REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

REPORT

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

FOR THE YEAR ENDED 30 JUNE, 2026

COUNTY GOVERNMENT OF MARSABIT



OFFICE OF THE AUDITOR-GENERAL
REGIONAL OFFICE. P. O. Box 113-60100, EMBU
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PROJECT NAME: KENYA DEVOLUTION SUPPORT PROGRAMME II (KDSP II)

IMPLEMENTING ENTITY: MARSABIT COUNTY GOVERNMENT

PROJECT GRANT/CREDIT NUMBER: IDA-7447-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2026

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

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1. Acronyms, Abbreviations, and Definition of Terms

A. Acronyms and Abbreviations

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

2. Project Information and Overall Performance

2.1 Name and registered office

Name

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

Objective

The key objective of the project is:

KRA 1: Sustainable Financing and Expenditure Management: This KRA supports efforts towards enhancing financing to and expenditure management by counties.
KRA 2: Intergovernmental Coordination, Institutional Performance, and Human Resource Management. This KRA supports national and county government initiatives towards strengthening intergovernmental coordination, institutional performance, and Human Resource Management (HRM).
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).

Address

The project headquarters offices are in Marsabit town, Marsabit County, Kenya. The address of its registered office is P.O. BOX 384 – 60500 Marsabit.

Contacts: The following are the project contacts

P.O. Box: 384 - 60500

Telephone: (254) 745 201 491

E-mail: kdsp2@devolution.go.ke

Website: www.devolution.go.ke

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	07/12/2023
Project End Date:	31/12/2027
Project Coordinator:	Mr Tari Doti
Project Development Partner:	World Bank/ International Development Association (IDA)

2.3 Project Overview

Line Ministry or State departments/ County Department	State Department for Devolution / County Government of Marsabit - Department of Public Service, Devolved Units, ICT, Partner Coordination and Disaster Management
Project number	IDA-7447-KE
Strategic goals of the project	The strategic goals of the project are as follows: (i) Sustainable Financing and Expenditure Management; (ii) Intergovernmental Coordination, Institutional Performance and Human Resource Management; and (iii) Oversight, Participation and Accountability.
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Strengthening county public financial management, revenue mobilization, expenditure management, planning and reporting systems. (ii) Strengthening intergovernmental coordination, institutional performance, human resource management and payroll systems. (iii) Strengthening oversight, public participation, accountability and public investment management.
Other important background information of the project	The Second Kenya Devolution Support Programme (KDSP II) is a four-year Government of Kenya programme supported by the World Bank through the International Development

	Association (IDA). The Programme builds on the achievements of the first Kenya Devolution Support Programme, which was implemented from 2016 to 2021. KDSP II is designed to strengthen the performance of county governments in the financing, management, coordination and accountability of public resources and to improve service delivery.
Areas that the project was formed to intervene	The project was formed to intervene in the following problems/gaps: (i) Weaknesses in county financing, revenue mobilization, expenditure management and public financial management; (ii) Gaps in intergovernmental coordination, institutional performance, human resource management and payroll systems; and (iii) Weaknesses in public investment management, oversight, public participation, accountability and citizen engagement.
Project duration	4 Years (7TH December 2023 – 31ST December 2027)

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 60000–00200

Nairobi, Kenya

Project Account No.: 1000746327

2.5 Independent Auditor

The project is audited by the Auditor-General, Office of the Auditor-General, 3rd Floor, Anniversary Towers, University Way, P.O. Box 30084–00100, Nairobi, Kenya.

2.6 Roles and Responsibilities

No	Names	Title designation	Key qualification	Responsibilities
1.	Rob Halake Galma	Chief Officer/Accounting Officer	Bachelor of Environmental Planning and Management	Provides overall oversight and final approval of Programme expenditures and payments, ensuring they are lawful, properly authorized, budgeted and supported, and remains accountable for Programme funds.
2.	Tari Doti	Project Coordinator	Project planning and management	Initiates and coordinates Programme activities and payment requests, verifies

				implementation, validates beneficiaries and service providers, confirms delivery of outputs, and ensures payment documents are complete and accurate before submission for approval.
3.	Halkano Galgallo	Procurement Officer	Procurement and supply chain management	Manages all procurement processes, ensures compliance with procurement laws, and verifies that all procurement and contract documentation is complete before payment processing.
4.	Halake Fugicha Wako	Accountant	CPA(K), Bachelor of Business Administration (Finance)	Records approved financial transactions and prepares financial reports based on verified supporting documents; does not initiate activities, approve expenditure, authorize payments, or

				handle procurement or payment release.
5.	Salessa Bonaya	Auditor	Bachelor of Finance	Independently reviews Programme financial and operational controls, assesses compliance with applicable laws and procedures, verifies the adequacy of supporting records, identifies control weaknesses and reports audit findings and recommendations to management.

2.7 Funding summary

The Kenya Devolution Support Programme II (KDSP II) is a four-year programme implemented from 7 December 2023 to 31 December 2027. At the national level, the Programme is financed through International Development Association (IDA) Credit No. IDA-7447-KE. Marsabit County's total KDSP II grant entitlement is KSh 425,409,500. Of this amount, KSh 70,503,589 was received by 30 June 2026.

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Development Partner Commitment		Amount received to date – (30th June 2026)		Undrawn balance to date	
	Development Partner currency	Kshs	Development Partner currency	Kshs	Development Partner currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
(i) Grant						
World Bank/IDA through National Government	425,409,500	425,409,500	179,395,815	179,395,815	246,013,685	246,013,685
(ii) Counterpart funds						
County Government of Marsabit	20,000,000	20,000,000	5,000,000	5,000,000	15,000,000	15,000,000
Total	**445,409,500**	**445,409,500**	**184,395,815**	**184,395,815**	**261,013,685**	**261,013,685**

The cumulative amount received to date does not exclude any amounts held in the Designated account.

