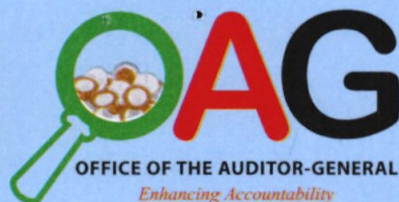


REPUBLIC OF KENYA



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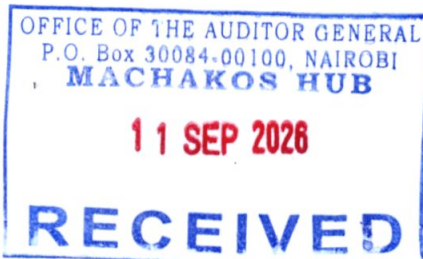
THE AUDITOR-GENERAL

ON

MACHAKOS COUNTY CLIMATE
CHANGE FUND

FOR THE YEAR ENDED
30 JUNE, 2026

PAPERS LAID	
DATE	7/10/2026
TABLED BY	M.L
COMMITTEE	—
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MACHAKOS COUNTY CLIMATE CHANGE FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2026

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

Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2026

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Machakos County Climate Change Fund
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1. Acronyms and Definition of Key Terms

A. Acronyms

ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
FFLOCA	Financing Locally Led Climate Change Action
CCRI	Climate Change Resilience Investment
CCRIG	County Climate Resilience Investment Grant
CCIS	Climate Change Institutional Support
SPA	Special Purpose Account
MCCCAP	Machakos County Climate Change Action Plan
CIDP	County Integrated Development Plan
ADP	Annual Development Plan
PFM	Public Finance Act
CECM	County Executive Committee Member
NEMA	National Environmental Management Authority
SRC	Salaries and Remuneration Commission
PLWD	People Living With Disabilities
FY	Financial Year
PPE	Property, Plant and Equipment
Kshs	Kenya Shillings

Machakos County Climate Change Fund
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2. Who we are

a) Background information

Machakos County Climate Change Fund is established by and derives its authority and accountability from Machakos County Climate Change Act 2021 and Machakos County Climate Change Amendment Act 2022 in effect to section 19 (4) of the Climate Change Act No. 11 of 2016. The Fund is wholly owned by the County Government of Machakos and is domiciled in Machakos, Kenya.

The Fund's objective is to Implement County Climate Change Adaptation and Mitigation Actions as outlined in Machakos County Climate Change Action Plan 2023 – 2027.

The Fund's principal activity is to Implement County Climate Change Adaptation and Mitigation actions targeting 3 critical sectors with a minimum of 20% of the County Climate Resilience Investment for Social Resilience. They include Agriculture including livestock, Water and Environment. The FFLoCA program matching requirements expects counties to allocate at least 1.5% of their individual County Development budgets to Climate change mitigation strategies. In the Financial Year 2025/26 Machakos County Government allocated a total of **Kshs. 134,419,728** being only Development County Contribution. The County allocated 3.6% of its development budget of **Kshs. 4,596,377,130** excluding Grants of **Kshs. 898,626,006** to Climate Change mitigation strategies. The total budgeted Climate Change Mitigation strategies budget of **Kshs 134,419,728** translated to 49% of Machakos County Climate Change Fund budget.

b) Principal Activities

The Fund principal activity is to build capacity of the communities to cope with climate change by implementing the County Climate Change Action Plans.

c) Assurance and Audit

The Fund applies a combined assurance model to enhance the reliability of this report. Assurance is provided through:

- Management reviews.
- Internal audit assessments overseen by Machakos County Audit Committee.
- External audit of financial statements by the Office of the Auditor-General (OAG).

Legal, Compliance, and Corporate Governance Audits are conducted biannually to ensure adherence to applicable laws, regulations, and governance standards. The Fund has applied its collective judgment to this report and confirms that it provides a balanced and accurate reflection of Fund's performance, strategy, and value-creation approach.

Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2026

d) Registered Offices

P.O. Box 1996
Water Building
Machakos-Kitui Road
Nairobi, KENYA

e) Fund Contacts

Telephone: (254) 727213628
E-mail: bernardmuli@gmail.com
Website: www.machakosgovernment.co.ke

f) Fund Bankers

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

g) Entity Auditors

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

h) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

i) County Attorney

County Law Office
P.O. Box 1996 – 90100,
Machakos, Kenya

Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2026

3. Fund Chairperson's Report

It is my pleasure to present the Machakos County Climate Change Fund Financial Statements for the year ended 30th June 2026, which are in line with the Public Finance Management (PFM) Act, 2012 and the IPSAS Accrual Basis of Accounting. The Amended Act requires final accounts of the Fund to be prepared, published, publicized and submitted to the County Assembly and Office of the Auditor General within a period of two months after the end of each Financial Year i.e by 31st August after end of the financial year.

Attached are the Financial Statements which have been prepared in line with the requirements of the PFM Act 2012, which present a true and fair view of state of affairs of the Machakos County Climate Change Fund for the financial year ended June 30th, 2026.

The County had budgeted to receive **Kshs 137,500,000 and Kshs 11,000,000** both from World Bank-Climate Change Resilience Investment (CCRI) Grant and Climate Change Institutional Support (CCIS) Grant respectively and **Kshs 134,419,728** being the matching County Contribution for Development for Climate Change mitigation strategies, a total of **Kshs 282,919,728**. The actual receipts amounted to **Kshs 216,838,339** comprising of **Kshs 139,411,544** from World Bank-CCIR Grant and **Kshs 77,426,795** being County Contribution for Development. Actual Receipts formed **77%** of the Fund's budget. The County contributed **58%** of its budgeted County Contribution.

During the year, the unit rehabilitated 1 pumping station, 1 borehole, 1 water supply system and 1 canal and Distributed 11,400 pieces of fruit Seedlings in the 8 sub-counties. All the above were done to mitigate against Climate Change happenings. The objectives aimed at achieving the three interventions; Water, Environmental and Agricultural including livestock interventions.

In the next financial year, the County government plans to increase County Contribution in the Fund.

Name Francis Mwangangi Signature [Signature] Date 11/9/2026

Chairperson of Machakos County Climate Change Fund Steering Committee

Machakos County Climate Change Fund Annual Report and Financial Statements for the year ended June 30, 2026

4. Report of The Fund Administrator

Climate Change Program aims at delivering Locally-Led Climate Resilience Actions and strengthen County and national governments capacity to manage climate risks. The program is financed by world bank and County Government through 3% of Development Budget in a financial year. The world bank finances through Climate change Institutional Support (CCIS) which is recurrent in nature and Climate Change Resilience Investment (CCRI) Grant which is a capital grant. The County Contribution formed 3.6% of the Original County Development budget excluding Grants.

In the Financial Year ended 30th June 2026, Machakos County Government budgeted a total of **Kshs. 15,193,585,721** and had a development budget of **Kshs 4,596,377,130**. The Climate Change Mitigation Strategies which formed the County contribution of **3.6%** in the final County Development Budget was budgeted only Development Contribution of **Kshs 134,419,728**, Climate Change Institutional Support (CCIS) was budgeted at **Kshs.11,000,000** and Climate Change Resilience Investment Grant (CCRI) at **Kshs 137,500,000** both from the world bank. Both CCIS and CCRI were grouped into Financing Locally Led Climate Action (FFLoCA) program.

