritized Projects.
6. Chairperson of the Constituency Development Fund (CDF)

Sub-County Technical Committee

1. Sub-County Commissioner-Chairperson.
2. Four technical officers from ministries relevant to funding priorities.
3. Chairpersons of Project Identification and Implementation Committees within the sub-county.
4. Secretary of the Constituency

Project Identification and Implementation Committee

1. Assistant Sub-County Commissioner-Chairman
2. The village administrators of areas defined by the Commission on Revenue Allocation as marginalized.
3. Representative of the women, youth, minorities and persons with disabilities from marginalized areas.
4. A representative of the Constituency Development Fund committee member at the sub-county level; A representative of religious group or local Non-Governmental Organisation (NGO) with office at ward level

b) Functions of Committees

County Technical Committee

1. Approving all projects to be financed from the Fund.

Sub-County Technical Committee.

1. Receive project funding proposals from respective Project Identification and Implementation committees.
2. Evaluate and prioritize all development proposals from the Project Identification and Implementation Committees.
3. Assess the feasibility and cost all project proposals received from the Project Identification and Implementation Committees.
4. Submit project proposals and funding requests received from the Project Identification and Implementation Committees to the county government.
5. Monitor all projects being undertaken and ensure they meet the objectives they are originally meant to achieve.
6. Prepare quarterly reports on funds received and implementation status of all projects financed by the Fund to the county technical committee with a copy to the County Executive Committee Member responsible for matters relating to finance.
7. Prepare and submit annual reports on implementation of all projects financed by the Fund to the county technical committee with a copy to the County Executive Committee Member for Finance.

Project Identification and Implementation Committee.

1. Undertake public participation, in beneficiary areas.
2. Identify and prioritize project in beneficiary areas in line with guidelines issued by the administrator of the Fund.
3. Prepare and submit project funding proposals to sub-county technical committee.
4. Provide oversight on project implementation.

7. Management Discussion and Analysis

a). The Fund's operational and financial performance

The budget allocated for the fund this year is meant for implementing water projects, health facilities and improvement of roads. During the period ending 31st March, the county saw a great number of rural communities receiving improved access to roads connectivity and service delivery. The Equalization Fund thus plays a critical role in Isiolo's strategic growth, though its performance hinges on effective utilization, financial transparency, and aligning projects with long-term strategic goals. By focusing on key sectors like infrastructure, healthcare, and climate resilience, Isiolo can leverage the Equalization Fund to meet its development targets. However, addressing challenges such as political interference, underutilization of funds and delayed projects is crucial for future success.

b). Fund's compliance with statutory requirements

The fund has no compliance issues raised by the external audits on presentation of previous years' financial statements in format recommended by international public sector accounting standards. The fund's executive board of management has taken keen in the matter on complying with this statutory requirement.

c). Key projects the Fund is implementing.

The Equalization Fund is a constitutional provision aimed at providing basic services such as water, roads, health facilities, and electricity to marginalized areas in Kenya, including Isiolo County. This initiative seeks to elevate the quality of these services to the national standard.

So far, the fund has implemented the following projects:

- 1. Alamachi Borehole in Isiolo North Constituency**, which involves Installation of piping, construction of three water kiosks, and an elevated water tank. A 100% complete project.
- 2. Road's construction projects which include**, Oldonyiro - Parkukuk Road, Kipsing - Makori Road, Gotu - Barambate Road, Duma - Matho Molu Road, Burto Bonsa - Dambala Chiracha Road, Yamicha - Aba Arao Road, Korbesa - Rapsu Road, Bibi - Duse Road, Rapsu - Kinna Road, Quri - Modogashe Road, Badana - Biliqi Road, Burat - Kakili Road, West - Aremeit - Amekwe Road
- 3. Water supply projects-** In August 2020, the Equalization Fund supported the Merti Korbesa Water Supply Phase III project, aiming to enhance water access in the region.