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30th June 2026)		Cumulative amount paid to date – (30th June 2026)		Unutilised balance to date (30th June 2026)	
	Development Partner currency	*Kshs*	Development Partner currency	*Kshs*	Development Partner currency	*Kshs*
	(A)	*(A')*	*(B)*	(B')	*(A)-(B)*	*(A')-(B')*
Grant						
World Bank/IDA through National Government	70,503,589	70,503,589	51,678,976	51,678,976	18,824,613	18,824,613
Counterpart funds						
County Government of Marsabit	5,000,000	5,000,000	5,000,000	5,000,000	-	-
Total	**75,503,589**	**75,503,589**	**56,678,976**	**56,678,976**	**18,824,613**	**18,824,613**

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

i) Budget performance against actual amounts

During FY 2025/2026, the Programme received KSh 184,395,815 against the budget of Ksh. 445,409,500. The programme actual expenditure on the budget-comparable basis was Ksh. 58,883,974 against the approved annual budget of KSh 445,409,500.

ii) Physical progress based on outputs and outcomes

Since project commencement, reported outputs include review of the County staff establishment and organizational structure, signing of performance contracts at county level, cascading of the staff performance-appraisal framework to sub-counties, stock-taking of projects implemented between 2013 and 2026, entry of identified projects into the relevant information system, establishment of a digital stakeholder-feedback mechanism, and capacity-building and technical-assistance activities. Reported outcomes include improved institutional systems, stronger public participation and accountability, a 5% increase in own-source revenue above inflation, and a 31% reduction in cumulative pending bills. These outputs are supported by the relevant implementation and monitoring records.

iii) Absorption rate

The Programme's budget absorption rate for FY 2025/2026 was 17%, based on expenditure of KSh 58,883,974 against the approved annual budget of Ksh 445,409,500.

The Programme take-off and implementation was delayed by late disbursement of funds. The management prioritize implementation of the outstanding activities within the remaining Programme period.

iv) Implementation challenges and recommended next steps

The principal implementation challenges included delayed Programme take-off, late receipt of disbursements, delayed procurement and execution of planned activities, and delays in submitting complete activity, procurement and payment-supporting documentation. These factors contributed to low cumulative utilization of the total grant entitlement.

Management will strengthen annual and quarterly activity planning, initiate procurement processes promptly, monitor implementation against the approved work plan, and ensure that complete supporting documentation is submitted to the accounting function immediately after each activity. The Project Coordinator will maintain a consolidated implementation tracker showing planned

activities, procurement status, outputs achieved, expenditure incurred and outstanding commitments. Management will also hold regular financial and physical progress reconciliation meetings before the end of every reporting period.

2.9 Summary of Project Compliance:

The audit identified weaknesses relating to compliance with the prescribed reporting template, grant and receivable recognition, procurement documentation, verification of consultancy and hospitality deliverables, recording of fuel liabilities and review of monthly bank reconciliations. Management is implementing the audit recommendations and strengthening controls in these areas.

Management continues to strengthen the timely preparation, submission and filing of activity, procurement and payment-supporting documents to facilitate effective verification, financial recording and reporting.

The Programme will continue undertaking periodic compliance reviews, maintaining complete supporting records and monitoring implementation to ensure continued adherence to the applicable legal and Programme requirements.

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

Introduction

Section 81(2)(f) of the Public Finance Management Act, 2012 requires the Accounting Officer to include in the financial statements a statement of the Programme's performance against its predetermined objectives at the end of each financial year.

The overall Programme Development Objective of the Kenya Devolution Support Programme II (KDSP II) is to strengthen county performance in the financing, management, coordination and accountability for resources.

The key development objectives of the Programme are to:

a) Strengthen sustainable county financing and own-source revenue mobilization;

b) Improve county expenditure management, planning, budgeting and financial reporting;

c) Strengthen intergovernmental coordination and cooperation;

d) Improve institutional performance, human resource management and payroll systems;

e) Strengthen oversight, transparency and accountability in the management of county resources; and

f) Enhance public participation, citizen engagement and accountability in county planning and service delivery.

Progress on the Attainment of Strategic Development Objectives

During FY 2025/2026, Marsabit County implemented activities intended to contribute towards the above development objectives through capacity building, training, technical assistance, stakeholder engagement and strengthening of county systems and institutional processes.

Against the approved annual expenditure budget of KSh 445,409,500, actual expenditure on the budget-comparable basis amounted to KSh 58,883,974, representing a budget absorption rate of 17%.

At the reporting date, cumulative implementation remained below the total grant entitlement. Management will expedite outstanding activities and strengthen implementation monitoring to support achievement of the Programme objectives within the remaining implementation period.

The specific physical outputs, beneficiaries reached, results achieved and performance indicators relating to the implemented activities are presented in the performance table below and should be confirmed against the approved work plan, activity reports and Programme monitoring records.

