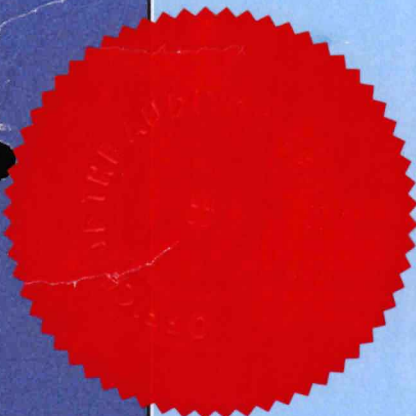
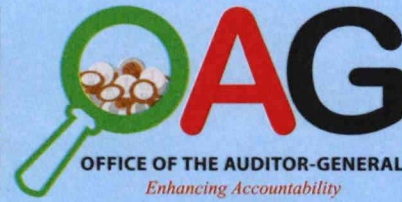



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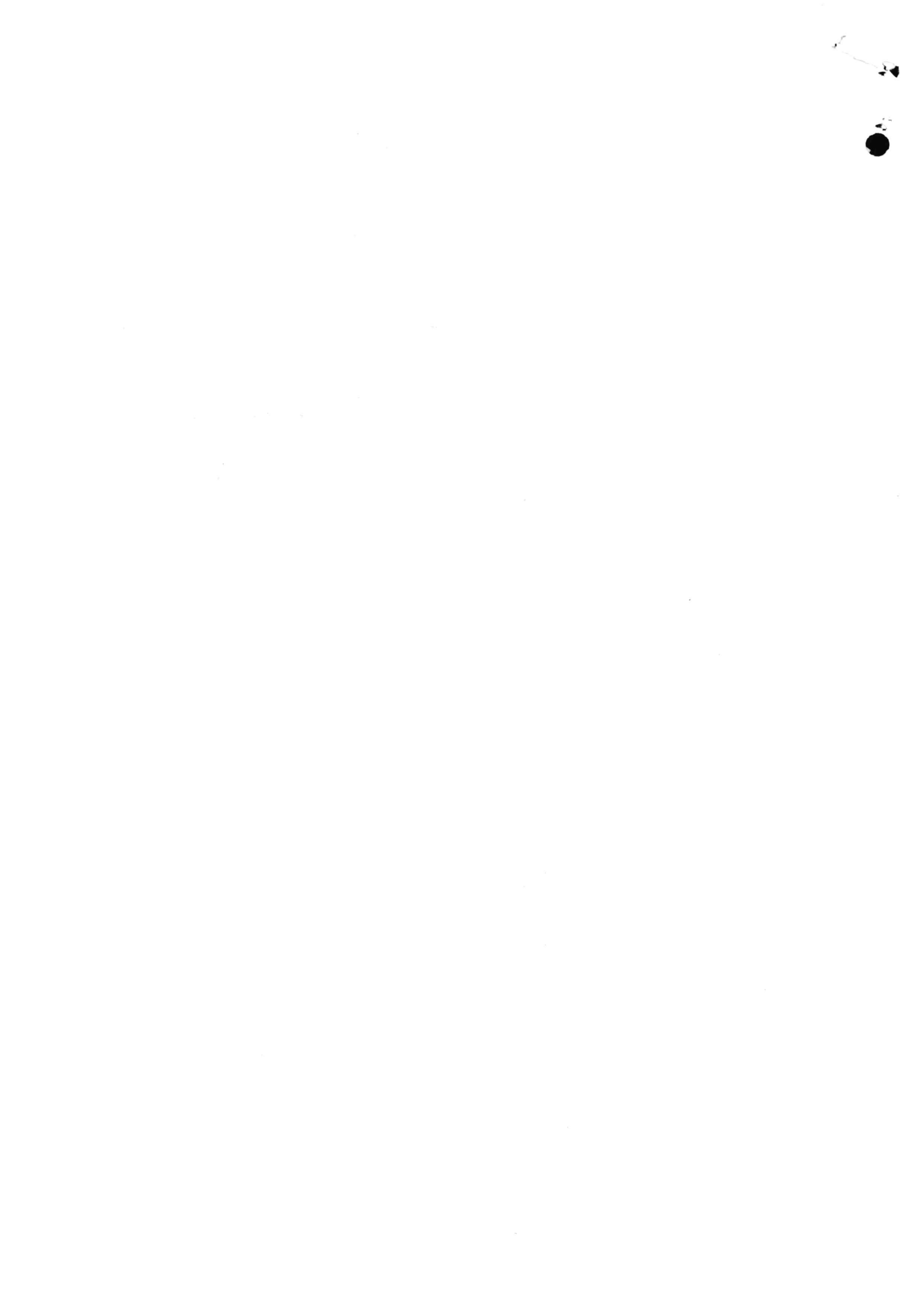
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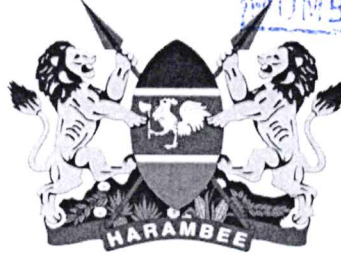
**MALINDI INTEGRATED SOCIAL HEALTH  
DEVELOPMENT PROGRAMME PHASE II  
(MISHDP-II)-PROJECT GRANT/CREDIT  
NUMBER F.ROT/AID 18/005/00**

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

**COAST DEVELOPMENT AUTHORITY**



OFFICE OF THE AUDITOR - GENERAL  
P.O.Box 95202, MOMBASA  
29 SEP 2025  
RECEIVED  
MOMBASA REGIONAL OFFICE



**PROJECT NAME: MALINDI INTEGRATED SOCIAL HEALTH DEVELOPMENT  
PROGRAMME PHASE II (MISHDP-II)**

**IMPLEMENTING ENTITY: COAST DEVELOPMENT AUTHORITY**

**PROJECT GRANT/CREDIT NUMBER: F.ROT/AID 18/005/00**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2025**

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**Transitional IPSAS Financial Statements/Prepared in accordance with the Accrual Basis of Accounting  
Method under the International Public Sector Accounting Standards (IPSAS)**

*Malindi Integrated Social Health Development Programme Phase II (MISHDP-II)  
Annual Report and Financial Statements for the financial year ended June 30, 2025*

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### **Acronyms and Definition of Terms**

|                |   |
|----------------|---|
| AICS           | Italian Agency for Development Cooperation                    |
| CBK            | Central Bank of Kenya   |
| CDA            | Coast Development Authority                                   |
| ICPAK          | Institute of Certified Public Accountants of Kenya            |
| IMF            | International Monetary Fund                                   |
| IPSAS          | International Public Sector Accounting Standards              |
| MISHDP-II      | Malindi Integrated Social Health Development Project Phase II |
| NT             | National Treasury   |
| NPSC           | National Programme Steering Committee                         |
| PFM            | Public Finance Management                                     |
| PIT            | Programme Implementation Team                                 |
| PMU            | Programme Management Unit                                     |
| PSASB          | Public Sector Accounting Standards Board                      |
| WB             | World Bank  |
| Comparative FY | Financial year preceding the current financial year           |

## **Project Information and Overall Performance**

### **2.1 Name and registered office**

#### **Name**

The project's official name is Malindi Integrated Social Health Development Programme Phase II (MISHDP-II)

**Project Grant/Credit Number: F.ROT/AID 18/005/00**

#### **Objective**

**Goal -** The overall goal of the programme is to improve the social and economic development of Malindi and Magarini sub-counties.

#### **Specific objectives:**

- To improve the Education facilities and school enrollment in Magarini sub-county.
- To improve Health facilities and access in Malindi and Magarini sub-counties.
- To improve Infrastructure and access in Malindi and Magarini area in general.
- To strengthen local, County and regional capacity for sustainable programme management.

#### **Address**

The project headquarters offices are in Mombasa Town, Mombasa County, Kenya. The address of its registered office is:

Coast Development Authority  
P.O. Box 1322-80100  
Mombasa, Kenya

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

Managing Director  
Coast Development Authority  
P.O. Box 1322-80100  
Mombasa, Kenya  
Telephone: 254-020-8009196; 0794100000  
E-mail: [cda@cda.go.ke](mailto:cda@cda.go.ke)  
Website: [www.cda.go.ke](http://www.cda.go.ke)

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

**2.2 Project Information**

|                        |  |
|------------------------|--|
| Project Start Date:    | 30 <sup>th</sup> May 2022  |
| Project End Date:      | 30 <sup>th</sup> May 2025  |
| Project Extension Date | 15 <sup>th</sup> February 2027   |
| Project Manager:       | Dr Mwanasiti Bendera   |
| Project Sponsor:       | Government of Italy through Italian Agency for Development Cooperation |

**2.3 Project Overview**

|  |   |
|--|---|
| Line Ministry/State Department of the project                    | Ministry of East African Community (EAC), Arid & Semi-Arid Lands (ASALs) & Regional Development.<br>State Department for Arid & Semi-Arid Lands (ASALs) & Regional Development.   |
| Project/Credit number  | F.ROT/AID 18/005/00   |
| Strategic goals of the project                                   | The strategic goals of the project are as follows:<br><b>Goal</b> - The overall goal of the programme is to improve the social and economic development of Malindi and Magarini sub-counties.<br><br><b>Specific objectives:</b> <ul style="list-style-type: none"> <li>• To improve the Education facilities and school enrollment in Magarini sub-county.</li> <li>• To improve Health facilities and access in Malindi and Magarini sub-counties.</li> <li>• To improve Infrastructure and access in Malindi and Magarini area in general.</li> <li>• To strengthen local, County and regional capacity for sustainable programme management.</li> </ul> |
| Summary of Project Strategies for achievement of strategic goals | The project management aims to achieve the goals through the following means:   |

|  |   |
|--|---|
|  | <ol style="list-style-type: none"> <li>i. Ngomeni Secondary School: Construction of 1 No. Kitchen &amp; 1 No. Dining hall, Construction and furnishing of 4 No. Classrooms, Construction and furnishing of 1 No. Dormitory.</li> <li>ii. Ngomeni Primary school: Renovation and furnishing of 6 No. Classrooms.</li> <li>iii. Rasi Primary School: Construction and furnishing of 6 No. Classrooms, Construction and equipping of 1No. JSS Laboratory, Construction of 5 No. Blocks of 3-door pit V.I.P latrines.</li> <li>iv. Midodoni Primary School: Construction and equipping of 1No. JSS Laboratory.</li> <li>v. Burangi primary school: Construction and furnishing of 8 No. Classrooms, Construction and equipping of 1No. JSS Laboratory, Construction of 3 No. Blocks of 3-door pit V.I.P latrines.</li> <li>vi. Provision of an award scheme for 5 best performing students in each class (F1 - 4) in Ngomeni Secondary School each year for 3 yrs.</li> <li>vii. Construction and equipping of Intensive Care Unit (ICU) and High Dependent Unit (HDU) at Malindi Sub-County Hospital.</li> <li>viii. Provision of equipment and furniture for kitchen and laundry at Mambui dispensary including renovation Works.</li> <li>ix. Construction and equipping of Assistant Chief's Office at Ngomeni village</li> <li>x. Construction and equipping of solar powered borehole at Rasi village</li> <li>xi. Tarmacking of 11.5Km Mjanaheri – Ngomeni Road</li> <li>xii. Construction and equipping of CDA Malindi office, furnishing &amp; equipping the PMU offices</li> <li>xiii. Renovation of CDA headquarters</li> <li>xiv. Exchange visits, seminars and workshops conducted – School mentorship programme</li> <li>xv. Project Management Unit expenses</li> <li>xvi. 1 No. 4-wheel vehicle procured</li> <li>xvii. Internal &amp; External (Auditor General) financial audits reports, ESIA</li> <li>viii. Programme launched, branded, documented and information disseminated and monitored</li> </ol> |
| <p>Other important background information of the project</p> | <p>CDA successfully implemented the Malindi Integrated Social Health Development Programme Phase I (MISHDP-I) between June 2008 and 2012. The programme was designed to improve the social and economic development of Malindi and Magarini sub-counties with special focus on Ngomeni location. The completed projects in MISHDP-I are in operation and serving the local population in the infrastructure (road, sea wall, water), education and health facilities. MISHDP-II focuses on Education, Health and Infrastructure sectors as well as strengthening institutional capacities for sustainable programme management.</p>   |