The Budget Composition for Current Financial Year is shown in the pie chart below:

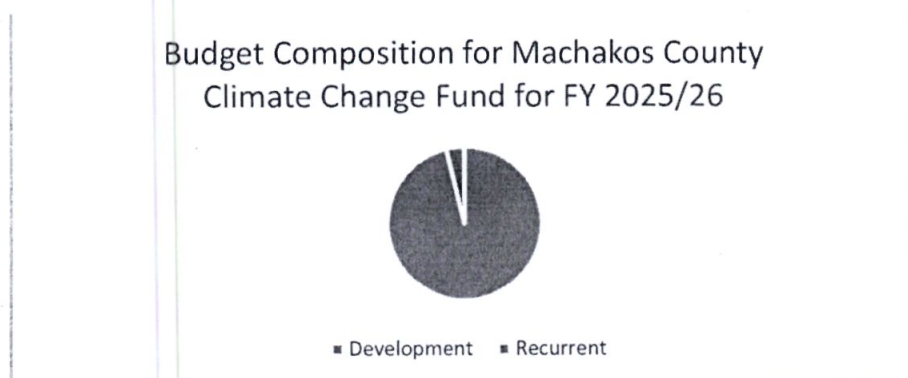


Figure 1: Pie Chart of Budget Composition for FY 2025/26

Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2026

A Representation of the sources is also shown below:

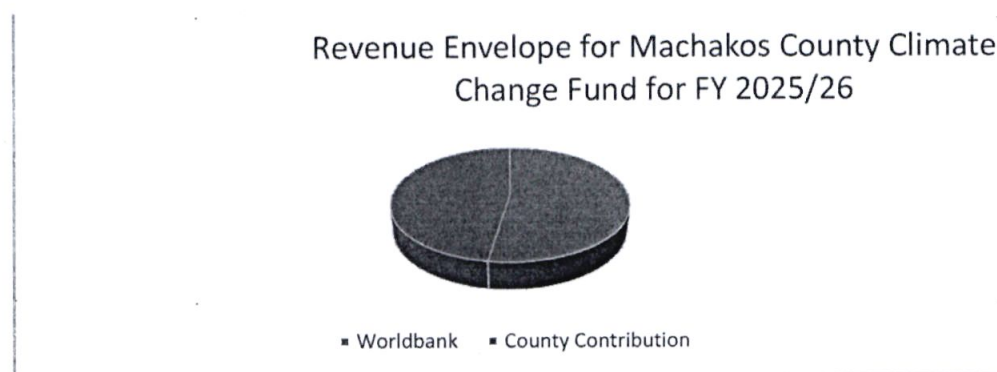


Figure 2: Pie Chart of Revenue Envelope For FY 2025/26

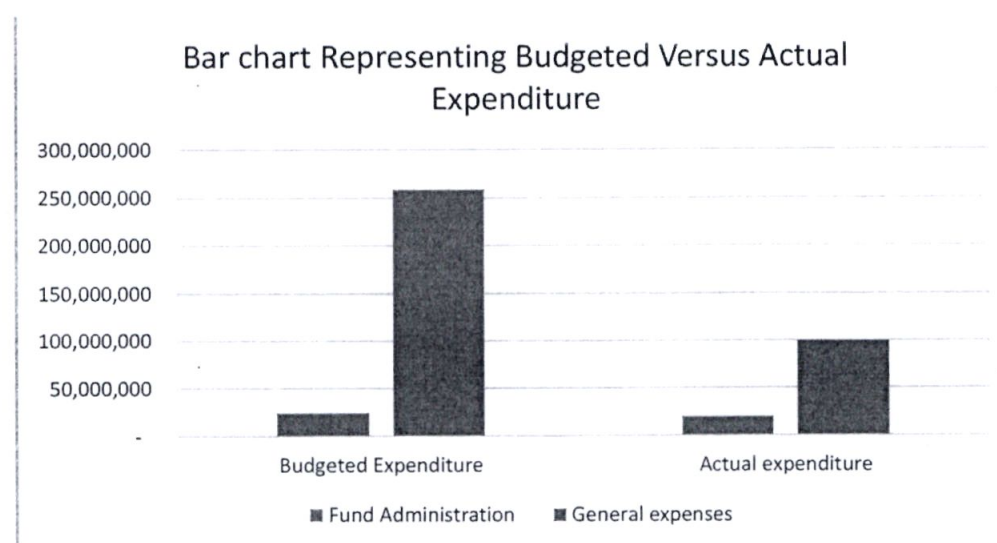


Figure 3: Bar chart of Budget Versus Expenditure for FY 2025/26

The Program managed to Rehabilitate a Pumping Station, water supply system, borehole and 1 Canal and distributed Fruit Seedlings; all aimed at mitigating against climate change.

In the next financial year, the Machakos County Government plans to increase the amount of County Contribution in-order to undertake more Water, Agricultural and Environmental intervention programmes.

In implementation of the Fund, it encountered a number of challenges. These include:

Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2026

- a) Delayed disbursement of funds from World Bank.
- b) Unpredictable weather patterns which affected rehabilitation works.

5. Statement of Performance Against the County Fund's Predetermined Objectives

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each County Government entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the County government entity's performance against predetermined objectives.

The key development objectives of the Machakos County Climate Change Fund to mitigate against Climate Change were:

- a) Increase storage capacity and climate proof the water structures.
- b) To boost small scale irrigation across the County.
- c) To provide clean and safe drinking water.
- d) To increase biologic carbon sequestration and boost climate change adaptation through promotion of agro-forestry.
- e) To promote climate change adaptation through rain water harvest, mitigation by promoting the use of low emission cooking alternatives and minimize post-harvest loss.
- f) Promote alternative food sources to boost food security.

Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2026

Progress on attainment of Locally Led Climate Change Action and Mitigation Strategies:

Program	Objective	Project Activities	Indicator	Performance
Water intervention	I. Increase the output of treatment works. II. To Provide Clean and safe Drinking water.	i. Installation of a new rising main pipeline. ii. Rehabilitation of treatment works. iii. Installation of Solar Pumping unit and repair of distribution main pipeline.	<ul style="list-style-type: none"> • Number of treatment works rehabilitated. 	<ul style="list-style-type: none"> ➤ 1 pumping station works rehabilitated, 100% done. ➤ 1 water supply system rehabilitated. 100% ➤ 1 borehole rehabilitated 100%
Agricultural intervention	I. To boost small scale irrigation across the County. II. Promote alternative food sources to boost food security.	i. Rehabilitation of water canals.	<ul style="list-style-type: none"> • Number of canals rehabilitated. 	<ul style="list-style-type: none"> ➤ 1 canal rehabilitated, 100% done.
Environmental Intervention	I. Promote alternative food sources to boost food security	ii. Distribution of Fruit Seedlings.	<ul style="list-style-type: none"> • Number of Fruit Seedlings Distributed. 	<ul style="list-style-type: none"> ➤ Distributed 11,400 fruit Seedlings.

These Programs are captured in the MCCCAP (Machakos County Climate Change Action Plan) 2023 – 2027, the CIDP (County Integrated Development Plan) 2023 – 2027 and the ADPs (Annual Development Plan) 2023 – 2024, 2024 – 2025 and 2025-2026.

Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2026

6. Corporate Governance Statement

Machakos County Climate Change Fund is established by and derives its authority and accountability from Machakos County Climate Change Act 2021 and Machakos County Climate Change Amendment Act, 2022 in effect to section 19 (4) of the Climate Change Act No. 11 of 2016. The Fund is wholly owned by the County Government of Machakos.

The Fund is governed by the above two acts enacted by Machakos County assembly. The governance structure consists of County Steering Committee chaired by the Deputy Governor with the County Executive Committee Member-Water, Irrigation, Environment and climate change and Fund Administrator being the other two members. In addition, the Fund has a County Climate Change Planning Committee chaired by the Accounting Officer for climate change and Ward climate change planning committee with 40 ward climate change committees each having an 8-member representation.

The Machakos County Climate Change Act, 2021 steers clear on the term of office of the County Climate Change Steering Committee members and on removal of Steering Committee members.