The sustainability of this Fund projects in Isiolo County ultimately depends on collaboration between local communities, county authorities, and national government. By focusing on capacity building, resource management, and long-term investment, these projects can create lasting improvements in marginalized communities. The commitment to sustainable development practices, coupled with proper maintenance and funding mechanisms, will ensure that the benefits of the Equalization Fund continue to be felt for generations.

d). Major risks facing the Fund.

The objective of the fund's capital risks management is to safeguard the fund's ability to continue its business as a going concern. The capital structure was fully financed by the National government grants. The fund has 0% debt financing. The board could not ascertain any other source of financing apart from National government grants.

e). Material arrears in statutory/financial obligations

The board confirms that the fund has no outstanding arrears and will continue planning its activities in a prudent manner to avoid any pending bills.

f). The Fund's financial probity and serious governance issues

The fund maintains a strong risk governance structure with the fund's board exercising an oversight through independent audit team. The risks are managed by the county technical committee members as the first line defence. While the audit team and Equalization board provides an oversight and overall assurances as a second line of risks mitigation.

4. Environmental and Sustainability Reporting

The Equalization Fund in Kenya contributes to environmental and sustainability efforts primarily through projects related to water supply, drought mitigation and the management of natural resources in marginalized areas

The County Government of Isiolo is committed to managing the environment in a sustainable manner through continuous improvements in the environmental performance that aims to:

- Ensuring that processes and operations are safe to the environment.
- Reducing energy usage; conserve water; reduce, reuse and recycle waste
- Prevention of environment pollution
- Developing policy, legal and administrative framework for management of Environment.

To achieve sustainable environment, the County Government developed a number of policies key among them;

- Assessing the environmental impacts of all County projects to develop a management plan for improving environment in coordination with the National Environment management Authority (NEMA).
- Complying with applicable legal and other requirements that affecting the environment.
- Investigate all environmental incidents or complaints that have or could have an adverse environmental impact and act to prevent recurrence.
- Empowering County staff to manage environmental issues as an integral part of their duties and establish systems that provide for training and delineation of responsibilities and accountabilities with respect to the environment.
- Building the capacity of our business community and other stakeholders to improve their environment.

i. Sustainability strategy and profile

In the medium term, the County government is seeking to develop energy master plan that aims to provide alternative energy sources with primary aim of reducing dependence on fuel and promote clean cooking technologies among others. The idea is aimed at ensuring sustainable renewable source of energy.

ii. Environmental Performance

The County Climate Change Fund Act enacted in 2018. The Act creates a fund in the County for the purpose of facilitating, establishment of a mechanism to finance climate change activities and

programmes. The Act enabled establishment of institutions to coordinate climate change issues at the County; County Steering Committee, County Planning Committee and Ward Planning Committees.

The Act also enabled commitment of 2% County development funds for interventions towards mitigating against effects of climate change and mainstreaming of climate change issues in County development. It also facilitates an enabling environment for accessing multilateral donor funding, and funding from the Financing Locally Led Climate Action (FLLOCA) programme among others. The process for the development of County Climate Change Policy is ongoing, after which County vulnerability Assessment will be undertaken and County Climate Change Action Plan developed.

iii. Employee Welfare

The County has put in place policies that ensure the employee welfare are well guarded and all staff are given fair and just treatment. All staff matters are considered through select committee that evaluates the staff matter and advise according for necessary action such promotion, deployment, reprimanding and or dismissal.

Isiolo County is equal opportunity employer with consideration for merit as prerequisite for hiring. The County ensures applicants are not discriminated by gender, religious background, ethnicity or any other form of personality.

The County also provides medical cover for its staff and also ensures the salaries and other allowances are paid without delay.

iv. Market place practices-

Isiolo County is tasked with mandates as outlined on Constitutional of Kenya (2010) Forth Schedule. In delivering its mandates the county ensure maximum benefit to the citizenly and that public funds are utilized in the most efficient and effective manner.