|   |  |
|---|--|
| <p>Areas that the project was formed to intervene</p> | <p>The project was formed to intervene in the following problems/gaps</p> <ul style="list-style-type: none"> <li>(i) The programme will directly enhance access to education to over 4,000 students in Magarini and Malindi sub-counties through provision of better learning facilities</li> <li>(ii) Improved access to better health care services particularly for women and children thereby reducing morbidity and mortality rates in Kilifi County</li> <li>(iii) Improved trade within the area through establishment of better road, bridge and communication networks thereby stimulating economic growth and improved livelihoods</li> <li>(iv) Enhanced access to potable water thereby reducing incidence of waterborne diseases</li> <li>(v) Improved capacity of public institutions in coordinating and implementing community projects</li> <li>(vi) Reduction of social vices such as early marriages and unwanted pregnancies by school going children</li> <li>(vii) Poverty reduction through education and improved trade</li> </ul> |
| <p>Project duration</p>                               | <p>3 Years with additional 18 months extension</p>   |

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

**2.4 Bankers**

The following are the bankers for the project:

- (i) National Bank of Kenya Limited  
Head Office, National Bank Building  
Harambee Avenue,  
P.O Box 72666-00200  
Nairobi, Kenya

**2.5 Independent Auditor**

The project is audited by the  
Office of the Auditor General  
Head Office, Anniversary Towers  
P.O BOX 30084-00100  
Nairobi

## 2.6 Roles and Responsibilities

| <b>Names</b>              | <b>Title Designation</b>                           | <b>Key qualification</b> | <b>Responsibilities</b>        |
|---------------------------|--|--------------------------|--------------------------------|
| Mwanasiti Mohamed Bendera | Ag. Managing Director                              | PhD                      | Programme Manager              |
| Rose Rehema Mweni         | CDA Kilifi County Coordinator                      | MSc                      | Programme Coordinator          |
| Hassan Moulid             | Senior Civil Engineer                              | MSc                      | Programme Engineer             |
| Monicah Chepkemoi         | Principal Accountant                               | MSc                      | Programme Accountant           |
| Wycliff Maranga           | Assistant Procurement Officer                      | Diploma                  | Procurement                    |
| Geoffrey Rono             | Director Research, Strategy, Planning & Compliance | PhD                      | M&E                            |
| Juweiriya Omar            | Senior Administrative Officer                      | Diploma                  | Administration                 |
| Nancy Sidi                | Communication Officer                              | Degree                   | Public relations and Publicity |
| Hafsa Thabit              | Senior Legal Officer                               | Degree                   | Legal services                 |

## 2.7 Funding summary

The Project duration was initial for 3 years from May 2022 to May 2025. However it was given an extension period of up to February 2027 with an approved budget of Euros 6,395,373 equivalent to Kshs 856,979,832 as highlighted in the table below:



Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

| Source of funds                | Donor Commitment  |                    | Amount received to date<br>– (30 <sup>th</sup> June 2025) |                       | Undrawn balance to<br>date |                       |
|--------------------------------|-------------------|--------------------|---|-----------------------|----------------------------|-----------------------|
|                                | Donor<br>currency | Kshs               | Donor<br>currency<br>Kshs                                 | Kshs                  | Donor<br>currency<br>Kshs  | Kshs                  |
|                                | (A)               | (A')               | (B)   | (B')                  | (A)-(B)                    | (A')-(B')             |
| <b>(i) Grant</b>               |                   |                    |   |                       |                            |                       |
| -                              | -                 | -                  | -   | -                     | -                          | -                     |
| -                              | -                 | -                  | -   | -                     | -                          | -                     |
| <b>(ii) Loan</b>               |                   |                    |   |                       |                            |                       |
| Government of Italy            | 6,395,373         | 856,979,832        | 1,999,995   | 271,535,110.40        | 4,395,378                  | 585,444,721.60        |
| <b>(iii) Counterpart funds</b> |                   |                    |   |                       |                            |                       |
| Government of Kenya            | -                 | -                  | -   | -                     | -                          | -                     |
| <b>Total</b>                   | <b>6,395,373</b>  | <b>856,979,832</b> | <b>1,999,995</b>  | <b>271,535,110.40</b> | <b>4,395,378</b>           | <b>585,444,721.60</b> |

/

*Malindi Integrated Social Health Development Programme Phase II (MISHDP-II)*  
*Annual Report and Financial Statements for the financial year ended June 30, 2025*

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

**B. Application of Funds**

| Application of funds              | Amount received to date –<br>(30 <sup>th</sup> June 2025) |                       | Cumulative amount paid to<br>date – (30 <sup>th</sup> June 2025) |                    | Unutilised balance to date<br>(30 <sup>th</sup> June 2025) |                   |
|-----------------------------------|---|-----------------------|--|--------------------|--|-------------------|
|                                   | <i>Donor<br/>currency</i>                                 | <i>Kshs</i>           | <i>Donor<br/>currency</i>  | <i>Kshs</i>        | <i>Donor<br/>currency</i>                                  | <i>Kshs</i>       |
|                                   | <i>(A)</i>  | <i>(A')</i>           | <i>(B)</i>   | <i>(B')</i>        | <i>(A)-(B)</i>   | <i>(A')-(B')</i>  |
| <b>(i) Grant</b>                  |   |                       |  |                    |  |                   |
| -                                 | -   | -                     | -  | -                  | -  | -                 |
| -                                 | -   | -                     | -  | -                  | -  | -                 |
|                                   |   |                       |  |                    |  |                   |
| <b>(i) Loan</b>                   |   |                       |  |                    |  |                   |
| Government of Italy               | 1,999,995   | 271,535,110.00        | 1,590,850  | 215,973,755        | 409,261  | 55,561,355        |
|                                   |   |                       |  |                    |  |                   |
| <b>(ii) Counterpart<br/>funds</b> |   |                       |  |                    |  |                   |
| Government of Kenya               | -   | -                     | -  | -                  | -  | -                 |
| <b>Total</b>                      | <b>1,999,995</b>  | <b>271,535,110.00</b> | <b>1,590,850</b>   | <b>215,973,755</b> | <b>409,261</b>   | <b>55,561,355</b> |

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

**2.8 Summary of Overall Project Performance:**

*i) Budget performance against actual amounts for current year and for cumulative to date.*

The total programme financing is Euros 6,395,373 disbursed in 2 instalments; 1st instalment of Euros 2,000,000 and 2nd instalment of Euros 4,395,373. The project effectiveness date is May 2022 and it was launched in 28th March 2023 upon receipt of 1<sup>st</sup> disbursement totalling to KShs.271,535,110.00 where activity implementation commenced. The 2<sup>nd</sup> instalment of Euros 4,395,373 shall be disbursed to the National Treasury after submission of the 1<sup>st</sup> instalment Audited Interim Financial Report. Clause 9.4 of the Loan Agreement and clause 6.4 of the Financing Agreement require that the audit report shall prove a commitment of at least 60% and an expenditure of at least 40% of the funds previously disbursed. By the absorption rate of the 1<sup>st</sup> instalment received is reported to be 76% by 30<sup>th</sup> June 2025.

The Authority completed the External Financial Audit in September 2024 that was submitted to the Office of Audit General for approval and award of Audit certificate. The Audit Certificate/Approved Audit report was issued and the Authority submitted it to the National treasury through our Ministry as per the condition of the Loan Agreement in November 2024. The AICS and Cassa Depositi e Prestiti S.p.A (CDP) insisted on a separate Procurement process audit by the Office of the Auditor General which was done on May 2025 and report received in 24th June 2025. The AICS and Cassa Depositi e Prestiti S.p.A (CDP) are yet to approve the Audited Financial Report and Procurement report for the 2<sup>nd</sup> disbursement equivalent of Euros 4,395,373 to be released. The fund is mainly for two activities: tarmacking of Mjanaheri-Ngomeni Road whose contract has been awarded and site handed over to the Contractor; and equipping and furnishing of the constructed ICU and HDU block. The contract for Tarmacking of Mjanaheri-Ngomeni road project commencement date was put on hold until the receipt of the 2<sup>nd</sup> disbursement.

*ii) Physical progress based on outputs, outcomes, and impacts since project commencement,*

Coast Development Authority (CDA) has been implementing the Malindi Integrated Social Health Development Programme Phase II (MISHDP-II) following the receipt of fund and its launch in 28th March 2023. The programme is financed and supported by the Republic of Italy through Italian Agency for Development Cooperation with the project effectiveness date being May 2022. This report gives the accomplishment of MISHDP-II activities for Quarter 2 of FY 2024/2025 in the period of 1<sup>st</sup> October to 31<sup>st</sup> December 2024. In Quarter

***Malindi Integrated Social Health Development Programme Phase II (MISHDP-II)***  
***Annual Report and Financial Statements for the financial year ended June 30, 2025***

2 of FY 2024/2025 absorption rate increased from 54% to 66% with all construction projects reported to be 100% complete. In Quarter 3 of FY 2024/2025 the absorption rate has increase further from 66% to 70%. The programme is closing the Quarter 4 of FY 2024/2025 with the absorption rate increasing to 76%. The Ongoing construction projects are the Construction of High Dependent Unit (HDU) at Malindi Sub-County Hospital is at 81% completion and Tarmacking of 11.5Km Mjanaheri Ngomeni Road has not commenced while the completed projects include:

- Ngomeni Secondary School: Construction of 1 No. Kitchen & 1 No. Dining hall, 4 No. Classrooms and 1 No. Dormitory.
- Ngomeni Primary school: Renovation of 6 No. Classrooms.
- Rasi Primary School: Construction of 6 No. Classrooms, 1No. JSS Laboratory and 5 No. Blocks of 3-door pit V.LP latrines.
- Midodoni Primary School: Construction of 1No. JSS Laboratory.
- Burangi primary school: Construction of 8 No. Classrooms, 1No. JSS Laboratory and 3 No. Blocks of 3-door pit V.LP latrines.
- Construction of Intensive Care Unit (ICU) at Malindi Sub-County Hospital
- Mamburui dispensary: Renovation Works for kitchen and laundry
- Construction of Assistant Chief's Office at Ngomeni village
- Construction and equipping of CDA Malindi office, furnishing & equipping the PMU offices
- Renovation of CDA headquarters

Furnishing and equipping of the completed facilities has been done and it includes:

- Ngomeni Secondary School: Supply of 240 locker and chairs for the 4 No. Classrooms and supply of 36No. Double decker beds and 72No. mattresses for the 1No. Dormitory.
- Ngomeni Primary school: Supply of 120 desks, 120 locker and chairs for the 6 No. Classrooms.
- Rasi Primary School: Supply of 120 desks, 120 locker and chairs for the 6 No. Classrooms and Supply of 36 lab stools and equipment for the 1No. JSS Laboratory.
- Midodoni Primary School: Supply of 36 lab stools and equipment for the 1No. JSS Laboratory.
- Burangi primary school: Supply of 240 desks, 80 locker and chairs for the 8 No. Classrooms, Supply of 36 lab stools and equipment for the 1No. JSS Laboratory.
- Supply of equipment and furniture for kitchen and laundry at Mamburui dispensary
- Supply of office equipment for the Assistant Chief's Office at Ngomeni village

The programme governance structure i.e., Programme management Unit (PMU) and Local Project Committee (LPC) meetings were held for project appraisal. To ensure compliance,

and better coordination and management of the programme, M&E activities were conducted. A strong and proactive collaboration is observed in all the personnel from various institutions, the community and contractors engaged in the programme during this reporting period through the established governance structure. To increase publicity of the programme activities, information dissemination was enhanced through website, social media and directly to stakeholders as stipulated in the communication strategy.