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

Project	Objective	Outcome	Indicator	Performance
Kenya Devolution Support programme 2	To enhance sustainable Financing and Expenditure Management	Enhanced financing and expenditure management	*Percentage increase in own-source revenue; percentage reduction in cumulative pending bills; level of compliance with approved budgets and financial-reporting requirements*	*In FY 2025/26, we increased our own source revenue by 5% above the inflation. We reduced our cumulative stock of pending bill by 31%*
Kenya devolution support programme 2	To improve Intergovernmental Coordination, Institutional Performance, and Human Resource Management.	County government initiatives towards performance and Human Resource Management (HRM) improved	*No. of reviewed staff establishment* *No. of organogram developed* *No. of performance contacting tools signed*	*We have reviewed our staff establishment and updated our organogram* *We have managed to sign staff performance contracting at the county level*

				Cascaded staff performance appraisal tool to the sub- counties.
Kenya devolution support programme 2	To provide oversight, Participation, and Accountability.	Improved county level 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).	*No. of projects stock taken* *No. of feedback received* *No. of projects screened*	*We managed to take stock of projects from 2013 to 2026 and fed them into the system.* *We have provided digital feedback system*

4. Environmental and Sustainability Reporting

The Kenya Devolution Support Programme II (KDSP II) seeks to strengthen county performance in the financing, management, coordination and accountability for public resources. The Programme recognizes that sustainable institutional development requires responsible financial management, environmental awareness, employee welfare, ethical conduct and meaningful engagement with citizens and other stakeholders.

During FY 2025/2026, the Programme mainly implemented institutional-strengthening, training, capacity-building and stakeholder-engagement activities. Consequently, its direct environmental footprint was limited. Nevertheless, environmental, social and governance considerations were incorporated into the planning and implementation of Programme activities where applicable.

1. Sustainability strategy, risk management and profile

The Programme's sustainability strategy focuses on strengthening county institutions, systems and staff capacity so that improvements achieved through KDSP II continue beyond the Programme implementation period. This includes strengthening public financial management, planning, reporting, human resource management, accountability and public participation systems.

Sustainability risks considered during implementation included delays in funding and activity implementation, inadequate supporting documentation, limited institutional capacity and possible interruption of Programme activities. These risks were managed through work planning, expenditure monitoring, capacity building, periodic reporting and coordination among the responsible county departments and Programme officers.

The Programme will continue strengthening institutional ownership, documentation, knowledge transfer and integration of Programme-supported systems into the County Government's ordinary operations.

2. Environmental performance

The Programme complied with applicable national and county environmental requirements. Since its activities during the year mainly consisted of training, consultancy, technical assistance and institutional-strengthening interventions, no significant adverse environmental effects were reported.

Environmental considerations were incorporated into procurement and activity planning where applicable. The Programme encouraged responsible use of paper, water, electricity, fuel and other office resources. Electronic communication and record sharing were used where practical to reduce unnecessary printing and physical movement of documents.

No material environmental incidents, penalties or cases of environmental non-compliance were reported during the financial year.

3. Employee welfare

Personnel participating in the Programme remained subject to the County Government's human resource policies and applicable national employment legislation. Staff participation in

Programme activities was based on their assigned responsibilities, technical competence and the requirements of the approved work plan.

The Programme supported employee development through training, capacity-building activities and knowledge-sharing initiatives. Equal opportunity, gender inclusion and fair participation were encouraged in the selection of staff and stakeholders involved in Programme activities.

The Programme also promoted a safe and conducive working environment in accordance with the Occupational Safety and Health Act, 2007 and the County Government's established workplace policies.

4. Marketplace practices

a) Responsible supply chain and supplier relations

Procurement of goods and services under the Programme was undertaken through the County Government's procurement structures and in accordance with applicable public procurement laws, regulations and approved procurement plans.

The Programme sought to promote fairness, transparency, competition and accountability in its dealings with suppliers and service providers. Suppliers were expected to comply with contractual requirements and provide the required goods or services before payments were processed through the established approval procedures.

The Programme will continue strengthening procurement planning, contract management and the timely preparation and filing of procurement and payment-supporting documentation.

b) Responsible ethical practices

The Programme operated within the County Government's governance and accountability framework. Programme officers were expected to observe integrity, impartiality, confidentiality, accountability and professional conduct in undertaking their assigned responsibilities.

Programme activities and expenditure were subject to established authorization, procurement, financial-management, internal-control and audit procedures. No material incidents of fraud, corruption or unethical conduct were reported through the records made available for financial reporting during the year.

The Programme will continue promoting ethical conduct, segregation of duties, proper authorization, complete documentation and compliance with applicable anti-corruption and public financial-management requirements.

c) Regulatory impact assessment

The Programme considered applicable laws, regulations, government circulars and Programme requirements when planning and implementing activities. This included requirements relating to public financial management, procurement, labour practices, environmental management, occupational safety, data protection and public participation.

The Programme also sought to safeguard the rights and interests of citizens, employees, suppliers and other stakeholders through transparent decision-making, fair procurement practices, accountability and stakeholder consultation.

5. Community Engagements

Community and stakeholder engagement forms part of the Programme's objective of strengthening public participation, oversight and accountability. During the year, the Programme supported stakeholder-engagement and capacity-building activities intended to improve participation in county planning, budgeting, institutional performance and service delivery.

Programme activities involved relevant county departments, public officers and other stakeholders, as appropriate. Feedback obtained through consultations and engagement activities was intended to inform Programme implementation and strengthen responsiveness to stakeholder needs.

The Programme did not undertake separate charitable giving or corporate social responsibility expenditure during the year. Its contribution to the community was primarily delivered through institutional strengthening, improved accountability, capacity building and support for more effective county service-delivery systems.

Detailed information on the stakeholder groups involved, meetings conducted, beneficiaries reached and outcomes achieved should be confirmed using the relevant activity and Programme implementation reports.