The County executive strive to ensure transparency in all decisions made in the area of its jurisdiction e.g., Open tendering, and involvement of all stakeholders. The County also ensure impartiality at all times. County supply chain activities are usually guided by the provisions of the Public Procurement and Asset Disposal Act, 2015 and other procurement regulations. Open tendering bidding is open to whoever is willing to participate and ensure the ultimate winner is awarded

5. Statement of Management Responsibilities

Section 167 of the Public Finance Management Act, 2012 and Sec 20 of the Public Finance Management (Equalisation Fund Administration) Regulations, 2021 requires that, at the end of each financial year, the Administrator of a County Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

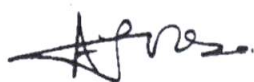
The Management of the County Equalisation Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) maintaining 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 Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Management of the County Equalisation Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Public Finance Management (Equalisation Fund Administration) Regulations, 2021. The Management of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of the Fund's transactions during the financial year ended June 30, 2025, and of the Fund's financial position as at that date. The Management further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Fund's financial statements were approved by the Management on 26/11/2025 2025 and signed on its behalf by:



Name: Hon. Abdullahi J. Banticha

CECM Finance and Economic Planning



REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON EQUALISATION FUND FOR THE YEAR ENDED 30 JUNE, 2025 – COUNTY GOVERNMENT OF ISIOLO

PREAMBLE

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

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

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, 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

Qualified Opinion

I have audited the accompanying financial statements of Equalisation Fund – County Government of Isiolo set out on pages 1 to 22, which comprise of the statement of

Report of the Auditor-General on Equalisation Fund for the year ended 30 June, 2025 – County Government of Isiolo

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, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Equalisation Fund - County Government of Isiolo 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 Public Finance Management (Equalisation Fund Administration) Regulations, 2021 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Inaccuracies of Transfers from Equalisation Fund

The statement of financial performance reflects transfers from Equalisation Fund amounting to Kshs.166,157,748. However, Note 4 to the financial statements discloses transfers from the Fund of Kshs.89,991,631, resulting in unexplained variance of Kshs.76,166,117.

In the circumstances, the accuracy and completeness of transfers from Equalisation Fund of Kshs.166,157,748 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Equalisation Fund - County Government of Isiolo 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 qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.166,157,748 and Kshs.160,938,160 respectively, resulting to a shortfall of Kshs.5,219,588, or 3% of the budget.

The shortfall in receipts may have negatively affected the planned activities and service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effects of the matter described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Information

Management is responsible for the Other Information set out on page iii to xvii which comprise of Key Entity Information and Management, Key Management Team, Report of the County Executive Committee Member for Finance, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting and Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact.

Inaccuracy of Summary of Fund Utilization

Summary of funds utilization against the approved budget under the report of the Chief Executive Committee Member for Finance discloses actual cumulative expenditure of Kshs.89,991,631. However, the statement of performance discloses Kshs.160,938,160, resulting in unexplained variance of Kshs.70,946,529

In the circumstances, the accuracy of the report of the Chief Executive Committee Member for Finance could not be confirmed.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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. Implementation of Projects before Meeting Conditions by Equalisation Fund Advisory Board

The statement of financial performance and Note 4 to the financial statements reflect transfers from Equalisation Fund totalling Kshs.166,157,748, out of which Kshs.72,995,817 relates to water projects and health facilities. Review of monitoring and evaluation reports from the Equalization Fund Advisory Board (EFAB) established that Management entered into eleven (11) contracts: four (4) for health projects and seven (7) for water projects, with a total contract sum of Kshs.71,368,255. Although the Advisory Board approved the projects on 29 May, 2025, the eleven contracts had been executed earlier on 7 October, 2024, before the approval and before complying with the conditions set by the Advisory Board for commencement and implementation. No satisfactory explanation was provided for the anomaly. This was contrary to Section 53(8) of the Public Procurement and Asset Disposal Act, 2015, which provides that an Accounting Officer shall not commence any procurement proceedings unless satisfied that sufficient funds to meet the obligations of the resulting contract are reflected in the approved budget estimates.