***a. The absorption rate for each year since the commencement of the project.***

The absorption rate in Quarter 4 increased from 70% to 76% by 30<sup>th</sup> June 2025 with all reported construction projects being 100% complete. The Low absorption of funds observed in the report is due to the nature of planned activities most of which are construction works that needs to comply with government regulation thus time consuming. It is anticipated that the absorption rate will increase upon completion procurement of furniture and equipment of constructed facilities.

***b. Implementation challenges and recommended next steps.***

Key challenges have been experienced in the implementation of the MISHDP-II that resulted to a significant time lapse of more than one (1) year that caused delay in achieving the Project Development Objectives and affected completion of projects within the stipulated project timelines. These includes:

- Delay in the disbursement of funds - the programme date of effectiveness is May 2022 and CDA received the first disbursement in March 2023 affecting commencement of procurement process. Most of the project activities are mainly construction of facilities hence the Authority could not achieve the threshold of 60% of funds disbursed commitment and 40% of disbursed funds spent for the 1<sup>st</sup> instalment to qualify for release of the 2<sup>nd</sup> instalment.
- Procurement Procedures (Long tendering process/ adherence to procurement laws)
- Delay in tax exemptions approval process. The project is tax exempt and required tax exemption. CDA requested approval of the Master list of items in May 2023 and approval was granted in December 2023.
- Auditing Process - Auditor General aligns audit to the Financial Year (Audit commenced after close of Financial Year).

However, the project was guaranteed 18 months no cost extension to complete the remaining activities.

**2.9 Summary of Project Compliance:**

The programme implementation has complied with the necessary laws and regulations including the PFM Act 2012 and Kenya vision 2030 flagship projects, and the programme financing agreements. It also has the following risks and mitigation as highlighted from the Project Appraisal Document.

**a) Risks identified during Project design**

Rating ranges from: - “Low” (L), “Moderate” (M), “Substantial” (S) or “High” (H)

| <b>Risk</b>  | <b>Rating</b> | <b>Mitigation Measures</b>   |
|--|---------------|--|
| <b>1. Stakeholder Risk:</b>  |               |  |
| Multiple agencies involvement in the various projects within this programme has affected implementation (AICS, GoK Ministries, Public Works, KeRRA, County Govt. of Kilifi etc.)   | II            | There has been continuous consultation and collaboration among stakeholders in the implementation of targeted activities.  |
| Local communities in the specific project sites not fully integrated into planning and implementation of this programme  | S             | The established local project communities (I-PC's) are actively involved in the implemented projects.  |
| <b>2. Operating Environment Level Risks</b>  |               |  |
| <b>Country Risk</b> - There exist two levels of governments (National & County), which may affect implementation of the Project Development Objectives (PDO).  | M             | The signing of the Loan and Financial Agreement excludes political interference from both levels of government.<br>Both governments support the implementation of the programme activities.<br>This is specifically observed in the ICU project. |
| <b>Institutional (Sector/Multi-sector)</b> - The participating institutions in this multi-sectoral programme may lack adequate ownership and commitment to a shared strategy; clarity of roles and responsibilities; effective coordination mechanisms and/or fraud and corruption controls, needed to achieve the PDO | M             | The programme implementation has engaged all the relevant institutions in its 3 level of governance i.e. NPSC, PIT and I-PC's.   |
| <b>3. Implementing Agency Level Risk</b>   |               |  |

| Risk   | Rating | Mitigation Measures   |
|--|--------|---|
| <p><b>Capacity Risk</b> - The staff turnover for the professional / skilled personnel e.g. Engineers within the Implementing Agencies that can pose a risk in efficiently and effectively achieving the desired PDO</p>  | I.     | The programme design and implementation ensured that the technical officers engaged are nominated by the respective institutions and programme activities are facilitated according to the GOK policies on officers working away from their workstations.   |
| <p><b>Governance Risk</b> - The programme governance related to irregularities at various levels:</p> <ul style="list-style-type: none"> <li>• Reporting and governance structures,</li> <li>• Oversight bodies mandates, roles and responsibilities</li> <li>• Stakeholder and human resource capabilities,</li> <li>• Project Management and documentation of change.</li> </ul> | II     | The Programme design and implementation governance has various levels: NPSC, PMU, PTT and LPCs that ensures the risk mitigation is addressed in all levels for the smooth implementation of the planned activities.   |
| <p><b>4. Project Level Risk</b></p> <p><b>Design Risk</b> - If the programme not being well designed results to inadequate or failed structures, processes and systems.</p>  | II     | The programme design borrowed heavily from the experiences and successes of MISHDP-I and the ongoing Mwache multi-purpose dam (KWSCR-2) that has similar operational implementing structures starting from the NPSC for oversight, the PMU as a coordinating unit, PTT for all stakeholder technical expertise for implementation and supervision of works, and the LPCs to engage the local community on the ground for participatory implementation and monitoring of progress. |
| <p><b>Safeguards Risk</b> (Environment, safety, and social risks) - The programme may have a detrimental effect on the environment or that hidden hazards may be uncovered during project execution.</p>   | S      | Environmental Social Impact Assessment (ESIA) and Environmental Audit (EA) were carried out during implementation for all the construction projects.  |

**b) Critical Risks Affecting Progress (Not identified at project design)**

- Heavy rains delayed some of the ongoing construction works but they are now on completed.

Statement of Performance against Project's Predetermined Objectives

| Objectives  | Projects   | Achievement/ Status   | Variance        |
|---|--|---|-----------------|
| 1. To Improve the Education facilities and school enrollment in Malindi and Magarini sub-counties | Ngomeni Secondary School<br>Construction of 1 No. Dining hall & 1 No. Kitchen                        | <b>100% completion</b><br>• Officially handed over to the school<br>• Being used by the school and community  | • Commissioning |
|   | Ngomeni Secondary School<br>Construction of 4 No. Classrooms with Suspended Slab                     | <b>100% completion</b><br>• 240 locker and 240 chairs supplied<br>• Officially handed over to the school<br>• Being used by the school              | • Commissioning |
|   | Ngomeni Secondary School<br>Construction of 1 No. Dormitory  | <b>100% completion</b><br>• 36 Double decker beds and 2 mattresses supplied<br>• Officially handed over to the school<br>• Being used by the school | • Commissioning |
|   | Ngomeni Primary school:<br>Renovation of 6 No. Classrooms Block                                      | <b>100% completion</b><br>• 120 desks, 120 locker and 120 chairs supplied<br>• Officially handed over to the school<br>• Being used by the school   | • Commissioning |
|   | Rasi Primary School:<br>Construction of 6 No. Classrooms Block                                       | <b>100% completion</b><br>• 120 desks, 120 locker and 120 chairs supplied<br>• Officially handed over to the school<br>• Being used by the school   | • Commissioning |
|   | Rasi Primary School:<br>Construction of ISS Laboratory and 5 No. Blocks of 3-door pit V.I.P latrines | <b>100% completion</b><br>• 36 lab stools, equipment and reagents supplied<br>• Officially handed over to the school<br>• Being used by the school  | • Commissioning |
|   | Midodoni Primary School:<br>Construction of ISS Laboratory   | <b>100% completion</b><br>• 36 lab stools, equipment and reagents supplied<br>• Officially handed over to the school<br>• Being used by the school  | • Commissioning |
|   | Burangi primary school:<br>Construction of 8 No. Classrooms  | <b>100% completion</b><br>• 240 desks, 80 locker and 80 chairs supplied<br>• Officially handed over to the school<br>• Being used by the school     | • Commissioning |

***Malindi Integrated Social Health Development Programme Phase II (MISHDP-II)***  
***Annual Report and Financial Statements for the financial year ended June 30, 2025***

| <b>Objectives</b>  | <b>Projects</b>  | <b>Achievement/ Status</b>  | <b>Variance</b>   |
|--|--|---|---|
|  | Burangi primary school:<br>Construction of JSS<br>Laboratory and 3 No. Blocks<br>of 3-door pit V.I.P latrines              | <b>100% completion</b> <ul style="list-style-type: none"> <li>• 36 lab stools, equipment and reagents supplied</li> <li>• Officially handed over to the school</li> <li>• Being used by the school</li> </ul>   | <ul style="list-style-type: none"> <li>• Commissioning</li> </ul>   |
|  | Provision of an award<br>scheme for 5 best performing<br>students in each class (F1 - 4)<br>at Ngomeni Secondary<br>School | <b>Total paid Ksh. 900,000:</b> <ul style="list-style-type: none"> <li>• Ksh.450,000 for the 21 best performing student<br/>in 2023 Term 2 &amp; 3 and 2024 Term 1</li> <li>• Ksh.450,000 for the 23 best performing student<br/>in 2024 Term 1, 2 and 3 of Y2 of Award scheme</li> </ul> | <ul style="list-style-type: none"> <li>• Request of Ksh.<br/>150,000 for Term 2 of<br/>2025 done.</li> <li>• Request for 2 TV sets<br/>also done and<br/>procurement ongoing</li> </ul> |
|  |  |   | •   |
| 2. To Improve Health<br>facilities and access<br>in the sub-counties | Construction of Intensive<br>Care Unit at Malindi Sub-<br>County Hospital  | <b>100% completion</b> <ul style="list-style-type: none"> <li>• Contractor handed over the site</li> <li>• Officially handed over to the Hospital<br/>Management</li> </ul>   | <ul style="list-style-type: none"> <li>• Commissioning</li> </ul>   |
|  | Supply and delivery of<br>equipment and furniture for<br>the constructed ICU at<br>Malindi sub-county hospital             | <ul style="list-style-type: none"> <li>• Tender document done</li> <li>• To be implemented upon receipt of 2<sup>nd</sup> fund<br/>disbursement</li> </ul>  | <ul style="list-style-type: none"> <li>• No objection approvals</li> <li>• Tender advertisement,<br/>evaluation and award</li> <li>• Supply of furniture and<br/>equipment</li> </ul>   |
|  | Provision of equipment and<br>furniture for kitchen and<br>laundry at Mamburi<br>dispensary                                | <ul style="list-style-type: none"> <li>• Supply of equipment done</li> </ul>  | <ul style="list-style-type: none"> <li>• Commissioning</li> </ul>   |
|  | Renovations of the kitchen<br>and laundry at Mamburi<br>dispensary   | <b>100% completion</b> <ul style="list-style-type: none"> <li>• Officially handed over to the Hospital<br/>Management</li> </ul>  | <ul style="list-style-type: none"> <li>• Commissioning</li> </ul>   |
| 3. To Improve<br>infrastructure and<br>access in Malindi             | Construction of Chief's<br>Office at Ngomeni village   | <b>100% completion</b> <ul style="list-style-type: none"> <li>• Office furniture supplied</li> <li>• Officially handed over to the Administration</li> </ul>  | <ul style="list-style-type: none"> <li>• Commissioning</li> </ul>   |