In addition, it states on establishment of Ward Climate Change Planning Committee and its functions, composition, appointment and removal and on ward planning committee establishment, composition, functions appointment and removal. The Fund's objective is to Implement County Climate Change Adaptation and Mitigation Actions as outlined in Machakos County Climate Change Action Plan 2023 – 2027.

Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2026

Part A: Machakos County Climate Change Steering Committee

Name	Details of qualifications and experience
 <p>H.E Eng. Francis Mwangangi Deputy Governor & Chairman of Machakos County Steering Committee</p>	<ul style="list-style-type: none"> ❖ PhD in International Relations (Ongoing), Leadership & Management Graduate from St. Pauls University, Masters in International Relations. ❖ Served as Director General, Global Hope Foundation. ❖ Was the Member of Parliament, Yatta Constituency from 2013 – 2017. ❖ Served as County Program Director for Integrated Development Agency and Managing Director for Regional Procurement and Supplies Services. ❖ Currently, Deputy Governor and Chairman, Machakos County Climate Change Steering Committee.
 <p>Hon. Onesmus Kuyu CECM-Water, Irrigation, Environment & Climate Change</p>	<ul style="list-style-type: none"> ❖ Bachelor's degree in Agricultural Economics from Egerton University. ❖ Served in the banking industry for over 15 years in leadership and managerial positions. ❖ Was Head- Corporate Banking, General Manager-Business and Acting Managing Director in the banking sector. ❖ Currently CECM-Water, Irrigation, Environment & Climate Change.
 <p>Benedict Ngumbau Accounting Officer-Climate Change</p>	<ul style="list-style-type: none"> ❖ Holds a Bachelor of Business Administration Degree (Human Resource Option). ❖ Previously, he was a Human Resource Consultant with Benela Recruit Ltd. ❖ Accounting officer, Climate Change.
 <p>CPA Dr. Bernard Muli, PhD Fund Administrator</p>	<ul style="list-style-type: none"> ❖ Date of Birth: 1981 ❖ Holds Doctor of Philosophy (PhD) in Finance, Master in Business Administration-Finance and Bachelor of Business Administration-Accounting & Finance ❖ Certified Public Accountant of Kenya (CPA(K))-Member No.11920 ❖ 19 years of working experience in accounting and Financial Administration ❖ Fund Administrator

Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2026

Part B: Management Team

Name	Details of qualifications and experience
 <p>CPA Dr. Bernard Muli, PhD Fund Administrator</p>	<ul style="list-style-type: none"> ❖ Date of Birth: 1981 ❖ Holds Doctor of Philosophy (PhD) in Finance, Master in Business Administration-Finance, Bachelor of Business Administration-Accounting & Finance ❖ Certified Public Accountant of Kenya (CPA(K))-Member No.11920 ❖ 19 years of working experience in accounting and Financial Administration ❖ Fund Administrator
 <p>Eng. Daniel Kyalo Ag. Director, Climate Change</p>	<ul style="list-style-type: none"> ❖ Holds MSc in geo-information science for water resources & environmental management and Bachelors in water engineering. ❖ 10 years' experience in surface water engineering in public sector. ❖ Member of Engineering Board of Kenya (EBK) and accredited by National Environmental Management Authority. ❖ M/No. B16285. ❖ Ag. Director Climate change.
 <p>CPA Samuel Ngila Fund Accountant</p>	<ul style="list-style-type: none"> ❖ Date of Birth: 1987. ❖ Masters in Business Administration-Accounting, Bachelor of Commerce (Accounting), BED(Arts)-Maths & Economics. ❖ Certified Public Accountant of Kenya (CPA(K))-Member No.21289. ❖ 12 Years of working experience in Accounting and Financial Administration. ❖ Fund Accountant.

Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2026

Part C: Governance arrangements

i. Appointment of Steering Committee members, Process of appointment and removal of directors, The size, diversity, and demographics of the Board, Existence of the board charter

According to Section 7 (5) of the Machakos County Climate Change (Amendment) Act, 2022 the Governor appoints and publishes in the gazette, the names of the members of the steering committee. The Committee comprise of Deputy Governor, CECM-Water, CECM-Finance, CECM-Agriculture and Livestock, CECM-Health, National Government officer responsible for drought response sin county, County Representative of NEMA, 2 Representative of 2 registered Public Benefit Organization being 1 woman and 1 man, 1 representative of Private sector nominated by the largest umbrella, 1 Representative of Woman nominated by the largest woman Umbrella group, 1 Representative of Youth nominated by umbrella Organization of largest youth organization in the County and 1 Representative of PLWDs and a Fund Administrator-ex officio with no voting rights. The Committee is chaired by the Deputy Governor and CECM-Water is the Secretary.

The fund is governed by the Machakos County Climate Change Act, 2021 and subsequent amendment of 2022.

ii. Roles and functions of the board

1. Mainstreaming of Climate Change into County Planning and development processes.
2. Coordinate, formulate and monitor the implementation of County Climate Change Action plan, County Climate Finance framework and any other County Climate plan and strategies.
3. Mobilize funds into and administer the county climate change fund established under this Act.
4. Review, approve and monitor the implementation of regulation for administration and management of the Fund.
5. Review and make recommendations on the bi-annual report on implementation of climate change action plan.
6. Perform other functions as may be necessary for achievement of the objectives of this Act.

iii. Succession plan

The committee is appointed for a period of 3 years eligible for reappointment once.

iv. Policy to manage conflicts of interest.

Members are required to declare conflict of interest in board meetings.

Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2026

v. Board remuneration

The Committee members are paid an allowance as per SRC Circulars in every meeting organized by the Fund.

vi. Ethics and Conduct

The Fund is guided by the Public Service Code of Conduct, County Government regulations, and professional ethical standards to promote integrity, accountability, and transparency.

vii. Governance audit

Governance audits are undertaken by the County Government's Internal Audit Department, the Controller of Budget, and the Auditor-General in line with statutory requirements.

viii. Communication policy

The Fund communicates key information through established County Government channels to ensure transparency, accountability, and timely dissemination of information to stakeholders.

ix. Terms of Reference of Committees

The Committee conduct is guided by the Machakos County Climate Change Act, 2021 and its amended Version 2022.

x. Policy on related party transactions

The Fund adheres strictly to the Public Procurement and Asset Disposal Act and other regulations to ensure fairness, competitiveness, and transparency in related party transactions.

xi. Statement of compliance with laws and regulations

The Fund complies with the PFM ACT, 2012, Climate Change Act, 2021, Constitution of Kenya, 2010, Human Resource Laws, Occupational safety laws and any other relevant laws applicable to the Fund.

Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2026

xii. Key Management structure and its key roles.

S/No.	Name	Position
1	Accounting Officer	Benedict Ngumbau
2	Ag. Director- Climate Change	Eng. Daniel Kyalo
3	Fund Administrator	CPA Dr. Bernard Muli, PhD
4	Fund Accountant	CPA Samuel Ngila

xiii. Fiduciary oversight arrangements.

S/No.	Name	Position
1	Chief Internal Auditor	CPA Daniel Mumo
2	Chair- Audit Committee	CPA Jones Makau

Machakos County Climate Change Fund Annual Report and Financial Statements for the year ended June 30, 2026

7. Financial Performance Overview

The County Climate Change Action Plan 2023 – 2027 was developed using the locally led approach where 30 members drawn from each ward were trained on climate change. After the training they developed an action plan for the ward indicating the Climate Interventions which would help them build adaptation to Climate Change.