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

2. Road Maintenance Works

The statement of financial performance and Note 5 to the financial statements disclose use of goods and services expenditure of Kshs.160,938,160 which include certified works for roads amounting to Kshs.89,991,631. Review of project files revealed the following anomalies;

2.1 Routine Maintenance of Burat–Kakili Road

A contract for routine maintenance and spot improvement of the thirteen (13) kilometers Burat–Kakili Road was awarded to a local contractor at a contract sum of Kshs.6,939,120 and fully paid for. However, audit inspection in August, 2025 established that only five (5km) had been completed, out of the thirteen 13km specified in the Bill of Quantities, resulting in payment for works not done. Further, bid documents for both the winning and unsuccessful bidders were not provided for audit review and the signed contract did not specify the contract period necessary for monitoring and tracking progress. In addition, drawings, designs, and technical specifications for the works were also not provided for audit review.

2.2 Road works Maintenance for Works Oldonyiro-Parkukuk Road

A payment of Kshs.7,882,200 was made to a local company for the maintenance of the Oldonyiro–Parkukuk Road. However, bid documents for both the winning and the

unsuccessful bidders were not provided for audit review. Further, the signed contract agreement did not specify the contract period necessary for monitoring and tracking progress and drawings, designs, and technical specifications for the works were also not provided for audit.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 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 Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 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

Report of the Auditor-General on Equalisation Fund for the year ended 30 June, 2025 – County Government of Isiolo

7. Statement of Financial Performance for the year ended 30 June 2025

	Note	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
Revenue from Non-Exchange Transactions			
Transfers from Equalisation Fund	4	166,157,748.00	-
Total Revenue		166,157,748.00	-
Expenditure			
Use of goods and services	5	160,938,160.22	-
Total Expenditure		160,938,160.22	-
Surplus/(deficit) for the year		5,219,587.78	-

The notes set out on page 6 to 21 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 5 were signed by:



.....
 Name: Abdullahi J Banticha
 CECM-Finance

Date 26/11/2025




.....
 Name: Monica Nkirote
 Fund Accountant
 ICPAK M/No:23115

Date 26/11/2025

8. Statement of Financial Position as at 30 June 2025

Description	Note	FY 2024/25	FY 2023/24
		Kshs	Kshs
Assets			
Current Assets			
Cash And Cash Equivalents	6	8,999,163.10	-
Receivables non-exchange transactions	7	76,166,117.28	-
Total Current Assets		85,165,280.38	-
Total Assets (A)		85,165,280.38	-
Liabilities			
Current Liabilities			
Certificates Payable	8	70,946,529.50	-
Retention	9	8,999,163.10	-
Total Current Liabilities		79,945,692.60	-
Total Liabilities (B)		79,945,642.60	-
Net Assets (A-B)		5,219,587.78	-
Represented By:			
Accumulated Surplus		5,219,587.78	-
Net Assets		5,219,587.78	-

The financial statements set out on pages 1 to 5 were signed by:




.....
 Name: Hon. Abdullahi J. Banicha
 CECM-Finance

.....
 Name: Monica Nkirote
 Fund Accountant

Date 26/11/2025

ICPAK M/No:23115
 Date 26/11/2025



9. Statement of Changes in Net Assets for the year ended 30 June 2025

Description	Accumulated surplus
	Kshs
Prior Year	
Balance As At 1 July 2023	-
Surplus/(Deficit) For the Year	-
Balance As At 30 June 2024	-
Current Year	
Balance As At 1 July 2024	-
Surplus/(Deficit) For the Year	5,219,587.78
Balance As At 30 June 2025	5,219,587.78

10. Statement of Cash Flows for the year ended 30 June 2025

Description	Note	FY 2024/25	FY 2023/2024
		Kshs	Kshs
Cash flows from operating Activities			
Receipts			
Receipt from Equalisation Fund		89,991,630.72	-
Total Receipts		89,991,630.72	-
Payments			
Use of goods and services		80,992,467.62	-
Net cash flows (to)/from operating activities (a)	11	8,991,630.10	-
Cash flows from investments			
		-	-
Net cash flows (to)/from investing activities (b)		-	-
Cash flows from financing			
		-	-
Net cash flows (to)/from financing activities (c)		-	-
Movement in cash and cash equivalents			
Net increase/ decrease in cash and cash equivalents. (d) = (a) + (b) +(c)		-	-
Cash and cash equivalents at July 1st	<u>7</u>	-	-
Cash and cash equivalents at June 30th	7	8,991,630.10	-