*Malindi Integrated Social Health Development Programme Phase II (MISHDP-II)  
Annual Report and Financial Statements for the financial year ended June 30, 2025*

| <b>Objectives</b>            | <b>Projects</b>   | <b>Achievement/ Status</b>   | <b>Variance</b>  |
|------------------------------|---|--|--|
| and Magarini area in general | Drilling and equipping solar powered borehole at Rasi village | <p><b>58% completion</b></p> <ul style="list-style-type: none"> <li>• Water salinity on the 1<sup>st</sup> drilled borehole</li> <li>• The 2<sup>nd</sup> hydrogeological and geophysical investigation pinpointed drilling at grid reference (37M 636520 9669079), depth 20 m at a diameter of 12 inch and completed with 8-inch uPVC casing and screen, and gravel pack.</li> <li>• Re-mobilization done</li> <li>• Re-drilling done</li> <li>• Yield was low on the 2<sup>nd</sup> borehole hence capped and contract terminated</li> </ul>   | <ul style="list-style-type: none"> <li>• Activity dropped as Contract was terminated</li> </ul>  |
|                              | Tarmacking of 12Km Mjanaheri – Ngomeni Road                   | <ul style="list-style-type: none"> <li>• Final Design drawing and Bill of Quantities</li> <li>• Tender documents</li> <li>• Request for No Objection done on 26/9/2023 through email</li> <li>• ESIA done by KeRRA</li> <li>• MoU signed between KeRRA and CDA on the project implementation</li> <li>• Final Tender documents submitted to AICS and Approval letter of No Objection received on 08/02/2024</li> <li>• Tender advertised on 20/02/2024. Mandatory pre-tender site visit was done on 14<sup>th</sup> March 2024 and Tender opened on 5<sup>th</sup> April 2024</li> <li>• Evaluation report was submitted to AICS and No Objection to Award received on 11/06/2024</li> <li>• Contract awarded to M/s Sihaam Limited and Site handing over done</li> <li>• Resident Engineer appointed</li> </ul> | <ul style="list-style-type: none"> <li>• Site handing over</li> <li>• Construction and supervision</li> <li>• Commissioning</li> <li>• To be implemented upon receipt of 2<sup>nd</sup> fund disbursement</li> </ul> |
|                              | Construction of Burangi by-pass footbridge                    | <ul style="list-style-type: none"> <li>• Approved by NPSC on 29<sup>th</sup> August 2024 to be dropped and funds reallocated to construction and equipping of the ICU Block at Malindi sub-county hospital</li> </ul>  | <ul style="list-style-type: none"> <li>• Activity dropped</li> </ul>   |

**Malindi Integrated Social Health Development Programme Phase II (MISHDP-II)**  
**Annual Report and Financial Statements for the financial year ended June 30, 2025**

| <b>Objectives</b>   | <b>Projects</b>  | <b>Achievement/ Status</b>  | <b>Variance</b>  |
|---|--|---|--|
| 4. To Strengthen local, County and regional capacity for sustainable programme management | Construction of CDA Malindi office, furnishing & equipping the new offices   | <b>100% Complete</b><br><ul style="list-style-type: none"> <li>Furnished and Officially handed over to CDA</li> </ul>   | <ul style="list-style-type: none"> <li>Commissioning</li> </ul>  |
|   | Renovation of CDA headquarters   | <ul style="list-style-type: none"> <li><b>100% Complete</b> and Officially handed over to CDA</li> </ul>  | <ul style="list-style-type: none"> <li>Nil</li> </ul>  |
|   | Renovation of Technical building roof at CDA headquarters  | <ul style="list-style-type: none"> <li><b>100% Complete</b> and Officially handed over to CDA</li> </ul>  | <ul style="list-style-type: none"> <li>Nil</li> </ul>  |
|   | Exchange visits, seminars and workshops conducted  | Mentorship programme sessions for Ngomeni Secondary and Primary Schools: <ul style="list-style-type: none"> <li>VBE for Teachers and BoM of Ngomeni Secondary and Primary Schools</li> <li>Parenting dialogue and community transect walk</li> <li>240 students mentored on self-awareness, role modeling and dialogue</li> </ul> | <ul style="list-style-type: none"> <li>Need to complete the last activity of life skills and VBE for the 240 students</li> </ul>                           |
|   | Project Management Unit expenses; Programme operation costs (bank charges, fuel, stationery, office equipment etc.) and purchase of ERP software | <ul style="list-style-type: none"> <li>Master list for Road and supplementary items approved</li> <li>Continuous Data upload into the installed ERP Project management system</li> </ul>  | <ul style="list-style-type: none"> <li>Continuous Data upload into the installed ERP Project management system</li> </ul>                                  |
|   | Tender documents prepared, advertised and contracts awarded  | <ul style="list-style-type: none"> <li>9No. Tenders awarded for goods</li> <li>25No. Tenders awarded services</li> <li>2No. Tenders awarded for works</li> </ul>  | <ul style="list-style-type: none"> <li>Tender advertisement, evaluation and award for works, goods and services for the extended project period</li> </ul> |
|   | Internal & External (Auditor General) financial audits reports, ESIA EA  | <ul style="list-style-type: none"> <li>Internal and external financial audits done</li> </ul>   | <ul style="list-style-type: none"> <li>Nil</li> </ul>  |
|   | Programme launched, branded, documented and information disseminated and monitored   | <ul style="list-style-type: none"> <li>Submitted FY 2023-2024 Annual and Quarterly reports (soft &amp; hard copies) to AICS</li> <li>Submitted FY 2024-2025 Quarterly reports</li> <li>5<sup>th</sup> NPSC meeting held on 29/08/2024</li> </ul>  | <ul style="list-style-type: none"> <li>Branding</li> <li>Documentation and information</li> </ul>  |

*Malindi Integrated Social Health Development Programme Phase II (MISHDP-II)*  
*Annual Report and Financial Statements for the financial year ended June 30, 2025*

| Objectives | Projects | Achievement/ Status   | Variance                    |
|------------|----------|---|-----------------------------|
|            |          | <ul style="list-style-type: none"> <li>• 6<sup>th</sup> PIT meeting held on 17 12 2024</li> <li>• 7<sup>th</sup> PIT meeting held on 24 6 2025</li> <li>• LPC meetings held</li> <li>• Branding templates approved by AICS</li> <li>• Branding ongoing for the completed facilities</li> <li>• Documentation and information dissemination – Pwani FM and Mombasa ASK Show, website, Facebook, Twitter</li> <li>• M&amp;E done</li> </ul> | dissemination is continuous |

#### **4.Environmental and Sustainability reporting**

The MISHDP - II is a culmination of development ideas and requests from the local community in Malindi and Magarini sub-counties that was triggered by need for such facilities and services. This in itself creates strong aspect of community ownership particularly in utilizing and managing the facilities. The local community and stakeholder have been proactively engaged in the implementation of this programme through the Local Project Committees. This has strengthened the collaboration and improved the programme performance.

##### **1 Sustainability Strategy and Profile**

Institutional sustainability is a key objective for the implementation of the components, given the integrated nature of this programme, which has involved several institutions with different mandates, attributes, and functions intervening in various stages. This sustainability has been ensured through the engagement and commitment of the participating institutions namely: KeRRA; Ministry of Early and Basic Education; Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works; Ministry of Interior and Coordination of National Government; and the County Government of Kilifi among others.

| <b>S/No.</b> | <b>Stakeholder</b>  | <b>Roles / Responsibilities</b>  |
|--------------|---|--|
| 1            | Italian Agency for Development Cooperation                | <ul style="list-style-type: none"> <li>- Provide financing for programme (Development Partner)</li> <li>- Member of the National Programme Steering Committee</li> </ul>   |
| 2            | The National Treasury and Planning                        | <ul style="list-style-type: none"> <li>- Execute the lending instruments with the financier and/or its agents</li> <li>- Provide funding guidelines and funds disbursement</li> <li>- Member of the National Programme Steering Committee (Represented by PS)</li> </ul> |
| 3            | Ministry of East African Community & Regional Development | <ul style="list-style-type: none"> <li>- Provide programme oversight</li> <li>- Chair of the National Programme Steering Committee (Represented by PS)</li> </ul>  |
| 4            | Coast Development Authority                               | <ul style="list-style-type: none"> <li>- Supervision and coordination of the programme implementation</li> <li>- Member of the National Programme Steering Committee (Represented by MD &amp; PM)</li> <li>- Chair of the PMU/PTT</li> </ul>                             |

**Malindi Integrated Social Health Development Programme Phase II (MISHDP-II)**  
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| S/No. | Stakeholder  | Roles / Responsibilities  |
|-------|--|---|
| 5     | Ministry of Early and Basic Education  | <ul style="list-style-type: none"> <li>- Provide guidelines on the education sector and implementation oversight</li> <li>- Member of the National Programme Steering Committee (Represented by PS)</li> </ul>  |
| 7     | Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works | <ul style="list-style-type: none"> <li>- Provide guidelines on the infrastructure &amp; transport sector and implementation oversight</li> <li>- Member of the National Programme Steering Committee (Represented by PS)</li> <li>- Member of PMU/PTT Represented by KERRA and Public works Regional Offices</li> </ul> |
| 8     | Ministry of Interior and Coordination of National Government                       | <ul style="list-style-type: none"> <li>- Member of PMU/PTT Represented by Regional Commissioner</li> <li>- Member of the Local Project Committees represented by Assistant County Commissioner</li> <li>- Community mobilization and awareness creation</li> </ul>  |
| 9     | Public Works (National Government)   | <ul style="list-style-type: none"> <li>- Provide technical input, supervision and monitoring of the construction of the activities</li> <li>- Members of the Local Project Committees</li> </ul>  |
| 10    | Kilifi County Government<br>Dept. for Health and Roads & Public Works              | <ul style="list-style-type: none"> <li>- Provide technical input, supervision and monitoring of the construction of the activities</li> <li>- Member of PMU/PTT Represented by Chief officer Health and Roads</li> <li>- Members of the Local Project Committees</li> </ul>   |
| 11    | NGOs / CBOs / FBOs   | <ul style="list-style-type: none"> <li>- Oversee the implementation of the projects on the ground</li> <li>- Members of the Local Project Committees</li> </ul>   |
| 12    | Community  | <ul style="list-style-type: none"> <li>- Programme beneficiaries</li> <li>- Members of the Local Project Committees</li> <li>- Monitor the implementation of project activities</li> </ul>  |

The education and health facilities are being established in existing public institutions whereby upon completion of the construction works, these facilities will be handed over to the institutions who will be the custodians. The sustainability of the expected economic benefits of the programme depends on the continued maintenance of the physical infrastructure and the operational efficiency of the facilities established by the sectoral institutions involved in the implementation of this programme. These institutions receive annual financial support from the government and have management structures already in place. Consequently, users of these facilities (e.g. hospital) pay to access some of the services hence these revenues generated can be used to meet some of the

operational and maintenance costs after programme completion. Additionally, these institutions have staffs already deployed and paid by the government who provide the technical services required by the public. The programme has a strong capacity building component for CDA and other stakeholders involved in the implementation of the programme. This will enhance the capacity of these institutions in implementing the programme now and in future

## **2. Environmental Performance**

The Government of Kenya recognizes that environmental management, poverty reduction, and economic growth are closely linked, and has designed policies and institutional frameworks to address the situation. The government's long-term development strategy, Vision 2030, accordingly includes strategies for action in the environment sector, including conservation of natural resources, pollution and waste management, high-risk disaster zone management, environmental planning and governance, and climate change adaptation.