The Budget is Funded by World-Bank-FFLoCA Grant and County Contribution. The Fund budgeted to spent a total of **Kshs 282,919,728** consisting of **Kshs 25,900,000** for Fund Administration expenses which is Recurrent and **Kshs 257,019,728** for General Expenses which is Development in nature. The Fund ended up spending **Kshs 25,016,650** for Fund Administration Expenses and **Kshs 110,639,707** on General Expenses, a total of **Kshs 135,656,357** forming **48%** budget utilization. The representation of Budgeted versus Actual Expenditure for the Financial Year is shown in the Chart below:

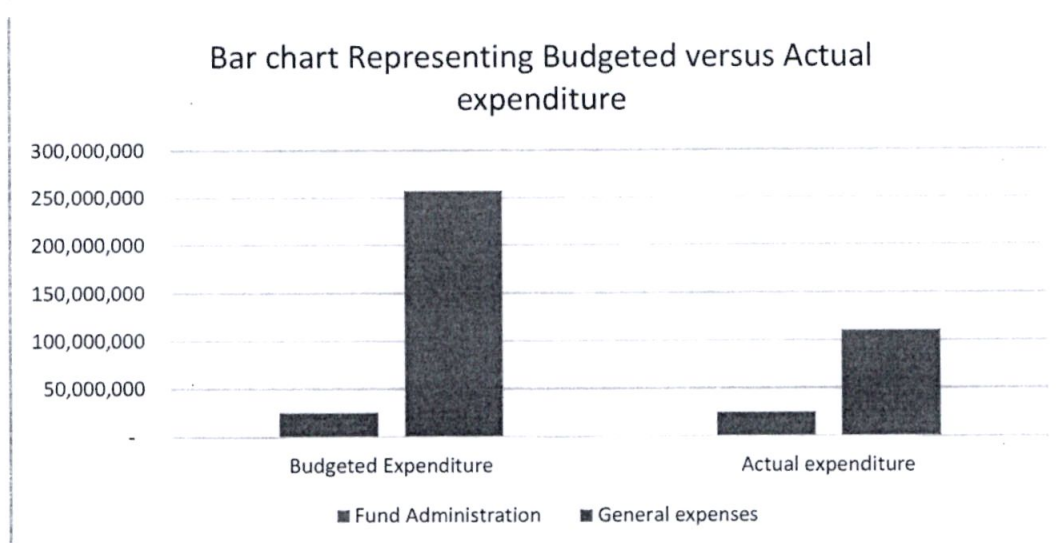


Figure 4: A Bar Chart of Budgeted Versus Actual Expenditure for Financial 2025-2026

During the year under review, the fund purchased 3 Laptops worth **Kshs 250,000**.

Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2026

The Fund's Operational Performance for the year ended 30th June 2026 is tabled below:

S/No	Programme	Activity	Output
1	Water Invention	A. Rehabilitation of Water pumping station.	i. 1 pumping station solarized, 100% Done. ii. 1 Water supply system rehabilitated. iii. 1 borehole water soloarized.
2	Agricultural Invention	A. Rehabilitation of water canals.	i. 1 Canal rehabilitated, 100% done.
3	Environmental Invention	A. Distribution of Assorted Fruit seedlings.	i. 11,400 Fruit Seedlings Distributed.

Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2026

8. Environmental and Sustainability Reporting

i) Sustainability strategy, risk management, and profile

The Fund is financed by the World Bank-Financing Locally Led Climate Change Action Program and County Contribution. The Fund aims to deliver Locally Led Climate Resilience Actions and strengthen County capacity to manage climate risks. It focuses on capitalizing the County Climate Change Funds, building County level capacity for planning, budgeting, reporting and implementation of local climate actions in partnership with communities especially at ward level.

ii) Environmental performance

The Fund has 3 sectors being Water, Environmental and Agricultural including Livestock sectors. Under environmental sector, it undertook, Distribution of Fruit seedlings. Under these activities; Fruit seedlings were distributed to women and Marginalised Groups. These activities were all aimed at mitigating the environment against perceived Climate Change Actions.

iii) Employee welfare

The Machakos County Climate Change Fund employees are the employees of County government of Machakos. The entity always puts into consideration all the relevant laws, policies and guidelines during its recruitment process. These include; the Constitution of Kenya (2010), the Employment Act (2007), County Government Act (2012) and the County Public Service Human Resource Manual (2016). The Constitution of Kenya (2010), Article 27 (8) provides that affirmative action should be factored where the state is required to take legislative and other measures to ensure that no more than two-thirds of the members of elective or appointive bodies are of the same gender. This has been cascaded to the County Governments recruitment processes. The County Government Act (2012) also underscores the principle of gender equality in County Government hiring process. We are happy to report that Machakos County has complied by having a ratio of 60% women and 40% men in the public service.

Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2026

iv) Market place practices

The Fund sources suppliers competitively by Open Tender or use of quotations. Women, Youth, People living with disabilities are allocated 30% value of the supplies and works. Tenders are advertised in main stream media both print and online in the County portal.

v) Corporate Social Responsibility / Community Engagements

The Fund is established on Climate Change mitigation strategies foundation. The Assorted Fruit seedlings distributed in the course of the year were sourced from the vendors within the surrounding communities in those particular wards.

The Fund also has 40 Ward Climate Change Planning Committees with 8-member representation per Sub-County. Climate mitigation strategies are proposed by Ward Climate Change Planning Committee at the ward level.

Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2026

9. Report of The Steering Committee

The Steering Committee submits their report together with the audited financial statements for the year ended June 30, 2026 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are based on three sectors: Water Intervention, Environmental and Agricultural including livestock interventions.

Results

The results of the Fund for the year ended June 30, 2026 are set out on page 1 to 40.

Trustees

Machakos County Climate Change Fund does not have trustees.

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



Chairperson of Machakos County Climate Change Fund Steering Committee

Date: 11/9/2026

Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2026

10. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Machakos County Climate Change Act 2021 and Machakos County Climate Change Amendment Act, 2022 in effect to section 19 (4) of the Climate Change Act No. 11 of 2016 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2026. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Machakos County Climate Change Act 2021 and Machakos County Climate Change Amendment Act, 2022 in effect to section 19 (4) of the Climate Change Act No. 11 of 2016. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2026, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Board on 11/9 2026 and signed on its behalf by:



.....

Administrator of Machakos County Climate Change Fund

REPUBLIC OF KENYA

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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 MACHAKOS COUNTY CLIMATE CHANGE FUND FOR THE YEAR ENDED 30 JUNE, 2026

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 Machakos County Climate Change Fund set out on pages 1 to 36, 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 for the year then ended in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, Cap. 412B. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Machakos County Climate Change Fund 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 the Machakos Climate Change Act, 2021 (Amended, 2022) 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 Machakos County Climate Change Fund Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.282,919,728 and Kshs.216,838,339 respectively resulting to an under-funding of Kshs.66,081,389 or 23% of the budget. Similarly, the Fund Management spent Kshs.135,906,357 against the actual receipts of Kshs.216,838,339 resulting to an under-absorption of Kshs.80,931,982 or 37% of the receipts.

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

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 xxiii which comprise of Who We Are, Fund Chairperson's Report, Report of the Fund Administrator, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Financial Performance Overview, Environmental and Sustainability

Reporting, Report of the Steering Committee and Statement of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Implement Provisions of the Climate Change Act

As previously reported, the Governor had not gazetted the names of members of the Steering Committee contrary to Section 7(5) of the Machakos County Climate Change (Amendment) Act, 2022 which states that, the Governor shall publish in the gazette, the names of the members of the Steering Committee. In addition, Climate Change Unit had not been changed to a Directorate and competitive recruitment of a Director-In-Charge of the Directorate had not been done for approval by the County Assembly. This is contrary to Section 10A(1) of the Machakos County Climate Change (Amendment) Act, 2022 which states that there shall be a Director-In-Charge of the Directorate of Climate Change who shall be competitively recruited by the Board and approved by the County Assembly.