5. Statement of Project Management Responsibilities

The Chief Officer for the County Government of Marsabit Department of Public Service, Devolved Units, ICT, Partner Coordination and Disaster Management, in coordination with the Project Coordinator, is responsible for the preparation and presentation of the Kenya Devolution Support Programme II (KDSP II) financial statements. The financial statements should give a true and fair view of the financial performance and financial position of the Programme for the financial year ended 30 June 2026.

This responsibility includes:

i) Maintaining adequate financial management arrangements and ensuring that they remain effective throughout the reporting period;

ii) Ensuring that complete and proper accounting records are maintained and that they disclose, with reasonable accuracy, the financial position and financial performance of the Programme;

iii) Designing, implementing and maintaining appropriate internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether arising from fraud or error;

iv) Safeguarding the assets and financial resources of the Programme;

v) Selecting and applying appropriate accounting policies consistently;

vi) Making accounting estimates and judgements that are reasonable in the circumstances;

vii) Ensuring that Programme activities and expenditures are properly authorized, supported and incurred for eligible Programme purposes; and

viii) Ensuring compliance with applicable laws, regulations, government circulars, Programme requirements and financing arrangements.

The Chief Officer and the Project Coordinator accept responsibility for the Programme's financial statements, which have been prepared on the accrual basis of accounting using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and the requirements of the Public Finance Management Act, 2012.

The Chief Officer and the Project Coordinator are of the opinion that the financial statements give a true and fair view of the financial performance of the Programme for the financial year ended 30 June 2026 and of its financial position as at that date.

The Chief Officer and the Project Coordinator further confirm the completeness of the accounting records and supporting documents made available for the preparation of the financial statements and the adequacy of the systems of internal financial control.

They also confirm that, to the best of their knowledge, the Programme complied with applicable laws, government regulations and Programme requirements and that funds received during the financial year were applied to the eligible purposes for which they were intended.

Approval of the Project Financial Statements

The Project financial statements were approved by the *Chief Officer* for the Administration and public service and the *Project Coordinator* on 11/09/2026 2026 and signed by:

Name: Roba H. Galma
Chief Officer
Date: 11/09/2026

PROGRAM COORDINATOR
KDSP II
COUNTY GOVERNMENT OF MARSABIT
P.O. BOX 384-60500, MARSABIT

Name: Tari Doti
Program Coordinator
Date: 11/09/2026

REPUBLIC OF KENYA

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



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

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

PREAMBLE

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

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

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

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Devolution Support Program II (KDSP II) - Project Number: IDA-7447- KE set out on pages 1 to 42, which

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Devolution Support Program II (KDSP II) - Project Number: IDA-7447-KE as at 30 June, 2026 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the participation agreement on the second devolution support program (KDSP II) between the National Government of the Republic of Kenya and County Government of Marsabit dated 15, May 2024 and the Public Finance Management Act, Cap. 412A.

Basis for Opinion

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.445,409,500 and Kshs.75,503,589 respectively, resulting in an under-funding of Kshs.369,905,911 or 83% of the budget. However, the program expended an amount of Kshs.58,883,974 against actual receipts of Kshs.75,503,589 resulting in an under-utilization of Kshs.16,619,615 or 22% of the receipts.

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

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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. Slow Pace of Project Take off

The Project commenced on 7 December, 2023 with cumulative budget to 30 June, 2026 of Kshs.445,409,500 for the four (4) years of operations. However, only Kshs.184,395,815 or 41% of the project funding had been drawn as at 30 June, 2026. The Project take off has been slow with a significant number of program activities financed by the development partner not implemented. Management did provide explanation for the slow take off.

In the circumstances, the Project may not achieve its intended objectives while value for money has not been realized from the Project.

2. Irregular Payments for Conference Facilities and Supplies

Included in the use of goods and services expenditure balance of Kshs.58,883,974 and is disclosed in Note 9 to the financial statements is hospitality supplies and services amount of Kshs.8,883,200 which includes an amount Kshs.4,875,480 on account of conference packages on diverse dates. However, review of the payment vouchers revealed the following anomalies;

i. The primary nature, objectives, and scope of the events were not specified;
ii. There were no back to office or activity reports to evidence the conferences took place.

In the circumstances, value for money on the expenditure of Kshs.4,875,480 on hospitality supplies and services could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, Cap. 412B and based on the audit procedures performed, 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

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

Responsibilities of the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards Accrual Basis and for maintaining effective internal controls as Management determines is

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, Cap. 412B.

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

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

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

24 September, 2026

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

	Notes	2025/2026	2024/2025
		Kshs	Kshs
Revenue			
Revenue Transfers	6	184,395,815	-
Miscellaneous Revenue	7	-	-
Total revenue		**184,395,815**	-
Expenses			
Employee costs/Admin Cost	8	-	-
Use of goods and services	9	58,883,974	-
Depreciation and amortization expense	10	-	-
Transfer to other Government Entities	11	-	-
Other Transfers/Subsidies/Grants	12	-	-
Finance Costs	13	-	-
Certified Works	14	-	-
Total expenses		**58,883,974**	-
Other gains/(losses)			
Gain/Loss on sale of assets	15	-	-
Gain/Loss on foreign exchange transactions	16	-	-
Impairment loss	17	-	-
Surplus/ (deficit)		**125,511,841**	-

The financial statements were approved on ..... 2026 and signed by:

PROGRAM COORDINATOR
KDSP II
COUNTY GOVERNMENT OF MARSABIT
P.O. BOX 384-60500, MARSABIT
Date.....