The programme will conduct specific ESIA that aims to ensure sustainability, inclusion and equity during project implementation, and secure compliance with the environmental and social policies of both parties i.e. Government of Kenya and Government of Italy. The ESIA will form the basis of an Environmental and Social Management Plan prepared in consultation with the communities in the project areas and with other major stakeholders, to ensure their participation in and input into the programme.

## **3. Employee welfare**

The programme is being implemented by the Staff of CDA and therefore no hiring of staff was done for the project.

## **4. Marketplace practices-**

### **a) Responsible Supply chain and supplier relations-**

The programme is dealing with contractors who were awarded the contracts for construction of buildings and supply of Equipment's and payments is done upon inspection of works done.

**b) Responsible ethical practices**

The MISHDP-II is integrated in nature and the implementation is supervised and coordinated by CDA. CDA is committed to upholding responsible ethical practices, regulatory compliance, and community engagement. This is illustrated in the Governance Structure of MISHDP-II which has got 3 levels namely: Local Community level, Stakeholder implementation level and National level.

The National Programme Steering Committee (NPSC), Programme Implementation Team (PIT), Programme Management Unit (PMU) and Local Project Committees (LPCs) were established for effective coordination and transparency of the programme implementation.

**c) Regulatory impact assessment**

At the onset of the implementation, an ESIA was undertaken for each of the project sites.

A Baseline Survey was also undertaken so as to get the basic data that the Programme will work to improve on.

The Local Project Committee for each project meets on monthly basis to carry out project inspection of the construction works in the presence of the Contractor. Issues picked are discussed in the LPC meeting that is held on monthly basis.

**Community Engagements**

Local Level:

The Local Project Committee (LPC) are project based and are responsible for the day to day implementation of the specific projects i.e Schools, Health facility on the ground. The membership comprises of a representative from the PMU in addition to representatives drawn on need basis on the ground as specified in the specific project. The LPC meets on monthly basis to carry out inspection of the construction works in the presence of the Contractor which is a regulatory requirement and thereafter the members sit in an LPC meeting to deliberate on the progress, challenges and recommendations. The community members are thus empowered to own up and supervise the project to ensure it is successful while reporting any anomalies. Any changes proposed by the LPC are escalated to the PIT level. The members are paid a Lunch Allowance whenever they participate in the inspection and LPC meeting.

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The Implementation level:

The Programme Management Unit (PMU) is an internal unit within CDA made up of all the technical officers directly involved in the projects implementation. The PMU is responsible for project management, coordination and implementation, procurement and financial management, project monitoring and evaluation (including impact evaluation), social and environmental safeguards management and oversight, and strategic project communications and outreach. CDA is fully responsible and accountable to the Government and the Donor for the implementation of this programme.

The Programme Implementation Team (PIT) also under this level, is composed of all the implementing partners namely CDA (PMU), Italian Agency for Development Cooperation (AICS), County Commissioner, Public Works, KeRRA, County Director of Education, Kenya Space Agency and County Government of Kilifi (Chief Officer Roads & Chief Officer Health). The PIT addresses issues reported by the LPC deliberates on them and recommends to the NPSC for approval.

National Level:

The National Programme Steering Committee (NPSC) is chaired by our Principal Secretary (PS) State Department for Regional and Northern Corridor Development, Ministry of East African Community (EAC) & Regional Development. It provides high level strategic guidance on programme activities and approves any changes to the scope of the programme as requested by the PIT. The membership of NPSC is drawn from The National Treasury, Ministry of East African Community (EAC) & Regional Development, Ministry of Education, Ministry of Health, Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works, CDA and The Italian Agency for Development Cooperation.

## 5. Statement of Project Management responsibilities

The **Ag. Managing Director** for Coast Development Authority and the Programme Accountant for Malindi Integrated Social Health Development Programme Phase II (MISHDP-II) are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2025

This responsibility includes;

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

The **Ag. Managing Director** for Coast Development Authority and the **Programme Accountant** for Malindi Integrated Social Health Development Programme Phase II (MISHDP-II) accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The **Ag. Managing Director** for Coast Development Authority and the **Programme Accountant** for Malindi Integrated Social Health Development Programme Phase II (MISHDP-II) are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2025 and of the Project's financial position as at that date.

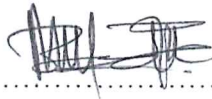
***Malindi Integrated Social Health Development Programme Phase II (MISHDP-II)  
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The **Ag. Managing Director** for Coast Development Authority and the **Programme Accountant** for Malindi Integrated Social Health Development Programme Phase II (MISHDP-II) further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The **Ag. Managing Director** for Coast Development Authority and the **Programme Accountant** for Malindi Integrated Social Health Development Programme Phase II (MISHDP-II) confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

**Approval of the Project Financial Statements**

The Project financial statements were approved by the **Ag. *Managing Director*** for Coast Development Authority who is also the ***Programme Manager*** for Malindi Integrated Social Health Development Programme Phase II (MISHDP-II) on 29<sup>th</sup> September, 2025 and signed by:



.....  
**Name: Dr. Mwanasiti Bendera**  
**Ag. Managing Director**

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## REPORT OF THE AUDITOR-GENERAL ON MALINDI INTEGRATED SOCIAL HEALTH DEVELOPMENT PROGRAMME PHASE II (MISHDP-II)-PROJECT GRANT/CREDIT NUMBER F.ROT/AID 18/005/00 FOR THE YEAR ENDED 30 JUNE, 2025 – COAST DEVELOPMENT AUTHORITY

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### PREAMBLE

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

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

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

### REPORT ON THE FINANCIAL STATEMENTS

#### Adverse Opinion

I have audited the accompanying financial statements of Malindi Integrated Social Health Development Programme Phase II (MISHDP-II)-Project Grant/Credit Number F.ROT/AID 18/005/00 set out on pages 1 to 38, which comprise the statement of financial position as at 30 June, 2025, and the statement of financial performance,

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*Report of the Auditor-General on Malindi Integrated Social Health Development Programme Phase II (MISHDP-II)-Project Grant/Credit Number F.ROT/AID 18/005/00 for the year ended 30 June, 2025 – Coast Development Agency*

statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Malindi Integrated Social Health Development Programme Phase II (MISHDP-II)-Project Grant/Credit Number F.ROT/AID 18/005/00 as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Financing Agreement No. F.FROT/AID 18/005/00 dated 15 February, 2022 and the Public Finance Management Act, 2012.

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

## **Basis for Adverse Opinion**

### **1. Non- Compliance with IPSAS Accrual Reporting Framework**

#### **1.1. Failure to Capitalize Property Plant and Equipment**

The statement of financial performance reflects certified works of Kshs.83,026,663 as detailed at Note 13 to the financial statements. The certified works were expensed despite being in respect of road works, purchase of furniture and building and construction. This is a contravention of recognition criteria in IPSAS 45 on property, plant and equipment, certified works may be classified as infrastructure assets or PPE as they meet the definition of property, plant, and equipment and should be accounted for in accordance with the standard.

#### **1.2. Understatement of Acquisition of Non-Financial Assets**

The statement of cashflow reflects Nil net cashflows from investing activities. However, the certified works of Kshs.83,026,663 have been erroneously classified as a cash flow from operating activities instead of cashflow from investing activities under acquisition of non-financial assets but excluding retention monies of Kshs.6,728,507. This is contrary to IPSAS 2 – on statement of cash flows which requires an entity to report separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities.

In the circumstances, financial statements as prepared and presented are not in compliance with IPSAS accrual reporting framework while their accuracy and completeness of could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Malindi Integrated Social Health Development Programme Phase II (MISHDP-II)-Project Grant/Credit Number

F.ROT/AID 18/005/00 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 adverse opinion.

### **Emphasis of Matter**

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

The statement of comparison of budget and actual amounts reflects actual expenditure of Kshs.91,557,237 against actual receipts of Kshs.158,554,323 resulting to under absorption of Kshs.66,997,086 or 42% of actual receipts. Management has not provided explanations for the under-utilization.

The under-utilization affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

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

### **Other Information**

#### **Conclusion**

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

### **Basis for Opinion**

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

# 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, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources sections of my report, I confirm that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **1. Slow Overall Project Performance against Pre-determined Objectives**

As previously, reported, the annual report under paragraph 2.2, Project Information and Overall Performance, indicates the project was for a duration of three (3) years from May, 2022 to May, 2025 and further granted extension to 15 February, 2027.

Review of funding summary and application of funds indicates the actual amounts received as at 30 June, 2025 amounted to Kshs.271,535,110 or 32% of the donor commitment, leaving Kshs.585,444,722 as undisbursed. Out of the amount received, Kshs.215,973,755 or 80% has been paid, leaving an amount of Kshs.55,561,355 unutilized.

In the circumstances, the slow absorption of project funds may have affected the planned activities and impacted negatively on service delivery to the residents of Malindi and Magarini Sub-Counties.

### **2. Lack of Value for Money on Works**

Physical verification of projects in the month of September,2025 revealed failure to ensure compliance with the terms and conditions of the contract and value for money on the implemented projects as detailed in the paragraphs here below:

#### **2.1. Lack Hydrological Survey and Feasibility Study Before Drilling of Borehole**

The Project entered into contract for drilling and equipping a solar powered borehole at Rasi village at a contract sum of Kshs.4,846,308. Review of procurement file and the project documents revealed that the contractor had been paid Kshs.2,330,800. However, field verification done on 5 September, 2025 revealed that the borehole was done but yielded insufficient and saline water forcing the contractor to terminate the project. Further, no hydrological survey report was provided in support of a feasibility study before initiating the drilling of the borehole.

In the circumstances, value for money on expenditure of Kshs.2,330,800 has not been realized.

#### **2.2. Omission of Isolation Rooms in the Construction of HDU at Malindi Sub-County Hospital**

The project constructed an HDU building at Malindi Sub-County Hospital costing Kshs.24,784,895. However, according to architectural plans, the Hospital was

supposed to have two isolation units at a cost of Kshs.2,054,820 as per the bill of quantities. Physical verification of the project in September 2025 however revealed that the isolation units in the HDU were not done.

In the circumstances, value for money has not been realized on the payment for the non-existent isolation units.

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I confirm that internal controls, risk management and governance were not effective.

### Basis for Conclusion

#### 1. Lack of a Risk Management Policy

Review of records revealed that the Project had not developed risk management strategies and system of risk management and internal controls that builds robust business operations contrary to regulation 165(1) of the Public Finance Management Regulations (National Government), 2015.

In the circumstances, Management has not effectively managed the risks relating to the project.

#### 2. Failure to Maintain Fixed Asset Register

Annex 3 to the financial statements is summary of fixed asset register with total cost of Kshs.180,648,001. However, the project does not maintain a fixed asset register to provide and record details of the assets owned and controlled by the project and to provide further details on the current condition of assets, when assets need to be replaced, information required to meet accounting standards and other regulatory requirements, asset locations and asset custodians, the level and frequency of asset maintenance programs and life-cycle costs by asset and program. Further, included in the Annex was work in progress of Kshs.148,794,346. However, no project status report was provided for audit review to confirm the amount.

In the circumstances, it was not possible to confirm the existence of adequate controls and mechanisms for safeguarding the project assets.