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

2. Delayed Implementation of Planned Projects

Review of the Project Implementation Status (PIS) Report and the approved Climate Resilient Investment Grant (CRIG III) Work Plan revealed that the Fund Management had planned to implement eleven (11) projects with a total budget of Kshs.247,519,728 during the financial year under review. However, the Project Implementation Status revealed that none of the approved projects had commenced as at the time of audit in September, 2026. Further, projects approved under Climate Resilient Investment Grant (CRIG II) during the year 2024/2025 had not been completed.

In the circumstances, the non-implementation and non- completion of planned projects denied benefits to the intended beneficiaries.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

Auditor-General's Responsibilities for the Audit

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

23 September, 2026

Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2026

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

Description	Note	Period ended June 30 th , 2026	Comparative FY 204/25
		Kshs	Kshs
Revenue			
Public Contributions and Donations	6	162,956,360	11,000,000
Transfers From the County Government	7	77,426,795	126,523,558
Total		240,383,155	137,523,558
Expenses			
Use of goods and services	8	117,014,068	128,789,642
Depreciation and Amortization Expense	9	1,450,905	1,427,930
Total		118,464,973	130,217,572
Surplus for the Period		121,918,182	7,305,986
Net Surplus for the Period		121,918,182	7,305,986

* See Note 15 for the prior-period restatement. The correction has no effect on financial performance.

Note: The Public Contributions and Donations comprise receivables of **Kshs 23,544,816**. Actual Public Contributions amounted to **Kshs 139, 411,544**.

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

.....
CPA Dr. Bernard Muli
Administrator of the Fund

Date.....11/9/26.....

.....
CPA Samuel Ngila
Fund Accountant
ICPAK Member Number:21289
Date.....11/9/2026.....

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13. Statement of Financial Position As at 30 June 2026*

Description	Note	Period ended June 30 th , 2026	2024/25 Restated*
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	10	130,943,152	50,011,170*
Receivables from Non-exchange Transactions	11	23,544,816	-
Total current assets		154,487,968	50,011,170*
Non-Current Assets			
Property, Plant and Equipment	12	4,268,530	5,469,435
Total non- current assets		4,268,530	5,469,435
Total Assets (A)		158,756,498	55,480,605*
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	13	2,234,832	20,877,121*
Total Current liabilities		2,234,832	20,877,121*
Non-Current Liabilities			
Total Liabilities (B)		2,234,832	20,877,121*
Net Assets (A-B)		156,521,666	34,603,484
Represented By:			
Accumulated Surplus		156,521,666	34,603,484
Net Assets		156,521,666	34,603,484

* Restated amounts. See Note 15 for the previously reported figures, corrections and restated amounts.

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

CPA Dr. Bernard Muli
 Administrator of the Fund

Date.....11/9/26.....

CPA Samuel Ngila
 Fund Accountant
 ICPAK Member Number: 21289
 Date.....11/9/2026.....

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14. Statement of Changes in Net Assets for the year ended 30th June 2026*

Description	Accumulated Surplus	Total
	Kshs	Kshs
Balance as at 1 July 2024	27,297,498	27,297,498
Surplus for the Period	7,305,986	7,305,986
Balance as at 30 June 2025	34,603,484	34,603,484
Balance as at 1 July 2025	34,603,484	34,603,484
Surplus for the Period	121,918,182	121,918,182
Balance as at 30 June 2026	156,521,666	156,521,666

* See Note 15 for the prior-period restatement. The correction has no effect on net assets or accumulated surplus.

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15. Statement of Cash Flows for The Year Ended 30 June 2026*

Description	Note	Period ended June 30 th , 2026	Comparative FY 2024/25
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations		139,411,544	11,000,000
Transfers from the county government		77,426,795	126,523,558
Total receipts		216,838,339	137,523,558
Payments			
Use of Goods		(135,656,357)	(107,912,521) *
Net cash flows from operating activities	14	81,181,982	29,611,037*
Cash flows from investing activities			
Purchase of Property, Plant, Equipment and Intangible assets	12	(250,000)	-
Net cash flows used in investing activities		(250,000)	-*
Net increase/(decrease) in cash & cash Equivalents		80,931,982	29,611,037*
Cash and cash equivalents at 1 July (2025 restated)	10	50,011,170*	20,400,133
Cash and cash equivalents at 30 June	10	130,943,152	50,011,170*

* Restated amounts. See Note 15 for the previously reported figures, corrections and restated amounts.

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16. Statement of Comparison of Budget and Actual Amounts For The Period 2026

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilisation
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	c=(a+b)	d	e=(c-d)	f=d/c*100
Budget carryovers from the previous year	-	-	-	-	-	0%
Receipts						
Public Contributions and Donations						
County Climate Resilience Investment (CCRI) Grant-Development	137,500,000	-	137,500,000	139,411,544	(1,911,544)	101%
County Climate Institutional Support (CCIS) Grant-Recurrent	11,000,000	-	11,000,000	-	11,000,000	0%
Transfers From County Government						
County Contribution- Development	134,419,728	-	134,419,728	77,426,795	56,992,933	58%
Total Receipts	282,919,728	-	282,919,728	216,838,339	66,081,389	77%
Payments						
Fund Administration Expenses	25,900,000	-	25,900,000	(25,016,650)	883,350	97%
General Expenses	257,019,728	-	257,019,728	(110,639,707)	146,380,021	43%
Total Payments	282,919,728	-	282,919,728	(135,656,357)	147,263,371	48%
Capital Payment-Purchase of PPE				(250,000)		
Surplus For the Period				80,931,982		

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Budget Notes

1. There were no adjustments in allocations in the Financial Year.
2. The Template has categorized expenditure into Fund Administration Expenses which is Recurrent and General Expenses which is Development in nature.
3. The statement of appropriation didn't include budget carry-over because the supplementary I meant to include all budget carry-overs had not passed by CA by the year end.
4. The National Treasury and Economic planning FFLoCA Program, IDA allocation for County Climate Resilience Investment (CCRI) Grant was Kshs 139,411,544 while the county had budgeted Kshs. 137,500,00 for CCRI Grant for FY 2025/26. The brings a difference of Kshs 1,911,544 which was to be captured in the supplementary I for the FY 2025/26. Worldbank disbursed Kshs 139,411,544, exceeding approved budget by Kshs 1,911,544.
5. The Supplementary I was yet to be captured by end of Financial Year 2025/26 ,30th June, 2026.
6. The Funds from Worldbank-FFLoCA relates to CCRIG II for Financial Year 2024/25. The approved funds for CCRIG III FY 2025/26 amounts to Kshs 142,695,856.

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	80,931,982
1	Cash and Cash Equivalent at beginning (Restated)	50,011,170
	Closing Cash and Cash Equivalent as per the statement of Cash flows	130,943,152

17. Notes to the Financial Statements

Significant Accounting Policies

1. General Information

Machakos County Climate Change Fund is established by and derives its authority and accountability from Machakos County Climate Change Act, 2021 and Machakos County Climate Change Amendment Act 2022 in effect to section 19 (4) of the Climate Change Act No. 11 of 2016. The entity is wholly owned by the Machakos County Government and is domiciled in Kenya.

The Fund's principal activity is to Implement County Climate Change Adaptation and Mitigation actions targeting 3 critical sectors with a minimum of 20% of the County Climate Resilience Investment for Social Resilience. They include Agriculture including livestock, Water and Environment. The FFLoCA program matching requirements expects counties to allocate at least 1.5% of their individual County Development budgets to Climate change mitigation strategies.