.....	.....	.....
Name: Rob H. Galma	**Name: Tari Doti**	**Name: CPA Halake Fugicha**
Principal Secretary/ Chief Officer	**Project Coordinator**	**Project Accountant**
		ICPAK Member No: 33856
Date: 11/9/2026	**Date:** 11/9/2026	**Date:** 11/9/2026

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

	Note	2025/2026	2024/2025
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	18	18,824,613	-
Receivables	19	108,892,226	-
Inventories	20	-	-
Prepayment	21	-	-
Total Current Assets		**127,716,839**	-
Non-Current Assets			
Property, Plant and Equipment	22	-	-
Intangible Assets	23	-	-
Right of use assets	24	-	-
Total Non- Current Assets		-	-
Total Assets (a)		**127,716,839**	-
Liabilities			
Current Liabilities			
Trade and Other Payables	25	2,204,998	-
Third Party Deposits	26	-	-
Deferred Income	27	-	-
Current Lease Liabilities	28	-	-
Total Current Liabilities		**2,204,998**	-
Non-Current Liabilities			
Non-current lease liability	28	-	-
Total Non-Current Liabilities		-	-
Total Liabilities (b)		**2,204,998**	-
Net Assets (a-b)		**125,511,841**	
Represented By:			
Accumulated Surplus		125,511,841	-
Revaluation Reserve		-	-
Total Net Assets		**125,511,841**	-

The financial statements were approved on ..... 2026 and signed by:

.....	.....	.....
Name: Rob H. Galma	**Name: Tari Doti**	**Name: CPA Halake Fugicha**
Principal Secretary/ Chief Officer	**Project Coordinator**	**Project Accountant**
		ICPAK Member No: 33856
Date: 11/9/2026	**Date:** 11/9/2026	**Date:** 11/9/2026

PROGRAM COORDINATOR
KDSP II
COUNTY GOVERNMENT OF MARSABIT
P.O. BOX 384-60500, MARSABIT
Date .....

9. Statement of Changes in Net Assets

	Accumulated Surplus	Revaluation Reserve	Total
As At 1st July 2024	-	-	-
Return to Exchequer	-	-	-
Surplus/Deficit for the year	-	-	-
Revaluation Gain	-	-	-
Transfer of excess depreciation on revaluation	-	-	-
Other Changes *(specify)*	-	-	-
As at 30th June 2025	-	-	-
As At 1st July 2025 *(current FY)*	-	-	-
Return to Exchequer	-	-	-
Surplus/ deficit for the year	125,511,841	-	125,511,841
Revaluation Gain	-	-	-
Transfer of excess depreciation on revaluation	-	-	-
Add: Recognition of Assets	-	-	-
Other Changes *(specify)*		-	-
As at June 30, 2026	**125,511,841**	-	**125,511,841**

The financial statements were approved on 11/9/ 2026 and signed by:

PROGRAM COORDINATOR
KDSP II
COUNTY GOVERNMENT OF MARSABIT
P.O. BOX 384-60500, MARSABIT
Date

.....	.....	.....
Name: Rob H. Galma	**Name: Tari Doti**	**Name: CPA Halake Fugicha**
Principal Secretary/ Chief Officer	**Project Coordinator**	**Project Accountant**
		ICPAK Member No: 33856
Date: 11/9/2026	**Date:** 11/9/2026	**Date:** 11/9/2026

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

Description	Note	2025/2026	2024/2025
		Kshs	Kshs
Cashflow from operating activities			
Receipts			
Revenue Transfers		75,503,589	-
Miscellaneous Revenue		-	-
Total receipts		**75,503,589**	-
Payments			
Employee costs		-	-
Use of goods and services		56,678,976	-
Transfer to other Government Entities		-	-
Other Transfers/Subsidies/Grants		-	-
Certified Works			-
Total payments		**56,678,976**	-
Net cash flow from operating activities	29	**18,824,613**	-
Cashflow from investing activities			
Acquisition of non-financial assets		-	-
Proceeds from sale of Assets		-	-
Acquisition of Intangible assets		-	-
Net cash flows from investing activities		-	-
Cash flow from financing activities			
Repayment of Lease Principal		-	-
Net cash flow from financing activities		-	-
Net increase/Decrease in cash and cash equivalents		18,824,613	-
Cash and cash equivalent at 1st July	**18**	-	-
Cash and cash equivalent at end June	**18**	**18,824,613**	-

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

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable (cash) Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget Carry Overs from previous periods		-	-	-	-	-
Receipts						
Revenue Transfers	445,409,500	-	445,409,500	75,503,589	369,905,911	17%
Miscellaneous Revenue	-	-	-	-	-	-
Total Revenue	**445,409,500**	-	**445,409,500**	**75,503,589**	**369,905,911**	17%
Payments						
Employee costs	-	-	-	-	-	-
Use of goods and services	92,909,500	-	92,909,500	58,883,974	34,025,526	63%
Transfer to other Government Entities	-	-	-	-	-	-
Other Transfers/Subsidies/Grants	-	-	-	-	-	-
Certified Works	352,500,000	-	352,500,000	-	352,500,000	0%
Total Payments	**445,409,500**	-	**445,409,500**	**58,883,974**		
Surplus	-	-	-	**16,619,615**		

Revenue realization was 17%. No budget adjustments were made during the year.

Budget utilization on the comparable basis was 17%. The resulting variance of KSh 369,905,911 represented the unutilized approved annual budget, mainly attributable to delayed Programme take-off due to late disbursement of funds.