11. Statement of Comparison of Budget and Actual Amounts for the Year ended 30 June 2025

	Original budget(s) As Appropriated in current Year	Balance from Previous Years	Final budget of Total funds appropriated	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue	a	b	c=(a+b)	d	e=(c-d)	f=d/c*100
Transfers from EF	166,157,748.00	-	166,157,748.00	160,938,160.22	5,219,587.78	96.86%
Expenses						
Road projects	93,161,931.00	-	93,161,931.00	89,991,630.72	3,170,300.28	96.60%
Water project	47,383,601.00	-	47,383,601.00	46,154,516.50	1,229,084.50	97.4%
Health facilities	25,612,216.00	-	25,612,216.00	24,792,013.00	820,203.00	96.8%
Total Expenditure	166,157,748.00	-	166,157,748.00	160,938,160.22	5,219,587.78	96.86%
Surplus/Deficit	-	-	-	-	-	-

Budget notes

The 96.86% on road, water and health projects reflects the budget utilized in implementing the projects during the period.

12. Notes to the Financial Statements

1. Statement of Compliance and Basis of Preparation

The County Equalisation Fund Financial Statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The Financial Statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented. The Financial Statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The Financial Statements are prepared on the accrual basis.

2. Adoption of New and Revised Standards

- i) *New and amended standards and interpretations in issue effective in the year ended 30 June 2024.*

There were no new and amended standards issued in the financial year.

- ii) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.*

Standard	Effective date and impact:
IPSAS 43 Leases	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:

Annual Report and Financial Statements for the year ended June 30, 2025.

Standard	Effective date and impact:
	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	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be 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.</p>
IPSAS 46 Measurement	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47- Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial</p>

Annual Report and Financial Statements for the year ended June 30, 2025.

Standard	Effective date and impact:
	statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48- Transfer Expenses	<i>Applicable 1st 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 1st 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.

iii) Early adoption of standards

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

3. 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 Fund 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 realized in the statement of financial performance upon fulfilling the conditions set. Revenue shall be recognised upon submission and approval of the payment request by the transferring agency (Equalisation Fund).

b) Certified Works

Certified works are recognized when the works can be measured reliably and/ or when certificates of work done are received and approved by the Equalisation Fund.

c) Budget information

The Appropriation Act for the FY was passed by Parliament. The allocation shall continue in force until all projects identified are completed.

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. Included in the budget statement are balances of appropriations from previous years, not yet disbursed.

d) Financial instruments

IPSAS 41 addresses the classification, measurement, and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting, and a new impairment model for financial assets. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the Fund 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.

i) Financial assets

Classification of financial assets

The Fund 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 irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

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.

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.

Impairment

The Fund 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.

ii) Financial liabilities

Classification

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

e) Changes in accounting policies and estimates

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

f) Related parties

The Fund 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 Fund, or vice versa. Members of key management of the Fund are regarded as related parties.

g) Cash and cash equivalents.

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at the Central Bank of Kenya special purpose account and the deposit account at the end of the financial year.

h) Comparative figures

Where necessary, comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

i) 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.

4. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Fund'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. State all judgements, estimates and assumptions made:

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the 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.

4. Transfers from Equalisation Fund

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Transfers for roads	89,991,630.72	-
Transfers for water projects	-	-
Transfers for health facilities	-	-
Transfers for energy	-	-
Transfers for education facilities	-	-
Others (<i>specify</i>)	-	-
Total	89,991,630.72	-

5. Use of Goods and Services

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Certified works for roads	89,991,630.72	-
Certified works for water project	46,154,516.50	-
Certified works for health facilities	24,792,013.00	-
Certified works for energy	-	-
Certified works for education facilities	-	-
Others (<i>specify</i>)	-	-
Total	160,938,160.22	-

6. Cash and Cash Equivalents

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Special Purpose Account	-	-
Deposit Account	8,999,163.10	-
Cash balances	-	-
Total Cash and cash equivalents	8,999,163.10	-