2. Statement of compliance and basis of preparation

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

Basis of measurement

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid, or the fair value of the consideration given to acquire them at the time of acquisition, plus directly attributable transaction costs. Liabilities are recorded at the amount of consideration received to assume the obligation, less transaction costs incurred when the liability was assumed.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Entity uses market-to-observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Entity using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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Inputs used are consistent with the characteristics of the asset or liability that market participants would take into account.

Fair values are categorized into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the Entity can access at the measurement date.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.
- The Entity's accounting policy is to recognize transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred. This policy is consistently applied to transfers into and out of each level.

Use of Estimates

The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the Entity's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

3. Adoption of new and revised standards

(i) 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 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: <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS.

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	<p>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</p> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
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(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2026.

Standard	Effective date and impact:
IPSAS 47: Revenue	<p>Applicable 1st January 2026</p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48: Transfer Expenses	<p>Applicable 1st January 2026</p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49: Retirement Benefit Plans	<p>Applicable 1st January 2026</p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p>Applicable 1st January 2027</p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ol style="list-style-type: none"> Limited improvements to existing accounting practices for exploration and evaluation expenditures. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

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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.

(i) 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.

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.

Dividends and other similar Distributions

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

Other revenues

b) Budget information

The original budget for **Financial Year 2025/26** of **Kshs 282,919,728** was approved by the County Assembly on 24th June, 2025. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded no additional appropriations of Financial Year 2025/26 budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial cash flows has been presented.

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 entity.
- 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
Land	
Buildings	2-10%
Motor vehicles	10-16.67%
Infrastructure assets	2-20%
Furniture and fittings	12.5%

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PPE Item	Depreciation Rate
Land	
Computers & ICT Equipment	33.3%
Heritage Assets	x%
Work in progress (WIP)	
Service concession assets	

***Note: The Fund depreciates its assets at the maximum of the above rates.**

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 derecognised 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 recognised in statement of financial performance.

d) Right of Use Asset

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.

g) Non-Current Assets Held for Sale and Discontinued Operations

Non-current assets or disposal groups are classified as held for sale when their carrying amount is expected to be recovered through sale rather than continued use. They are measured at the lower of carrying amount and fair value less costs to sell and have been presented separately in the Statement of Financial Position. Depreciation has ceased for the assets classified as held for sale.

The assets classified as held for sale have met the following required criteria: management has made a commitment to sell, the asset is actively being marketed for sale at a reasonable price, the sale will be completed within one year of the classification date, an active program to find a buyer has been initiated, and there are no significant changes to the plan that might impact the sale.

Discontinued operations are the major components that have been disposed of or are held for sale. Their results have been presented separately in the Statement of Financial Performance.

h) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

i) 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. 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 of financial assets

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 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.

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

k) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits

or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

l) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

m) Contingent liabilities

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

Contingent assets

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

n) Nature and purpose of reserves

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

o) Changes in accounting policies and estimates

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

p) Employee benefits – Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

q) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

r) 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.

s) Related parties

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

t) 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

u) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made e.g.

a) Estimates and assumptions –

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. The fund had no provisions.

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

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Notes To the Financial Statements

6. Public contributions and donations

Description	Period ended June 30 th 2026	Comparative FY 2024/25
	Kshs	Kshs
Climate Change Institutional Support Grant	-	11,000,000
Climate Change Resilience Investment Grant	162,956,360	-
Total	162,956,360	11,000,000

CCIS Grant is Recurrent, while CCRI Grant is Development in nature. Both are financed by Worldbank through Financing Locally-Led Climate Change Actions (FFLoCA) program.

During the Year, World-bank CCRI grant transferred Kshs 139,411,544 while Kshs 23,544,816 was a receivable by year end.

7. Transfers from County Government

Description	Period ended June 30 th , 2026	Comparative FY 2024/25
	Kshs	Kshs
County Contribution-Development	77,426,795	121,523,558
County Contribution-Recurrent	-	5,000,000
Total	77,426,795	126,523,558

The County Contribution is meant to Match the World Bank-FFLoCA Grant for Climate Change Action.

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Notes to the financial statements (Continued)

8. Use of Goods and Services

Description	Period ended June 30th 2026	Comparative Period FY 2024/25
	Kshs.	Kshs.
Fuel and Oil Costs	250,000	1,499,955
Domestic Travel and Subsistence, and Other Transportation Costs	16,606,800	18,089,132
Other Operating Expenses	3,297,900	1,750,000
Hospitality Supplies and Services	866,750	10,415,850
Purchase of Specialized Plant, Equipment and Machinery	-	11,000,000
Construction and Civil Works	24,887,623	54,457,066
Rehabilitation of Civil Works	66,120,995	10,783,639
Purchase of Certified Seeds, Breeding Stock and Live Animals	4,984,000	9,495,000
Research, feasibility Studies, Project Preparation and Design, project Supervision	-	11,299,000
Total	117,014,068	128,789,642

9. Depreciation and Amortization Expenses

Description	Period ended June 30 th , 2026	Comparative FY 2024/25
	Kshs.	Kshs.
Property Plant and Equipment	1,450,905	1,427,930
Total	1,450,905	1,427,930

10. Cash and cash equivalents

Description	Period ended June 30 th , 2026	Comparative FY 2024/25
	Kshs	Kshs
Machakos County Climate Change Fund- SPA	130,943,152	50,011,170
Total	130,943,152	50,011,170

* Comparative amounts have been restated. See Note 15.

Machakos County Climate Change Fund
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Notes to the financial statements (Continued)

Detailed analysis of the cash and cash equivalents are as follows:

Financial Institution	Account number	Period ended June 30 th , 2026	Comparative FY 2024/25
		Kshs	Kshs
a) Current Account			
Central Bank of Kenya	100****739	130,943,152	50,011,170
Total		130,943,152	50,011,170

* Comparative amounts have been restated. See Note 15.

11. Receivables from Non-exchange transactions

Description	Period ended June 30 th , 2026	Comparative FY 2024/25
	Kshs	Kshs
CCRI Grant	23,544,816	-
Total	23,544,816	-

Aging analysis for Receivables from Non-Exchange transactions

Description	Period ended June 30 th , 2026		Comparative FY 2024/25	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	23,544,816	100%	-	-
Total	23,544,816	100%	-	-

Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2026

12. Property, Plant, and Equipment

Financial Year 2025/26

Cost/Value	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	Infrastructure Assets	Service Concession Assets	Other Assets	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs		Kshs	Kshs
As At 1 July 2025	-	-	-	5,358,040	2,297,500	-	-	-	-	7,655,540
Additions	-	-	-	-	250,000	-	-	-	-	250,000
As at 30th June 2026	-	-	-	5,358,040	2,547,500	-	-	-	-	7,905,540
Depreciation & Impairment										
At 1 July 2025	-	-	-	(669,755)	(1,516,350)	-	-	-	-	(2,186,105)
Depreciation	-	-	-	(669,755)	(781,150)	-	-	-	-	(1,450,905)
As at 30th 2026	-	-	-	(1,339,510)	(2,297,500)	-	-	-	-	(3,637,010)
Net Book Value as at 30th June 2026	-	-	-	4,018,530	250,000	-	-	-	-	4,268,530

Machakos County Climate Change Fund
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Notes to the financial statements (Continued)

Financial Year 2024/25

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	-	-	-	5,358,040	2,297,500	-	-	-	-	7,655,540
As at 30 th June 2025	-	-	-	5,358,040	2,297,500	-	-	-	-	7,655,540
Depreciation & Impairment										
At 1 July 2024	-	-	-	-	(758,175)	-	-	-	-	(758,175)
Depreciation	-	-	-	(669,755)	(758,175)	-	-	-	-	(1,427,930)
As at 30 th 2025	-	-	-	(669,755)	(1,516,350)	-	-	-	-	(2,186,105)
Net book Value As at 30 th June 2025	-	-	-	4,688,285	781,150	-	-	-	-	5,469,435

Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2026

a) Valuation

The Fund did not value any of its assets during this reporting period.

b) Property, Plant and Equipment at Cost

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

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Computers and Related Equipment	2,547,500	(2,297,500)	250,000
Office Equipment, Furniture, And Fittings	5,358,040	(1,339,510)	4,018,530
Total	7,905,540	(3,637,010)	4,268,530

c) Fully depreciated assets

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

Description	Cost or valuation	Normal annual depreciation charge
Computers and Related Equipment	2,297,500	669,755
Total	2,297,500	669,755

Note: Computers and related Equipment depreciates at 33.33% on straight-line and have a lifespan of 3 years.

d) Infrastructure assets

Provide details of the nature and amounts of the different subclasses of infrastructure assets, such as roads, rails, pipelines, power lines, among others.

e) Service Concession assets

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

f) Disclosures on capital work in progress

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

Machakos County Climate Change Fund
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Notes to the financial statements (Continued)

13. Trade and other payables from exchange transactions

Description	Period ended 30 th June, 2026		Comparative FY 2024/25	
	Kshs		Kshs	
Accrued Expenses	2,234,832		-	
Total Trade and Other Payables	2,234,832		-	
Aging analysis (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	-	-	20,877,121	100%
1-2 years	2,234,832	100%	-	-
Total (tie to above total)	2,234,832	100%	-	-

Trade and Other Payables Movement

Opening balance as previously reported	-
Prior-period correction (Note 15)	20,877,121
Payment during the year	18,642,289
Closing Balance	2,234,832

* The opening payable of Kshs 20,877,121 has been recognised retrospectively as explained in Note 15. Payments during 2025/26 were Kshs 18,642,289, leaving Kshs 2,234,832 unpaid at 30 June 2026.

14. Cash generated from operations.

Description	Period ended June 30 th , 2026	Comparative FY 2024/25
	Kshs	Kshs
Surplus For the Year Before Tax	121,918,182	7,305,986
Adjusted For:		
Depreciation	1,450,905	1,427,930
Working Capital Adjustments		
Increase in Receivables	(23,544,816)	-
Decrease in payables	(18,642,289)	-
Net Cash Flow from Operating Activities	81,181,982	8,733,916

* Comparative amounts have been restated. See Note 15.

Notes to the financial statements (Continued)

15. Correction of Prior Period error

During preparation of the financial statements for the year ended 30 June 2026, the Fund identified expenses amounting to **Kshs 20,877,121** that had been recorded as payments in the 2024/25 cashbook although the obligations remained unpaid at 30 June 2025. The expenses had already been recognized in financial performance. Cash and cash equivalents and trade and other payables at 30 June 2025 were therefore understated by **Kshs 20,877,121** each, while operating cash payments were overstated by the same amount.

The comparative information has been retrospectively restated in accordance with IPSAS 3, paragraphs 47 and 54. The previously reported amounts are retained below to explain the correction; the previously issued audited financial statements have not been amended. The correction has no effect on surplus or accumulated surplus and no effect on balances at 1 July 2024.

a) Statement of financial performance

Description	2024/25 Previously reported	Correction	2024/25 Restated
	Kshs	Kshs	Kshs
Public Contributions and Donations	11,000,000	-	11,000,000
Transfers From the County Government	126,523,558	-	126,523,558
Total revenue	137,523,558	-	137,523,558
Use of goods and services	128,789,642	-	128,789,642
Depreciation and Amortization Expense	1,427,930	-	1,427,930
Total expenses	130,217,572	-	130,217,572
Surplus for the Period	7,305,986	-	7,305,986

The error affects the timing of cash payments and recognition of the unpaid liability. It does not reverse or recognize the related expense a second time.

Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2026

Notes to the financial statements (Continued)

b) Statement of financial position

Description	Note	2024/25 Previous Reported	Correction	2024/25 Restated
		Kshs	Kshs	Kshs
Assets				
Current Assets				
Cash and Cash Equivalents	10	29,134,049	20,877,121	50,011,170
Receivables	11	-	-	-
Total current assets		29,134,049	20,877,121	50,011,170
Non-Current Assets				
Property, Plant and Equipment	12	5,469,435	-	5,469,435
Total non- current assets		5,469,435	-	5,469,435
Total Assets (A)		34,603,484	20,877,121	55,480,605
Liabilities				
Current Liabilities				
Trade and Other Payables from Exchange Transactions	13	-	20,877,121	20,877,121
Total Current liabilities		-	20,877,121	20,877,121
Non-Current Liabilities				
Total Liabilities (B)		-	20,877,121	20,877,121
Net Assets (A-B)		34,603,484	-	34,603,484
Represented By:				
Accumulated Surplus		34,603,484	-	34,603,484
Net Assets		34,603,484	-	34,603,484

c)Statement of Changes in Net Assets

Description	2024/25 Previous reported	Correction	2024/25 restated
	Kshs	Kshs	Kshs
Balance at 1 July 2024	27,297,498	-	27,297,498
Surplus for 2024/25	7,305,986	-	7,305,986
Balance at 30 June 2025	34,603,484	-	34,603,484

**Machakos County Climate Change Fund
Annual Report and Financial Statements for the year ended June 30, 2026**

Notes to the financial statements (Continued)

d)Statement of cashflows

Description	2024/25 Previously reported	Correction	2024/25 restated
	Kshs	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations	11,000,000	-	11,000,000
Transfers from the county government	126,523,558	-	126,523,558
Total receipts	137,523,558	-	137,523,558
Payments			
Use of goods and services	(128,789,642)	20,877,121	(107,912,521)
Net cash flows from operating activities	8,733,916	20,877,121	29,611,037
Cash flows from investing activities			
Purchase of Property, Plant, Equipment and Intangible assets	-	-	-
Net cash flows used in investing activities	-	-	-
Cash flows from financing activities	-	-	-
Net increase/(decrease) in cash & cash equivalents	8,733,916	20,877,121	29,611,037
Cash and cash equivalents at 1 July 2024	20,400,133	-	20,400,133
Cash and cash equivalents at 30 June 2025	29,134,049	20,877,121	50,011,170

Use of goods and services comprises the combined fund administration and general cash payments, shown as outflows in parentheses. This cash amount differs from the expense in the statement of financial performance because it includes the settlement of prior-year payables.

e)Effect on the year ended 30 June 2026

Restated opening cash and cash equivalents of Kshs 50,011,170, together with the current-year net increase of **Kshs 80,931,982**, reconcile to closing cash of **Kshs 130,943,152**. The prior-period correction is incorporated in opening cash and cash equivalents.

Restated opening payables of **Kshs 20,877,121**, less settlements of **Kshs 18,642,289**, leave **Kshs 2,234,832** outstanding at 30 June 2026. The decrease of **Kshs 18,642,289** is included in Note 14. This correction does not change the reported 2025/26 surplus, closing cash, closing payables or accumulated surplus.