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

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

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

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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*Report of the Auditor-General on Malindi Integrated Social Health Development Programme Phase II (MISHDP-II)-Project Grant/Credit Number F.ROT/AID 18/005/00 for the year ended 30 June, 2025 - Coast Development Authority*

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

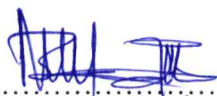
**09 October, 2025**

*Malindi Integrated Social Health Development Programme Phase II (MISHDP-II)  
Annual Report and Financial Statements for the financial year ended June 30, 2025*

**7. Statement of Financial Performance for the Year ended 30<sup>th</sup> June 2025**

|  | Notes | 2024 2025           |
|--|-------|---------------------|
|  |       | Kshs                |
| <b>Revenue</b>                             |       |                     |
| Revenue Transfers                          | 6     | -                   |
| Miscellaneous Revenue                      | 7     | -                   |
| <b>Total revenue</b>                       |       | -                   |
| <b>Expenses</b>                            |       |                     |
| Employee costs                             | 8     | -                   |
| Use of goods and services                  | 9     | 8,530,574           |
| Depreciation and amortization expense      | 10    | 7,262,013           |
| Transfer to other Government Entities      | 11    | -                   |
| Other Transfers/Subsidies/Grants           | 12    | -                   |
| Certified Works                            | 13    | 83,026,663          |
| <b>Total expenses</b>                      |       | <b>98,819,250</b>   |
| <b>Other gains/(losses)</b>                |       |                     |
| Gain/Loss on sale of assets                | 14    | -                   |
| Gain/Loss on foreign exchange transactions | 15    | -                   |
| Impairment loss                            | 16    | -                   |
| <b>Surplus/ (deficit)</b>                  |       | <b>(98,819,250)</b> |

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



.....  
Name: **Dr. Mwanasiti M. Bendera**  
Ag. Managing Director



.....  
Name: **Monicah Chepkemoi**  
Programme Accountant  
ICPAK Member No: 9115

*Malindi Integrated Social Health Development Programme Phase II (MISHDP-II)  
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**8. Statement of Financial Position as at 30<sup>th</sup> June 2025**

| Description                      | Note | 2024/2025          | 1 July 2024        |
|----------------------------------|------|--------------------|--------------------|
| <b>Assets</b>                    |      | <b>Kshs</b>        | <b>Kshs</b>        |
| <b>Current Assets</b>            |      |                    |                    |
| Cash and Cash equivalents        | 17   | 66,544,938         | 158,554,323        |
| Receivables                      | 18   | 208,739            | 762,529            |
| Inventories                      | 19   | -                  | -                  |
| Prepayment                       | 20   | -                  | -                  |
| <b>Total Current Assets</b>      |      | <b>66,753,677</b>  | <b>159,316,852</b> |
| <b>Non-Current Assets</b>        |      |                    |                    |
| Property, Plant and Equipment    | 21   | 173,385,989        | -                  |
| Intangible Assets                | 22   | -                  | -                  |
| <b>Total Non-Current Assets</b>  |      | <b>240,139,666</b> | <b>159,316,852</b> |
| <b>Liabilities</b>               |      |                    |                    |
| <b>Current Liabilities</b>       |      |                    |                    |
| Trade and Other Payables         | 22   | 6,728,507          | 7,734,444          |
| Third Party Deposits             | 23   | -                  | -                  |
| Deferred Income                  | 24   | -                  | -                  |
| <b>Total Current Liabilities</b> |      | <b>6,728,507</b>   | <b>7,734,444</b>   |
| <b>Total Liabilities (b)</b>     |      | <b>6,728,507</b>   | <b>7,734,444</b>   |
| <b>Net Assets (a-b)</b>          |      | <b>233,411,159</b> | <b>151,582,408</b> |
| <b>Represented By:</b>           |      |                    |                    |
| Accumulated Surplus              |      | 233,411,159        | 151,582,408        |
| <b>Total Net Assets</b>          |      | <b>233,411,159</b> | <b>151,582,408</b> |

*Malindi Integrated Social Health Development Programme Phase II (MISHDP-II)  
Annual Report and Financial Statements for the financial year ended June 30, 2025*

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The financial statements were approved on 29th September, 2025 and signed by:



.....  
**Name: Dr. Mwanasiti M. Bendera**

**Ag. Managing Director**



.....  
**Name: Monicah Chepkemoi**

**Programme Accountant**

**ICPAK Member No: 9115**


*Malindi Integrated Social Health Development Programme Phase II (MISHDP-II)  
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**9. Statement of Changes in Net Assets for the year ended 30<sup>th</sup> June 2025**

| Description   | Accumulated Surplus |
|---|---------------------|
|   | Kshs                |
| <b>As at 30<sup>th</sup> June 2024 (Cash Basis)</b> | <b>159,316,852</b>  |
| Adjustments:  |                     |
| Asset Recognition                                   | 180,648,001         |
| Liabilities recognition                             | (7,734,444)         |
| <b>As at 1<sup>st</sup> July 2024</b>               | <b>332,230,409</b>  |
| Surplus/(Deficit) for the year                      | (98,819,250)        |
| <b>As at 30<sup>th</sup> June 2025</b>              | <b>233,411,159</b>  |

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

The financial statements were approved on 29<sup>th</sup> September, 2025 and signed by:

  
.....  
**Name: Dr. Mwanasiti M. Rendera**  
**Ag. Managing Director**

  
.....  
**Name: Monicah Chepkemoi**  
**Programme Accountant**  
**ICPAK Member No: 9115**

**10. Statement of Cashflow for the year ended 30<sup>th</sup> June 2025**

| <b>Description</b>                               | <b>Notes</b> | <b>2024/2025</b>    |
|--|--------------|---------------------|
|  |              | <b>Kshs</b>         |
| <b>Cashflow from operating activities</b>        |              |                     |
| <b>Receipts</b>                                  |              |                     |
| Revenue Transfers                                |              | -                   |
| Miscellaneous receipts                           |              | -                   |
| <b>Total receipts</b>                            |              | -                   |
| <b>Payments</b>                                  |              |                     |
| Employee Cost                                    |              | -                   |
| Use of goods and services                        | 9            | (8,530,574)         |
| Transfers to other government entities           |              | -                   |
| Other Transfers/Subsidies/Grants                 |              | -                   |
| Certified Works                                  | 13           | (83,026,663)        |
| <b>Total Payments</b>                            |              | (91,557,237)        |
| <b>Net receipts/(payments)</b>                   |              | <b>(91,557,237)</b> |
| Decrease/Increase in accounts receivables        |              | 553,790             |
| Decrease/Increase in accounts payables           |              | (1,005,937)         |
| <b>Net cash flow from operating activities</b>   |              | <b>92,009,384</b>   |
| <b>Cashflow from investing activities</b>        |              |                     |
| Acquisition of non-financial assets              |              |                     |
| Proceeds from sale of Assets                     |              | -                   |
| Acquisition of Intangible assets                 |              | -                   |
| <b>Net cash flows from investing activities</b>  |              | -                   |
| <b>Cash flow from financing activities</b>       |              |                     |
| Net cash flow from financing activities          |              | -                   |
| <b>Net increase in cash and cash equivalents</b> |              | <b>(92,009,384)</b> |

*Malindi Integrated Social Health Development Programme Phase II (MISHDP-II)  
Annual Report and Financial Statements for the financial year ended June 30, 2025*

| <b>Description</b>                                     | <b>Notes</b> | <b>2024/2025</b> |
|--|--------------|------------------|
|  |              | <b>Kshs</b>      |
| Cash and cash equivalent at 1 <sup>st</sup> July 2024  | 17           | 158,554,323      |
| Cash and cash equivalent at 30 <sup>th</sup> June 2025 | 17           | 66,544,939       |

**11. Statement of Comparison of Budget and Actual amounts for year ended 30<sup>th</sup> June 2025**

| Receipts/Payments Item                 | Original Budget    | Adjustments | Final Budget       | Actual on Comparable Basis | Budget Utilization Difference | % of Utilization |
|--|--------------------|-------------|--------------------|----------------------------|-------------------------------|------------------|
|  | <b>a</b>           | <b>b</b>    | <b>c=a+b</b>       | <b>d</b>                   | <b>e=c-d</b>                  | <b>f=d/c %</b>   |
| <b>Receipts</b>                        |                    |             |                    |                            |                               |                  |
| Transfer from Government entities      | -                  | -           | -                  | -                          | -                             |                  |
| Proceeds from borrowings               | 10,000,000         | -           | 10,000,000         | -                          | 10,000,000                    | 0%               |
| Fund Balance B F                       | 158,554,323        | -           | 158,554,323        | 158,554,323                | -                             | 100%             |
| Miscellaneous receipts                 | -                  | -           | -                  | -                          | -                             |                  |
| <b>Total Receipts</b>                  | <b>168,554,323</b> |             | <b>168,554,323</b> | <b>158,554,323</b>         | <b>10,000,000</b>             | <b>94%</b>       |
| <b>Payments</b>                        |                    |             |                    |                            |                               |                  |
| Compensation to employees              | -                  | -           | -                  | -                          | -                             |                  |
| Purchase of goods and services         | 21,266,702         | -           | 21,266,702         | 8,530,574                  | 12,736,128                    | 40%              |
| Acquisition of non-financial assets    | 147,287,621        | -           | 147,287,621        | 83,026,663                 | 64,260,958                    | 56%              |
| Transfers to other government entities | -                  | -           | -                  | -                          | -                             |                  |
| <b>Total Payments</b>                  | <b>168,554,323</b> | <b>-</b>    | <b>168,554,323</b> | <b>91,557,237</b>          | <b>76,997,086</b>             | <b>54%</b>       |
| <b>Surplus or Deficit</b>              | <b>NIL</b>         |             | <b>NIL</b>         | <b>66,997,086</b>          | <b>66,997,086</b>             |                  |

Note:

- The significant budget utilisation performance differences in the last column are explained in Annex 2 to these financial statements.
- The Programme utilized funds brought forward from previous financial year FY 2024 2025

**Budget Reconciliation**

|   | Description of Particulars  | Amount in Kshs |
|---|---|----------------|
|   | Actual Surplus Amounts as per the statement of Budget               | 66,997,086     |
| 1 | Increase/Decrease in accounts receivable                            | 553,790        |
| 2 | Increase/Decrease in accounts payables                              | (1,005,937)    |
| 3 | Reason for differences  | -              |
| 4 | Reason for differences  | -              |
|   | Closing Cash and Cash Equivalent as per the statement of Cash flows | 66,544,939     |

## **12. Notes to the Financial Statements**

### **1. General Information**

CDA successfully implemented the Malindi Integrated Social Health Development Programme Phase I (MISHDP-I) between June 2008 and 2012. The programme was designed to improve the social and economic development of Malindi and Magarini sub-counties with special focus on Ngomeni location. The completed projects in MISHDP-I are in operation and serving the local population in the infrastructure (road, sea wall, water), education and health facilities. MISHDP-II focuses on Education, Health and Infrastructure sectors as well as strengthening institutional capacities for sustainable programme management.

### **2. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

#### **Guiding note during the transition period:**

The Programme reporting has been done in compliance with the new template of reporting i.e IPSAS Accrual as guided. These financial statements were authorized for issue by the accounting officer on 29<sup>th</sup> September, 2025

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

t) *ew and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

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

*Malindi Integrated Social Health Development Programme Phase II (MISHDP-II)  
Annual Report and Financial Statements for the financial year ended June 30, 2025*

| <b>Standard</b>         | <b>Effective date and impact:</b>   |
|-------------------------|---|
| IPSAS 46<br>Measurement | <p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ol> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> |

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

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

| Standard  | Effective date and impact:   |
|---|--|
| IPSAS 50:<br>Exploration For<br>& Evaluation of<br>Mineral<br>Resources | <p><i>Applicable 1<sup>st</sup> January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</li> <li>iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</li> </ul> |

**iii) Early adoption of standards**

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements )*

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other government entities**

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

**ii) Revenue from exchange transactions**

**Interest income**

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

**b) Budget information**

The original budget for FY 2024/2025 was approved by the Board on 27<sup>th</sup> August 2025. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget. Accordingly, the entity did not record any additional appropriations on the FY 2024/2025 budget following the Board's approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page xx under section xxx of these financial statements.