7. Receivables from non-exchange transactions

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Receivables from Equalisation Fund	76,166,117.28	-
Total receivables	-	-

Ageing analysis for Receivables from non-exchange transactions

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
	FY 2024/2025	% of the total	FY 2023/2024	% of the total
Less than 1 year	-	-	-	-
Between 1- 2 years	-	-	-	-
Between 2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total	-	-	-	-

8. Certificates Payable

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Certificates payables	70,946,529.50	-
Total Payables	-	-

Ageing analysis of certificates payable

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
	FY 2024/2025	% of the total	FY 2023/2024	% of the total
Less than 1 year	-	-	-	-
Between 1- 2 years	-	-	-	-
Between 2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total	-	-	-	-

9. Retention

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
Retention monies	8,999,163.10		-	
Total retention money	8,999,163.10		-	
Ageing analysis: (Retention deposits)	FY 2024/2025	% of the Total	FY 2023/2024	% of the Total
Under one year	-	-	-	-
1-2 years	-	-	-	-
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total	-	-	-	-

10. Cash Generated from Operations

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
Surplus for the year before tax	-		-	
Adjusted for:				
	-		-	
Working capital adjustments				
Increase in receivables	(-)		(-)	
Increase in payables	-		-	
Net cash flow from operating activities	-		-	

11. Financial Risk Management

The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The fund's financial risk management objectives and policies are detailed below:

i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, as well as receivables. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

Financial Risk Management

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2025				
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
As at 30th June 2024				
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

Financial Risk Management

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Board of Directors sets the entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund's management, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The Entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2025				
Payables	-	-	-	-
Total	-	-	-	-
As at 30th June 2024				
Payables	-	-	-	-
Total	-	-	-	-

iii) Market risk

The Entity has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

Annual Report and Financial Statements for the year ended June 30, 2025.

The Entity's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the entity's exposure to market risks or the way it manages and measures the risk.

a) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the entity's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on the surplus or deficit of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Entity's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Entity considers relevant and observable market prices in its valuations where possible.

There were no transfers between levels 1, 2 and 3 during the year. Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

The objective of the Fund's capital risk management is to safeguard the entity's ability to continue as a going concern. The entity capital structure comprises of the following funds:

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Accumulated surplus	-	-
Total Funds	-	-
Total Borrowings	-	-
Less: Cash and Bank Balances	(-)	(-)
Net Debt/ (Excess cash and cash Equivalents)	-	-
Gearing	-	-

12. Related Party Disclosures

a) Nature of related party relationships

Entities and other parties related to County Government of Isiolo 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.

b) County Government of Isiolo

The county Government of Isiolo is the principal shareholder of the fund, holding 100% of the fund's equity interest. The County Government has provided full guarantees to all long-term lenders of the entity.

c) Other related parties include:

- i) The Parent Department.
- ii) County Governments
- iii) Other County Corporations
- iv) Key management.

d) Transactions with related parties

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
a) Sales to related parties		
Others (<i>specify</i>)	-	-
Total	-	-
B) purchases from related parties		
Others (<i>specify</i>)	-	-
Total	-	-
b) Grants /transfers from the government		
Grants from EF	-	-
Grants from other levels of Government	-	-
Donations in kind	-	-
Total	-	-
c) Expenses incurred on behalf of related party		
Payments for goods and services	-	-
Total		
d) Key management compensation		
Compensation to key management	-	-
Total	-	-

13. Contingent Assets and Contingent Liabilities

Contingent Assets

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Contingent Assets		
Receivables from government entities	-	-
Others (<i>Specify</i>)	-	-
Total	-	-

Contingent Liabilities

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Contingent Liabilities	-	-
Court case against the entity	-	-
Others (<i>Specify</i>)	-	-
Total	-	-

14. Events after the Reporting Period

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

15. Ultimate And Holding Entity

The Entity is a Fund under the Department of Finance. Its ultimate parent is the County Government of Isiolo.