Other Disclosures

16. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The fund/scheme is related to the following entities:

- a) The County Government;
- b) The Parent County Government Department;
- c) Key management;
- d) Board of Trustees; etc.

b) Related party transactions

Description	Period ended 30 th June, 2026	Comparative FY 2024/25
	Kshs	Kshs
County Contribution-Development	77,426,795	121,523,558
County Contribution-Recurrent	-	5,000,000
Total	77,426,795	126,523,558

c) Due from related parties

Description	Period ended 30 th June, 2026	Comparative FY 2024/25
	Kshs	Kshs
WorldBank-FFLoCA (CCRI) Grant	-	137,500,000
County Government of Machakos-County Contribution	-	97,844,165
Total	-	235,344,165

d) Due to related parties

Description	Period ended 30 th June, 2026	Comparative FY 2024/25
	Kshs	Kshs
Due To Parent Department	-	-
Due To County Government	-	-
Due To Key Management Personnel	-	-
Total	-	-

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Other Disclosures (Continued)

17. Contingent assets and contingent liabilities

Contingent Liabilities	Period ended 30 th June, 2026	Comparative FY 2024/25
	Kshs	Kshs
Court Case Against Machakos County Climate Change Fund	-	-
Total	-	-

18. Events after the reporting period

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

19. Ultimate and Holding Entity

The entity is a County Public Fund established by Machakos County Climate Change Act, 2021 and amended 2022 under the Department of Water, Irrigation, Environment, Sanitation and Climate Change. Its ultimate parent is the County Government of Machakos.

20. Currency

The financial statements are presented in Kenya Shillings (Kshs)

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21. Annexes

Appendix I: Progress on Follow-Up of Prior Years' Auditor General's Recommendations

The following is a summary of the issues raised by the Auditor General and the management responses provided.

Reference No. on the External Audit Report	Issue / Observations from Auditor	Management Comments	Status:	Time frame
1	<p>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.372,867,723 and Kshs.235,344,165 or approximately 63% of the budget. The underfunding may have affected the planned activities and may have impacted negatively on service delivery to the public.</p>	<p>Machakos County Climate Change Fund had budgeted Kshs 372,867,723 for the Fund for the Financial year 2024/2025. It received Kshs 137,522,558 from both the World Bank and County Government of Machakos, thereby been underfunded by Kshs 235,344,165. The unreceived monies were meant to be from World Bank-CCIR Grant. The Management received Kshs 13,941,154 and Kshs 125,470,390 on 8th July, 2025, from World-bank. Both tranches were meant to resolve prior years underfunding.</p>	Not Resolved	
2	<p>Report on Lawfulness and effectiveness in the use of public Resources: Non-implementation of Sections Under Machakos County Climate Change Act Review of Records revealed that the Governor had not gazetted the names of members of the Steering Committee contrary to section 7(5) of the Machakos County Climate Change (Amendment) Act, 2022 which states that, the Governor shall Publish in the gazette, the names of the members of the Steering Committee. In</p>	<p>The county is in the process of converting the climate change management unit into a directorate. The recruitment of the director of Climate Change directorate has been delayed because the management held a consultative meeting with County Assembly- Environment Committee in July 2024. During the consultation meeting, an amendment of clause 3& 4 on term limit and</p>	Not Resolved	30 th June, 2027

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Reference No. on the External Audit Report	Issue / Observations from Auditor	Management Comments	Status:	Time frame
	<p>addition, Climate change unit had not been changed to a directorate and competitive recruitment of the Director in charge of the Directorate by the board had not been done for approval by the County Assembly. This is contrary to section 10(1) of the Machakos County Climate Change(Amendment)Act, 2022 which states that there shall be a Director in charge of the Directorate of Climate Change who shall be competitively recruited by the board and approved by the County Assembly.</p>	<p>approval of director by County Assembly are to be dropped in the Machakos County climate change Act, 2022. The recommendation of the amendment is that we have director recruited competitively by County Public Service Board and in line with the guidelines issued by public service commission on recruitment of directors. The unit is working closely with said committee to deliver the amended section and subsequently recruit a substantive director.</p> <p>Climate change planning committee comprises of: - chief officer in-charge of climate change as chairperson, chief officer water, chief officer county treasury, chief officer Agriculture who are already serving, an Acting Fund administrator and Climate change Director. The management is in process of appointing the remaining members consisting of:-two (2) members man and women representative of public based organization (PBO), representative of Private sector, PWD representative, fund administrator, the management has already forwarded names to</p>		

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Reference No. on the External Audit Report	Issue / Observations from Auditor	Management Comments	Status:	Time frame
		county assembly for approval, thereafter gazettment of all members.		
3	<p>Report on Effectiveness of Internal Controls, Risk Management and Governance: Lack of Risk Management Policy, Risk Register, Disaster Recovery and Business Continuity Plan</p> <p>As previously reported, review of records and systems revealed that the Fund lacks a Risk Management Policy and does not have a framework for management of risk, hence it was not possible to identify, assess and control risks. Further, the Fund did not maintain a risk register, and did not have a strategy for recovery of lost data to allow for business operation to be restored in the event of a disaster. Although the management explained that a Disaster management plan was before Machakos County Assembly for approval, no evidence was provided for audit review.</p>	<p>The Machakos County Disaster Risk Management Plan was laid before the Machakos County Assembly on 8th May, 2024 and committed to the Decentralized Units and County Administration Committee for consideration and eventful tabling before the house. It was approved by the County Assembly on 15th July, 2025.</p>	Addressed	

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Dr. Bernard Njiru
Fund Manager
Date.....*11/9/26*.....
[Signature]

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Annex II: Inter-Fund Confirmation Letter

Machakos County Climate Change Fund
 1996-90100,
 Machakos

The Machakos County Climate Change Fund wishes to confirm the amounts disbursed to you as at 30th June 2026 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by Machakos County Climate Change Fund as at 30 th June 2026							
Reference Number	Date Disbursed	Amounts Disbursed by Machakos County Revenue Fund (Kshs) as at 30 th June 2026				Amount Received by Machakos County Climate Change Fund (KShs) as at 30 th June 2026 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
BNK25314LMDKDMDf	10 th November, 2026	-	13,941,154	-	13,941,154	13,941,154	-
BNK26062CJCDJ0GL	3 rd March, 2026	-	125,470,390	-	125,470,390	125,470,390	-
BNK26125JMGHDBHF	5 th May, 2026	-	77,426,795	-	77,426,795	77,426,795	-
Total			216,838,339		216,838,339	216,838,339	-

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

Head of Accountants department, of beneficiary Fund:

Name Samuel Karoti Sign [Signature] Date 11/9/2026

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Annex III: Reporting of Climate Relevant Expenditures

Project	Project Description	Project Objectives	Project Activities	Quarter of Implementation				County Government of Machakos	WorldBank
				Q1	Q2	Q3	Q4		
Rehabilitation of Yatta Canal for enhanced water supply and improved irrigation to Matuu, Kithimani and Ndalani wards	Climate Change	Rehabilitation of the canal	· Concrete works for repair of intake						WorldBank-FFLoCA
		Provision of water to downstream users	· De-silting and shaping of cut-off drains						
		Construction of cut off drain	· Clearing of storm overpasses including opening of drains						
			· De-silting of the Canal up to the concrete slab						
Solarization of Matuu water supply project	Climate Change	Re-sasitating the water company by enabling them to pump water to residents	· Provision of solar powered structure to power the matuu water company pumping system as an augmentation to the rehabilitation of the canal					County Government of Machakos	

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Rehabilitation of Muri Farm	Climate Change	Rehabilitating the Water solarization and pumping to enable to distribution of clean to the Kayole community	Provision of solar powered pump. Pumping of clean water. Purification and distribution of water.							Worldbank-FFLoCA
Rehabilitation of Ngu-nyumu Water project	Climate Change	. Solarization and pumping to enable access to clean water.	Provision of solar panels, pumps and piping of water to surrounding community.							Worldbank-FFLoCA
Construction of Itooma weir	Climate Change	.Constructing weir to enable irrigation.	Construction of weir							Worldbank-FFLoCA

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Construction of Kwa-Masele	Climate Change	Constructing Weir to enable Irrigation and livestock use.	Construction of Weir.							Worldbank-FFLoCA
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