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	16,619,615
	Add: Trade Payables incurred during the year	2,204,998
		-
	Closing Cash and Cash Equivalent as per the statement of Cash flows	**18,824,613**

12. Notes to the Financial Statements

1. General Information

The Kenya Devolution Support Programme II (KDSP II) is a government development programme implemented by the County Government of Marsabit. The Programme derives its authority and accountability from the Public Finance Management Act, 2012, the County Governments Act, 2012, and the applicable Programme implementation arrangements.

The principal activity of the Programme is to strengthen the County Government's performance in the financing, management, coordination and accountability of resources for improved service delivery.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012, the accrual-basis International Public Sector Accounting Standards (IPSAS), and the financial reporting guidelines and template prescribed by the Public Sector Accounting Standards Board (PSASB).

The financial statements have been prepared on the historical-cost basis, except where otherwise stated.

The accounting policies adopted have been applied consistently throughout the reporting period.

The financial statements are presented in Kenya Shillings (KSh), which is the Programme's functional and reporting currency, and all amounts have been rounded to the nearest Kenya Shilling.

These financial statements were authorized for issue by the accounting officer on 11/9/ 2026.

3. Adoption of New and Revised Standards

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

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

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

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

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

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

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Finance income

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

b) Budget information

The original budget for FY 2025/2026 was KSh 445,409,500. No revisions or additional appropriations were made during the financial year; consequently, the final budget remained KSh 445,409,500. The budget is prepared on a cash basis, while the financial statements are prepared on the accrual basis of accounting.

c) Property, plant and equipment

Recognition and Measurement

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

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

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

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

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

Depreciation and Impairment

The entity applies the **straight-line method** of depreciation, as it best reflects the pattern of the asset's consumption of its future economic benefits or service potential. Depreciation begins when the asset is available for use and ceases at the earlier of the date the asset is classified as held for sale or the date of derecognition. The depreciable amount is the cost of the asset less its residual value. The residual value

and the useful life of an asset are reviewed at least at each annual reporting date. The table below indicates the various classes of assets and the depreciation rates.

PPE Item	Depreciation Rate
Buildings	2%
Motor vehicles	12.5%
Infrastructure assets	2%
Furniture and fittings	12.5%
Computers & ICT Equipment	33.3%
Heritage Assets	Not applicable
Others (Specify)	

Impairment: The entity assesses at each reporting date whether there is any indication that an asset may be impaired. If an indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized immediately in the statement of financial performance.
An item of property, plant, and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of financial performance.

d) Lease Liability

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

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

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

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

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

e) Lease Liability

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

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

f) Intangible assets

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

g) Research and development costs

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

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

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

h) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (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.

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

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

Trade and other receivables

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

Impairment

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

Financial liabilities

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

i) Inventories

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

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

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

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

Inventories (Continued)

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

j) Provisions

Provisions are recognized when the Programme 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 Programme 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 Programme 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 Programme 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 Programme in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

n) Foreign currency transactions

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

o) Borrowing costs

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

p) Related parties

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

q) Service concession arrangements

The Programme 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 Programme 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 Programme also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

r) Cash and cash equivalents

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

s) Subsequent events

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

Notes to the financial statements

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Programme's financial statements in conformity with accrual-basis International Public Sector Accounting Standards requires management to make judgements, estimates and assumptions that may affect the reported amounts of revenue, expenses, assets and liabilities. The judgements applied in preparing these financial statements are described below.

Significant judgements

Recognition of grant receivable and fuel payable

Management recognized the outstanding approved KDSP II grant of KSh 108,892,226.40 as revenue and a receivable at 30 June 2026. Fuel drawn before year-end but unpaid, amounting to KSh 2,204,998, was recognized as an expense and a trade payable.

Recognition of revenue transfers

Total revenue transfers of KSh 184,395,815 were recognized during the year, comprising County Government counterpart funding of KSh 5,000,000 and the National Government/IDA grant of KSh 179,395,815. Included in National Government/IDA grant of Ksh. 179,395,815 is a receivable of Ksh. 108,892,226.

Estimates and assumptions

The balances reported in these financial statements were primarily based on actual bank records, payment documents, invoices and other supporting documentation. Consequently, management did not identify any significant sources of estimation uncertainty that would be expected to result in a material adjustment to the reported assets or liabilities during the next financial year.

The Programme did not hold property, plant and equipment, intangible assets, inventories, provisions or other balances requiring significant estimates of useful lives, residual values, impairment or valuation as at 30 June 2026.

6. Revenue Transfers

Description	2025/2026 KShs	2024/2025 Kshs
Unconditional Transfers		
County Government of Marsabit Counterpart funding	5,000,000	-
	-	-
Total Unconditional Transfers (a)	**5,000,000**	-
Conditional Transfers		
National Government funding for KDSP II	179,395,815	-
	-	-
Total Conditional Transfers (b)	**179,395,815**	-
Total Transfers for the Year (a + b)	**184,395,815**	-

Revenue transfers comprise Ksh 5,000,000 in County Government counterpart funding and Ksh 70,503,589 in National Government/IDA grant and an outstanding receivable amounting to Ksh. 108,892,226.

a) Details to Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	Total transfers 2025/2026	2024/2025
	Kshs	Kshs	Kshs	Kshs
County Government of Marsabit (counterpart funding)	5,000,000		5,000,000	-
World Bank/IDA through National Government	70,503,589		70,503,589	-
World Bank/IDA through National Government	108,892,226		108,892,226	
Not applicable				-
Subtotal	**184,395,815**		**184,395,815**	-
Deferred Income realized				-
Transfers in Kind				-
Total	**184,395,815**		**184,395,815**	-

7. Miscellaneous revenue

Description	2025/2026	2024/2025
	Kshs	Kshs
Interest Income	-	-
Others (specify)	-	-
Total	-	-