16. Currency

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

13. Appendices

Appendix 1: Implementation Status of Auditor General’s Recommendations

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

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)

The image shows a handwritten signature in black ink to the left of a blue circular official stamp. The stamp contains the text: "COUNTY GOVERNMENT OF ISIOLO", "CECM FINANCE AND ECONOMIC PLANNING", and "P.O. Box 36 - 60300, ISIOLO".

County Executive Committee Member for Finance

Date: 26/11/2025

Isiolo County Government
Equalisation Fund

Annual Report and Financial Statements for the year ended June 30, 2025.

Appendix II: Projects Implementation Status Report.

S/No	Project Name (A)	Sector (B)	Constituency (C)	Ward (D)	Approved Budget/total allocation (E)	Contract Sum (F)	Amount certified (G)	Amount Paid (H)	Payable amount I=(G-H)	% Status of implementation (J)
1.	Maintenance of Oldonyiro - Parkukuk Road	Roads	Isiolo North	Oldonyiro	8,140,596.00	7,911,200.00	7,882,200.00	7,882,200.00	-	99.63%
2.	Maintenance of Kipsing - Makori Road	Roads	Isiolo North	Oldonyiro	7,996,302.00	7,064,400.00	6,994,800.00	6,994,800.00	-	99.01%
3.	Maintenance of Gotu - Barambate Road	Roads	Isiolo North	Ngaremara	6,690,640.00	6,533,919.24	6,533,919.24	6,533,919.24	-	100.00%
4.	Maintenance Duma - Matho Molu Road	Roads	Isiolo North	Cherab	5,333,874.00	5,320,224.00	5,204,224.00	5,320,224.00	-	97.82%
5.	Maintenance of Urura - Qorati Boru - Gagab Galla Road	Roads	Isiolo North	Cherab	6,242,727.00	6,237,033.48	6,121,497.48	6,237,033.48	-	98.15%
6.	Maintenance of Burto Bonsa - Dambala Chiracha Road	Roads	Isiolo North	Cherab	5,535,285.00	5,530,880.00	5,414,880.00	5,530,880.00	-	97.90%

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S/No	Project Name (A)	Sector (B)	Constituency (C)	Ward (D)	Approved Budget/total allocation (E)	Contract Sum (F)	Amount certified (G)	Amount Paid (H)	Payable amount I=(G-H)	% Status of implementation (J)
7.	Maintenance of Yamicha - Aba Arao Road	Roads	Isiolo North	Cherab	6,102,441.00	6,099,280.00	5,983,280.00	6,099,280.00	-	98.10%
8.	Maintenance of Korbesa - Rapsu Road	Roads	Isiolo South	Kinna	7,263,809.00	7,209,400.00	7,128,200.00	7,209,400.00	-	98.87%
9.	Maintenance of Bibi - Duse Road	Roads	Isiolo South	Kinna	6,449,148.00	6,396,240.00	6,396,240.00	6,396,240.00	-	100.00%
10.	Maintenance of Rapsu - Kinna Road	Roads	Isiolo South	Kinna	6,396,040.00	6,396,008.00	6,333,600.00	6,396,008.00	-	99.02%
11.	Maintenance of Quri - Modogashe Road	Roads	Isiolo South	Sericho	6,601,459.00	6,596,050.00	6,538,050.00	6,596,050.00	-	99.12%
12.	Maintenance of Badana - Biliqi Road	Roads	Isiolo South	Sericho	5,939,108.00	5,338,900.00	5,309,900.00	5,338,900.00	-	99.46%
13.	Maintenance of Burat - Kakili Road	Roads	Isiolo North	Burat	7,136,550.00	6,939,120.00	6,939,120.00	6,939,120.00	-	100.00%
14.	Maintenance of West - Aremeit - Amekwe Road	Roads	Isiolo North	Burat	7,333,952.00	7,269,720.00	7,211,720.00	7,269,720.00	-	99.20%