**c) Property, plant and equipment**

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

**d) Leases**

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

**e) Intangible assets**

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

**f) Research and development costs**

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

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

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

**Notes to the financial statements**

**g) Financial instruments**

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

***Financial assets***

***Classification***

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

***Subsequent measurement***

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

***Amortized cost***

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

## **Notes to the financial statements**

### **Fair value through net assets/ equity**

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

### **Fair value through surplus or deficit**

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

### **Trade and other receivables**

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

### **Impairment**

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

### ***Financial liabilities***

#### ***Classification***

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

#### **h) Inventories**

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

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

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

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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.

**Notes to the financial statements**

**Inventories (Continued)**

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

**i) Provisions**

Provisions are recognized when the *Entity* has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the *Entity* expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

***Contingent liabilities***

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

***Contingent assets***

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

**j) Nature and purpose of reserves**

The *Entity* creates and maintains reserves in terms of specific requirements. (*Entity to state the reserves maintained and appropriate policies adopted*).

**Notes to the financial statements**

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

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

**l) Employee benefits**

**Retirement benefit plans**

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

**m) Foreign currency transactions**

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

**n) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

**Notes to the financial statements**

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**o) Related parties**

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

**p) Service concession arrangements**

The *Entity* analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the *Entity* recognizes that asset when, and only when, it controls or regulates the services. The operator

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must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the *Entity* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**q) Cash and cash equivalents**

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

**r) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

## **Notes to the Financial Statements**

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

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

#### **Estimates and assumptions.**

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

#### **Useful lives and residual values**

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

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

#### **Provisions**

There were no Provisions raised and management determined an estimate based on the information available

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.

**Notes to the Financial Statements**

**6. Revenue Transfers**

| Description                                    | 2024/ 2025 |
|--|------------|
|  | KShs       |
| <b>Unconditional Transfers</b>                 |            |
| GoK Counter Part funding                       | -          |
| Transfers from Development partners            | -          |
| <i>Other unconditional transfers (Specify)</i> | -          |
| <b>Total Unconditional Transfers (a)</b>       | -          |
| <b>Conditional Transfers</b>                   |            |
| Transfers from Development partners 1          | -          |
| Transfers from Development partner 2           | -          |
| <i>Other conditional transfers (specify)</i>   | -          |
| <b>Total Conditional Transfers (b)</b>         | -          |
| <b>Total Transfers for the Year (a + b)</b>    | -          |

*(Explain the purpose of funding)*

**a) Details to Revenue Transfers**

| Name of The Entity Transferring | Amount recognized to Statement of Financial performance | Amount deferred under deferred income. | Amount moved to Capital fund | Total transfers (Current FY) |
|---------------------------------|---|--|------------------------------|------------------------------|
|                                 | Kshs  | Kshs                                   | Kshs                         | Kshs                         |
| GOK Funding                     | -   | -                                      | -                            | -                            |
| Development Partner 1           | -   | -                                      | -                            | -                            |
| Development Partner 2           |   |  |                              |                              |
| <b>Subtotal</b>                 |   |  |                              |                              |
| Deferred Income realized        | -   | -                                      | -                            | -                            |
| Transfers in Kind               | -   | -                                      | -                            | -                            |
| <b>Total</b>                    |   |  |                              |                              |

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Notes to the financial statements

7. Miscellaneous revenue

| Description             | FY 2024/25  |
|-------------------------|-------------|
|                         | <b>Kshs</b> |
| Interest Income         | -           |
| <i>Others (specify)</i> | -           |
| <b>Total</b>            | -           |

8. Employees Costs

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

9. Use of Goods and Services

| Description   | FY 2024/25       |
|---|------------------|
|   | <b>Kshs</b>      |
| Utilities, supplies and services                            | 1,675,034        |
| Bank charges  | -                |
| Communication, supplies and services                        | 188,788          |
| Domestic travel and subsistence                             | 5,133,327        |
| Foreign travel and subsistence                              | -                |
| Fuel and lubricants   | -                |
| General office supplies                                     | -                |
| Stationery, Printing, advertising, and information supplies | 1,015,413        |
| Office rent   | -                |
| Framing payments  | -                |
| Hospitality supplies and services                           | -                |
| Insurance costs   | 352,620          |
| Specialized materials and services                          | -                |
| Other operating payments(specify)                           | -                |
| Routine maintenance- vehicles and other transport equipment | 165,392          |
| Routine maintenance- other assets                           | -                |
| <b>Total</b>  | <b>8,530,574</b> |

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Notes to the financial statements

**10. Depreciation and Amortization expense**

| Description                   | FY 2024/25       |
|-------------------------------|------------------|
|                               | Kshs             |
| Property, Plant and Equipment | 7,262,013        |
| Intangible Assets             | -                |
| <b>Total</b>                  | <b>7,262,013</b> |

**11. Transfer to Other Government Entities**

| Description    | FY 2024/2025 |
|----------------|--------------|
|                | Kshs         |
| Ministry ABC   | -            |
| Project XYZ    | -            |
| Department xxx | -            |
| County xxx     | -            |
| <b>Total</b>   | <b>-</b>     |

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

| Description                               | FY 2024/2025 |
|---|--------------|
|   | Kshs         |
| Transfers to Non-Government Organizations | -            |
| Subsidies                                 | -            |
| <i>Others Specify</i>                     | -            |
| <b>Total</b>                              | <b>-</b>     |

**13. Certified Works**

| Description           | FY 2024/2025      |
|-----------------------|-------------------|
|                       | Kshs              |
| Road Works            | 3,043,224         |
| Water Works           | -                 |
| Purchase of Furniture | 10,632,269        |
| Building Construction | 69,350,970        |
| <b>Total</b>          | <b>83,026,663</b> |

Notes to the financial statements

14. Gain/Loss on Sale of Assets

| Description                              | FY 2024/2025 |
|--|--------------|
|  | Kshs         |
| Property, plant and equipment            | -            |
| Intangible assets                        | -            |
| Other assets not capitalised             | -            |
| <b>Total gain/loss on sale of assets</b> | <b>-</b>     |

*Provide brief explanation on gains on sale of fixed assets)*

15. Gain/Loss on foreign exchange transactions

| Description                           | FY 2024/2025 |
|---------------------------------------|--------------|
|                                       | Kshs         |
| Gain on foreign exchange transactions | -            |
| Loss on foreign exchange transactions | -            |
| <b>Total Gain/Loss</b>                |              |

16. Impairment Loss

| Description                   | FY 2024/2025 |
|-------------------------------|--------------|
|                               | Kshs         |
| Property, Plant and Equipment | -            |
| Intangible Assets             | -            |
| <i>Others specify</i>         | -            |
| <b>Total Impairment Loss</b>  | <b>-</b>     |

17. Cash and Cash Equivalentents

| Description                               | FY 2024/2025      | 2023/ 2024         |
|---|-------------------|--------------------|
|   | Kshs              | Kshs               |
| Cash in Bank                              | 66,544,938        | 158,554,323        |
| Cash on hand                              | -                 | -                  |
| <i>Others (Specify)</i>                   | -                 | -                  |
| <b>Total Cash and Cash Equivalentents</b> | <b>66,544,938</b> | <b>158,554,323</b> |

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Notes to the financial statements

**Project Bank Accounts**

| <b>Details</b>                                 | <b>FY2024/2025</b>   | <b>1<sup>st</sup> July 2024</b> |
|--|----------------------|---------------------------------|
|  | <b>Kshs</b>          | <b>Kshs</b>                     |
| <b>Foreign Currency Accounts</b>               |                      |                                 |
| Central Bank of Kenya [A/c No.....]            |                      |                                 |
| Kenya Commercial Bank [A/c No.....]            |                      |                                 |
| Co-operative Bank of Kenya [A/c No.....]       |                      |                                 |
| Others ( <i>specify</i> )                      |                      |                                 |
| Total Foreign Currency balances                |                      |                                 |
| <b>Local Currency Accounts</b>                 |                      |                                 |
| Central Bank of Kenya [A/c No.....]            |                      |                                 |
| Kenya Commercial Bank [A/c No.....]            |                      |                                 |
| Co-operative Bank of Kenya [A/c No.....]       |                      |                                 |
| National Bank Of Kenya A/C No. 010171247283300 | 66,880,226.39        | 158,554,323                     |
| Total local currency balances                  |                      |                                 |
| <b>Total bank account balances</b>             | <b>66,880,226.39</b> | <b>158,554,323</b>              |

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Notes to the Financial Statements (Continued)

**18. Receivables**

| Description                        | FY 2024/2025   | 1 <sup>st</sup> July 2024 |
|------------------------------------|----------------|---------------------------|
|                                    | Kshs           | Kshs                      |
| Counter Part Funding               | -              | -                         |
| Contractor's Advance payments      | -              | -                         |
| <i>Other Receivables - Imprest</i> | 208,739        | 762,529                   |
| <b>Total Receivables</b>           | <b>208,739</b> | <b>762,529</b>            |

Note

*This relates to Imprest outstanding at the close of the year.*

**Ageing analysis for Receivables**

| Description        | FY2024/2025    |                | 1 <sup>st</sup> July 2024 |                |
|--------------------|----------------|----------------|---------------------------|----------------|
|                    | Current FY     | % of the total | Comparative FY            | % of the total |
| Less than 1 year   | 208,739        | 100%           | 762,529                   | 100%           |
| Between 1- 2 years |                | %              |                           | %              |
| Between 2-3 years  |                | %              |                           | %              |
| Over 3 years       |                | %              |                           | %              |
| <b>Total (a+b)</b> | <b>208,739</b> | <b>%</b>       | <b>762,529</b>            | <b>%</b>       |

**19. Inventories**

| Description                         | FY2024/2025 | 1 <sup>st</sup> July 2024 |
|-------------------------------------|-------------|---------------------------|
|                                     | Kshs        | Kshs                      |
| Consumable stores                   | -           | -                         |
| Construction stores                 | -           | -                         |
| <i>Others consumables (specify)</i> | -           | -                         |
| Less allowance for impairment       | -           | -                         |
| <b>Total inventories</b>            | <b>-</b>    | <b>-</b>                  |

*(Provide brief explanation on inventories)*

**20. Prepayments**

| Description              | FY2024/2025 | 1 <sup>st</sup> July 2024 |
|--------------------------|-------------|---------------------------|
|                          | Kshs        | Kshs                      |
| Insurance                | -           | -                         |
| Rent                     | -           | -                         |
| <i>Others specify</i>    | -           | -                         |
| <b>Total inventories</b> | <b>-</b>    | <b>-</b>                  |