8. Employees Costs

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

9. Use of Goods and Services

Description	2025/2026	2024/2025
	Kshs	Kshs
Utilities, supplies and services	-	-
Bank charges	-	-
Communication, supplies and services	-	-
Domestic travel and subsistence	16,291,200	-
Foreign travel and subsistence	-	-
Fuel and lubricants	6,804,998	-
General office supplies	-	-
Stationery, Printing, advertising, and information supplies	5,779,726	-
Training payments	139,200	-
Hospitality supplies and services	8,883,200	-
Specialized materials and services - Consultancy	18,535,650	-
Other operating payments(specify)		-
Routine maintenance – vehicles and other transport equipment	-	-
Routine maintenance- other assets	2,450,000	-
Total	**58,883,974**	-

10. Depreciation and Amortization expense

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

11. Transfer to Other Government Entities

Description	2025/2026	2024/2025
	Kshs	Kshs
-	-	-
-	-	-
-	-	-
-	-	-
Total	-	-

12. Other Transfers/Subsidies/Grants

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

13. Finance Costs

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

14. Certified Works

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

15. Gain/Loss on Sale of Assets

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

16. Gain/Loss on foreign exchange transactions

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

17. Impairment Loss

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

18. Cash and Cash Equivalents

Description	2025/2026	2024/2025
	Kshs	Kshs
Cash in Bank	18,824,613	-
Cash on hand	-	-
	-	-
Total Cash and Cash Equivalents	**18,824,613**	-

Project Bank Accounts

Details	2025/2026	2024/2025
	Kshs	Kshs
Foreign Currency Accounts		
Central Bank of Kenya	-	-
Total Foreign Currency balances	=	=
Local Currency Accounts		
Central Bank of Kenya [A/c No. 100xxxx327]	18,824,613	-
Total local currency balances	18,824,613	=
Total bank account balances	**18,824,613**	=

19. Receivables

Description	2025/2026	2024/2025
	Kshs	Kshs
Grant receivable - World Bank/IDA through National Government	108,892,226	-
Contractor's Advance payments	-	-
Total Receivables	**108,892,226**	-

Aging analysis for Receivables

Description	2025/2026		2024/2025	
	Kshs		Kshs	
	2025/2026	% of the total	2024/2025	% of the total
Less than 1 year	108,892,226	100%	-	-
Between 1- 2 years	-	-	-	-
Between 2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total (a+b)	**108,892,226**	**100%**	-	-

20. Inventories

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

As at 30 June 2026, the Project did not hold any inventories.

Detailed disclosure on inventories

	2025/2026
Opening balance	-
Additional Inventory in the year	-
Inventory expensed in the year	-
Write-downs in the year	-
Others specify	-
Closing balance	-

21. Prepayments

Description	2025/2026	2024/2025
	Kshs	Kshs
Insurance	-	-
Rent	-	-
Others specify	-	-
Total prepayments	-	-

Notes to the financial statements

22. Property, Plant and Equipment

2025/2026

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

2024/2025

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

Notes to the financial statements

a) Valuation

The Programme did not hold any land, buildings, equipment or other property, plant and equipment as at 30th June 2026. Consequently, no valuation or revaluation of assets was undertaken during the year.

b) Property, Plant and Equipment at Cost

The Programme did not hold any property, plant and equipment stated at cost as at 30th June 2026.

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

c) Fully depreciated assets

The Programme did not hold any fully depreciated assets as at 30th June 2026.

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

d) Service Concession assets

The Programme did not hold or operate any service concession assets as at 30th June 2026.

e) Disclosures on capital work in progress

The Programme did not have any capital work in progress as at 30th June 2026.

23. Intangible Assets

2025/2026

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

2024/2025

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

24. Right of Use Assets

2025/2026

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

2024/2025

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

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

25. Trade and Other Payables

The trade payable of KSh 2,204,998 relates to fuel drawn by the Programme on or before 30 June 2026 but unpaid at the reporting date.

Description	2025/2026		2024/2025	
	Kshs		Kshs	
Trade payables	**2,204,998**		-	
Employee payables	-		-	
Total trade and other payables	**2,204,998**		-	
Ageing analysis: (Trade and other payables)	**2025/2026**	**% of the Total**	**2024/2025**	**% of the Total**
Under one year	**2,204,998**	100%	-	-
1-2 years	-	-	-	-
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total	**2,204,998**	**100%**	-	

Notes to the financial statements

26. Third-Party Deposits

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

27. Deferred Income

Description	2025/2026	2024/2025
	Kshs	Kshs
Development partner 1	-	-
Total Deferred Income	-	-

Deferred Income Movement Schedule

	Development Partner 1	Not applicable	Others specify	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 1st July 2025	-	-	-	-
Additions	-	-	-	-
Transfers To Performance Statement as Revenue	-	-	-	-
Balance as at 30th June 2026	-	-	-	-

Notes to the financial statements

28. Lease Liability

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

Maturity Analysis

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

Analysed as:

Description	Amount
Current	-
Non- Current	-
Total	-

29. Cash Generated from Operations

Description	2025/2026	2024/2025
	Kshs	Kshs
Surplus/Deficit for the year	**16,619,615**	-
Adjusted for:		
Depreciation	-	-
Non-cash grants received	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Working capital adjustments		
Increase/Decrease in inventory	-	-
Increase/Decrease in receivables	-	-
Increase/Decrease in deferred income	-	-
Increase in payables	2,204,998	-
Increase in payments received in advance	-	-
Net cash flow from operating activities	**18,824,613**	-