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S/No	Project Name (A)	Sector (B)	Constituency (C)	Ward (D)	Approved Budget/total allocation (E)	Contract Sum (F)	Amount certified (G)	Amount Paid (H)	Payable amount I=(G-H)	% Status of implementation (J)
15.	Proposed maternity block at Lenguruma dispensary	Health	Isiolo North	Oldonyiro	7,736,773	7,599,624.00	7,579,904.00	-	7,579,904.00	100%
16.	Proposed maternity block at Mata-arba dispensary	Health	Isiolo North	Cherab	5,525,265	5,450,579.00	5,433,179.00	-	5,433,179.00	100%
17.	Proposed construction of Riga dispensary	Health	Isiolo North	Cherab	6,103,443	6,103,432.80	6,101,600.00	-	6,101,600.00	100%
18.	Proposed repair works and equipping of Eldera dispensary	Health	Isiolo South	Sericho	6,246,735	6,089,247.16	5,677,330.00	-	5,677,330.00	100%
19.	Drilling and equipping of Gafarsa borehole	Water	Isiolo South	Garbatulla	6,652,563	6,608,358	6,556,350.00	-	6,556,350.00	100%
20.	Drilling and equipping of Malkadaka borehole	Water	Isiolo South	Garbatulla	7,586,467	7,384,448.50	7,347,382.00	-	7,347,382.00	100%
21.	Drilling of Darer Dabaso Huka borehole	Water	Isiolo South	Garbatulla	6,248,739	6,087,086.50	6,062,624.00	-	6,062,624.00	100%

Isiolo County Government
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S/No	Project Name (A)	Sector (B)	Constituency (C)	Ward (D)	Approved Budget/total allocation (E)	Contract Sum (F)	Amount certified (G)	Amount Paid (H)	Payable amount I=(G-H)	% Status of implementation (J)
22.	Drilling and equipping of Garbatulla borehole	Water	Isiolo South	Garbatulla	6,898,063	6,628,561.50	6,603,642.00	-	6,603,642.00	100%
23	Drilling and equipping of Kom borehole	Water	Isiolo North	Chari	5,290,786	5,345,436.60	5,288,672.00	-	5,288,672.00	100%
24	Drilling and equipping of Laga Aman borehole	Water	Isiolo North	Oldonyiro	7,947,202	7,764,388.50	7,700,486.50	-	7,700,486.50	100%
25	Excavation/const ruction of Malkagalla water pan	Water	Isiolo North	Cherab	6,759,781	6,701,610	6,595,360.00	-	6,595,360.00	100%

Isiolo County Government
 Equalisation Fund

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Appendix III: Transfers from Government Entities

Name of the Entity Transferring the funds	Date received as per bank statement	Total Amount - KES	Where Recorded/recognized		
			Statement of Financial Performance	Receivables	Total Transfers during the Year
Equalisation Fund	31 st December 2024	89,991,630.72	166,157,748.00	76,166,117.28	89,991,630.72
Total		89,991,630.72	166,157,748.00	76,166,117.28	89,991,630.72

Isiolo County Government
 Equalisation Fund

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Appendix IV- Inter-Entity Confirmation Letter

Name of transferring entity: EQUALISATION FUND

Name of beneficiary entity: ISIOLO COUNTY EQUALISATION FUND

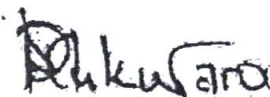
Confirmation of amounts received by Isiolo County Equalisation Fund as at 30 th June 2025			
Reference Number	Date Received	Total	Remarks
FT24366WJ3DQ	31 st December,2024	89,991,630.72	Received
Total		89,991,630.72	

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

Head of Accounts Department - Disbursing Entity:

Name Sign Date

Head of Accounts Department - Beneficiary Entity:

NameMonica Nkirote.... Sign  Date..26/11/2025

Isiolo County Government

Equalisation Fund

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Appendix V: Funding Summary

Financial Year	Appropriation during the FY a	Funds received during the FY b	Outstanding funds c=a-b
2024/2025	166,157,748.00	89,991,630.72	76,166.117.28
Total	166,157,748.00	89,991,630.72	76,166.117.28

Appendix VI: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Quarter				Source of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

*Isiolo County Government
Equilisation Fund*

Annual Report and Financial Statements for the year ended June 30, 2025.

Appendix VII: Reporting on Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (K.shs.)	Comments