30. Special Deposit Accounts

Notes to the financial statements

Special Deposit Accounts Movement Schedule

Description	2025/2026	2024/2025
	Kshs	Kshs
(i) CBK Kenya Devolution Support Programme II A/C Name [A/c No. 100xxxx327		
Opening balance	-	-
Total amount deposited in the account	75,503,589	-
Total amount withdrawn	56,678,976	=
Closing balance (*as per SDA bank account reconciliation attached*)	**18,824,613**	=
(ii) A/c Name [A/c No……]		
Opening balance (as per the SDA reconciliation)	-	-
Total amount deposited in the account	-	-
Total amount withdrawn	=	=
Closing balance (as per SDA bank account reconciliation attached)	=	=

31.Related Party Disclosures

Nature of related party relationships

Related parties are persons or entities that exercise control or significant influence over the Programme's financial and operating decisions. The Programme's related parties include: The County Government of Marsabit, The National Government and key management personnel involved in the oversight and implementation of the Programme.

Government of Kenya

The Kenya Devolution Support Programme II (KDSP II) is implemented by the County Government of Marsabit. The County Government of Marsabit is the Programme's immediate controlling and reporting entity, while the Government of Kenya is its ultimate controlling entity.
During the year ended 30th June 2026, the Programme received KSh 5,000,000 as counterpart funding from the County Government of Marsabit and KSh 179,395,815 as transfers from the National Government. However, an amount of Ksh. 108,892,226 is awaiting disbursement to the project special purpose account. No guarantees were provided by the National Government or the County Government of Marsabit in respect of Programme borrowings, as the Programme had no loans or other borrowings during the year.

Notes to the financial statements

Other related parties include:

i) The National Government.
ii) County Government of Marsabit
iii) Key management.

Description	2025/2026	2024/2025
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of electricity to the government agencies	-	-
Rent income from the government. Agencies	-	-
Total	-	-
B) purchases from related parties		
Purchases of electricity from KPLC	-	-
Purchase of water from the government service providers	-	-
Rent expenses paid to the government agencies	-	-
Total	-	-
b) Grants /transfers from the government		
Grants from national the government	-	-
Grants from county government	-	-
Total	-	-
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for - employees	-	-
Payments for goods and services for -	-	-
Total		
d) Key management compensation		
Directors' emoluments	-	-
Compensation to key management	-	-
Total	-	-

Notes to the financial statements

32.Events after the Reporting Period

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

33.Ultimate And Holding Entity

KDSP II is a County Government development programme implemented by the County Government of Marsabit under the Department of Public Service, Devolved Units, ICT, Partner Coordination and Disaster Management. Its ultimate controlling entity is the Government of Kenya.

34.Currency

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

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
Financial Statements	This was the first year of implementation of the KDSP II and therefore the FY 2025-2026 is the first year of its audit.	NA	NA	NA
Lawfulness & Effectiveness in the use of Public Resources	This was the first year of implementation of the KDSP II and therefore the FY 2025-2026 is the first year of its audit.	NA	NA	NA
Effectiveness of Internal Controls, Risk Management & Governance	This was the first year of implementation of the KDSP II and therefore the FY 2025-2026 is the first year of its audit.	NA	NA	NA

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.

CHIEF OFFICER
PUBLIC SERVICE DEVOLVED UNIT
ICT PARTNER COORDINATION &
DISASTER MANAGEMENT
P.O. BOX 384-60500, MARSABIT

.....
Name: Rob H Galma
Principal Secretary/
Chief Officer

PROGRAM COORDI
KDSP II
COUNTY GOVERNMENT OF
P.O. BOX 384-60500, MA
Date.....

.....
Name: Tari Doti

Project Coordinator

Annex 2: Reconciliation of inter-entity transfers

	Project Name:	Kenya Devolution Support Programme II (KDSP II)		
	Break down of transfers from the State Department of Devolution			
a.	**Government Counterpart funding**			
		Bank Statement Date	Amount (Kshs)	
	County Government of Marsabit	22/08/2025	5,000,000	FY2025/2026
		Total	**5,000,000**	
B.	**Direct payments**			
		Bank Statement Date	Amount (Kshs)	
		Total	**-**	
C.	**Others**			
		Bank Statement Date	Amount (Kshs)	
	World Bank Funding	25/3/2026	35,253,471	FY2025/2026
	World Bank Funding	25/5/2026	35,250,118	FY2025/2026
		Total	**-**	
		Total (A+B+C)	**75,503,589**	

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

Project Coordinator
KSDP II
Sign
PROGRAM COORDINATOR KDSP II COUNTY GOVERNMENT OF MARSABIT P.O. BOX 384-60500, MARSABIT
Date

Head of Accounting Unit
Marsabit County
Sign

Annex 3: Fixed Asset Register

Asset class	Historical Cost b/f (Kshs) 2024/2025	Additions during the year (Kshs)	Disposals during the year (Kshs	Transfers in/(out) during the year	Historical Cost c/f (Kshs) 2025/2026
Land					
Buildings and structures	-				
Transport equipment	-				
Office equipment, furniture and fittings	-				
ICT Equipment	-				
Machinery and Equipment	-				
Biological assets	-				
Infrastructure Assets- Roads, Rails	-				
Heritage and cultural assets	-				
Intangible assets	-				
Work in Progress	-				
Total	-				

Annex 4: Other Support Documents

i. Signed confirmations from beneficiaries in Transfers to Other Government Entities

ii. Bank Reconciliations statement as at 30th June 2026

iii. Board of Survey Report

iv. Special Deposit Account(s) reconciliation statement(s)