**Notes to the Financial Statements**

**21. Property, Plant and Equipment**

| Cost                                 | Motor vehicles | Furniture and fittings | ICT Equipment | Other Assets (specify) | Capital Work in progress | Total       |
|--------------------------------------|----------------|------------------------|---------------|------------------------|--------------------------|-------------|
|                                      | Kshs           | Kshs                   | Kshs          | Kshs                   | Kshs                     | Kshs        |
| Depreciation rate                    | 25%            | 12,5%                  | 30%           | X%                     |                          |             |
| As At 1 July 2024 (opening balances) | 8,000,000      | 2,878,000              | 9,674,213     |                        | 77,069,126               | 97,621,330  |
| Additions                            | -              | 10,632,269             | -             |                        | 72,394,394               | 83,026,663  |
| Disposals                            | -              | -                      | -             |                        | -                        | -           |
| Transfers, Adjustments               | -              | -                      | -             |                        | -                        | -           |
| As at 30 <sup>th</sup> June 2025     | 8,000,000      | 13,510,269             | 9,674,213     |                        | 149,463,520              | 180,648,001 |
| <b>Depreciation And Impairment</b>   |                |                        |               |                        |                          |             |
| As at 1 July 2024                    | 2,000,000      | -                      | -             |                        | -                        | 2,000,000   |
| Depreciation charge for the year     | 2,000,000      | 359,750                | 2,902,263     |                        | -                        | 5,262,013   |
| Impairment loss                      | -              | -                      | -             |                        | -                        | -           |
| Transfers, Adjustments               | -              | -                      | -             |                        | -                        | -           |
| As At 30 <sup>th</sup> June 2025     | 4,000,000      | 359,750                | 2,902,263     |                        | -                        | 7,262,013   |
| <b>Net Book Values</b>               |                |                        |               |                        |                          |             |
| As at 1 <sup>st</sup> July 2024      | 6,000,000      | 2,878,000              | 9,674,213     |                        | 77,069,126               | 95,571,339  |
| As at 30 <sup>th</sup> June 2025     | 4,000,000      | 13,150,519             | 6,771,950     |                        | 149,463,520              | 173,385,989 |

Notes to the Financial Statements

22. Intangible Assets

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

23. Trade and Other Payables

| Description                                   | FY 2024/2025       |                       | 1 <sup>st</sup> July 2024          |                           |
|---|--------------------|-----------------------|------------------------------------|---------------------------|
|   | Kshs               |                       | Kshs                               |                           |
| Trade payables                                | -                  |                       | -                                  |                           |
| Employee payables                             | -                  |                       | -                                  |                           |
| <i>Other payables</i>                         |                    |                       |                                    |                           |
| <i>Retention</i>                              | 6,728,507          |                       | 7,734,444                          |                           |
| <b>Total trade and other payables</b>         | <b>6,728,507</b>   |                       | <b>7,734,444</b>                   |                           |
| <b>Ageing analysis:<br/>(Retention Money)</b> | <b>FY2024/2025</b> | <b>% of the Total</b> | <b>Comparative<br/>FY2023/2024</b> | <b>% of the<br/>Total</b> |
| Under one year                                | 6,728,507          | 100%                  | 7,734,444                          | 100%                      |
| 1-2 years                                     |                    | %                     |                                    | %                         |
| 2-3 years                                     |                    | %                     |                                    | %                         |
| Over 3 years                                  |                    | %                     |                                    | %                         |
| <b>Total (tie to above total)</b>             | <b>6,728,507</b>   |                       | <b>7,734,444</b>                   |                           |

Note

Accounts Payables relates to Retention monies for the ongoing construction works at the project sites.

**Notes to the Financial Statements**

**24. Third-Party Deposits**

| Description                                   | FY 2024/2025      |                       | 1 <sup>st</sup> July 2024 |                       |
|---|-------------------|-----------------------|---------------------------|-----------------------|
|   | Kshs              |                       | Kshs                      |                       |
| Contractor's Retention                        | -                 |                       | -                         |                       |
| Gratuity                                      | -                 |                       | -                         |                       |
| <i>Other deposits (specify)</i>               | -                 |                       | -                         |                       |
| <b>Total deposits</b>                         | -                 |                       | -                         |                       |
|   |                   |                       |                           |                       |
| <b>Ageing analysis: (Refundable deposits)</b> | <b>Current FY</b> | <b>% of the Total</b> | <b>Comparative FY</b>     | <b>% of the Total</b> |
| <b>Under one year</b>                         | -                 | 0%                    | -                         | 0%                    |
| 1-2 years                                     | -                 | 0%                    | -                         | 0%                    |
| 2-3 years                                     | -                 | 0%                    | -                         | 0%                    |
| Over 3 years                                  | -                 | 0%                    | -                         | 0%                    |
| <b>Total</b>                                  | -                 |                       | -                         |                       |

*(Provide brief explanation)*

**25. Deferred Income**

| Description                  | FY 2024/2025 | 1 <sup>st</sup> July 2024 |
|------------------------------|--------------|---------------------------|
|                              | Kshs         | Kshs                      |
| Development partner 1        | -            | -                         |
| Development partner 2        | -            | -                         |
| <i>Others specify</i>        | -            | -                         |
| <b>Total Deferred Income</b> | -            | -                         |

*(Provide brief explanation)*

**Notes to the Financial Statements**

**Deferred Income Movement Schedule**

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

**Notes to the Financial Statements**

**26. Cash Generated from Operations**

| Description                                    | FY<br>2024/2025     |
|--|---------------------|
|  | Kshs                |
| <b>Surplus/Deficit for the year</b>            | <b>(98,819,250)</b> |
| <b>Adjusted for:</b>                           | -                   |
| Depreciation                                   | 7,262,013           |
| Non-cash grants received                       | -                   |
| Impairment                                     | -                   |
| Gains and losses on disposal of assets         | -                   |
| <b>Working capital adjustments</b>             | -                   |
| Increase in inventory                          | -                   |
| Increase in receivables                        | 553,790             |
| Increase in deferred income                    | -                   |
| Increase in payables                           | (1,005,937)         |
| Increase in payments received in advance       | -                   |
| <b>Net cash flow from operating activities</b> | <b>93,116,964</b>   |

**27. Special Deposit Accounts**

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

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

**Notes to the Financial Statements**

**Special Deposit Accounts Movement Schedule**

| <b>Description</b>   | <b>2024/2025</b>          | <b>2023/2024</b>          |
|--|---------------------------|---------------------------|
|  | <b>Kshs</b>               | <b>Kshs</b>               |
| <b>(i) A/C Name CENTRAL BANK OF KENYA<br/>[A/c No 1000584106]</b>        | -                         | -                         |
| Opening balance  | 271,535,110               | 271,535,110               |
| Total amount deposited in the account                                    | -                         | -                         |
| Total amount withdrawn (as per Statement of Receipts & Payments)         | -                         | -                         |
| <b>Closing balance (as per SDA bank account reconciliation attached)</b> | <b><u>271,535,110</u></b> | <b><u>271,535,110</u></b> |
| <b>(ii) A/c Name [A/c No.....]</b>                                       | -                         | -                         |
| Opening balance (as per the SDA reconciliation)                          | -                         | -                         |
| Total amount deposited in the account                                    | -                         | -                         |
| Total amount withdrawn (as per Statement of Receipts & Payments)         | -                         | -                         |
| <b>Closing balance (as per SDA bank account reconciliation attached)</b> | <b>=</b>                  | <b>=</b>                  |

*(The Special Deposit Account(s) reconciliation statement(s) has (have) been attached as Appendix support these closing balance.*

**28.Related Party Disclosures**

**Nature of related party relationships**

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

**Government of Kenya**

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

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**Notes to the Financial Statements**

**Other related parties include:**

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

| Description  | 2024/2025 |
|--|-----------|
|  | Kshs      |
| <b>Transactions with related parties</b>               |           |
| <b>a) Sales to related parties</b>                     |           |
| Sales of electricity to govt agencies                  | -         |
| Rent income from govt. Agencies                        | -         |
| Others (specify) e.g. interest and bank charges        | -         |
| <b>Total</b>   | <b>-</b>  |
| <b>B) purchases from related parties</b>               |           |
| Purchases of electricity from KPLC                     | -         |
| Purchase of water from govt service providers          | -         |
| Rent expenses paid to govt agencies                    | -         |
| Others (specify)                                       | -         |
| <b>Total</b>   | <b>-</b>  |
| <b>b) Grants /transfers from the government</b>        |           |
| Grants from national govt                              | -         |
| Grants from county government                          | -         |
| Donations in kind                                      | -         |
| <b>Total</b>   | <b>-</b>  |
| <b>c) Expenses incurred on behalf of related party</b> |           |
| Payments of salaries and wages for employees           | -         |
| Payments for goods and services for                    | -         |
| <b>Total</b>   | <b>-</b>  |
| <b>d) Key management compensation</b>                  |           |
| Directors' emoluments                                  | -         |
| Compensation to key management                         | -         |
| <b>Total</b>   | <b>-</b>  |

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**Notes to the Financial Statements**

**29.Events after the Reporting Period**

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

**30.Ultimate And Holding Entity**

The Entity is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of East Africa Community ASAI s and Regional Development Its ultimate parent is the Government of Kenya.

**31.Currency**

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

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13. Annexes

Annex 1 Prior Year Auditor-General's Recommendations

| Reference No. on the external audit Report | Issue / Observations from Auditor   | Management comments   | Status: (Resolved / Not Resolved)                       | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|---|---|--|
|  | <p><b>on Receipts</b></p> <p>The statement of receipts and payments and Note 3 to the financial statements reflect Kshs.271,535,110 as loan from external development partners-Italian Agency. However, according to the information obtained from the National Treasury audited reconciliation statement, the amount disbursed to the Project was Kshs.271,796,064, resulting to unexplained and unreconciled variance of Kshs.260,954. In the circumstances, the accuracy and completeness of loan from external development partners of Kshs.271,535,110 could not be confirmed.</p> | <p>CDA is under the Ministry of East Africa Community and Regional Authorities. The amount of Kshs. 271,535,110.00 was disbursed to CDA account for MISHDP II Programme as below:</p> <p>9/3/2023 - 124,247,572.50<br/>25/4/2023 - 100,752,427.50<br/>25/4/2023 - 46,435,110.40</p> <p>The amounts above were what CDA received in its bank account within the Financial Year under review. These amounts were channelled to CDA account through its Parent Ministry of East Africa Community and Regional Authorities.</p> | <p>Resolved</p> <p>Awaiting recommendation from PIC</p> | <p>N/A</p>   |

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| Reference No. on the external audit Report | Issue / Observations from Auditor  | Management comments  | Status: (Resolved / Not Resolved)                       | Timeframe. (Put a date when you expect the issue to be resolved) |
|--|--|--|---|--|
| 2  | <p><b>Slow Absorption of Project Funds</b></p> <p>The annual report under Paragraph 2, Project Information and Overall Performance, indicate that the Project is for duration of three (3) years from May, 2022 to May, 2025 with donor commitment of Kshs.856, 979,832 (Euros 6,395,373). However, the actual amount received as at 30 June, 2023 amounted to Kshs.271,535,110 (Euros 1,999,995), or 31.6% leaving out Kshs.585, 444,722 (Euros 4,395,378) as undisbursed. Out of the amount received, a sum of Kshs.14,466,108 (Euros 107,156), or 5.3% has been paid into the Project, leaving an unutilized balance of Kshs.257,069,002 (Euros 1,892,839).</p> <p>The slow absorption of funds may have affected the planned activities and impacted negatively on the service delivery to the stakeholders.</p> | <p>CDA submitted its Financial Report for the FY 2022/2023 to the Office of the Auditor General within the stipulated deadline of 30<sup>th</sup> September, 2023. The financial Statements for MISHDP II Program were consolidated in the Final Annual Report 2022/2023. Later on, after submission of the Final Annual Report, the National Treasury advised CDA to submit a separate set of Financial Statement for the program. However, the Loan agreement clause 9.4 and financial agreement clause 4.5 and 6.4 clearly states that submission of the Audited financial report proving that at least 40% of funds previously disbursed have been utilized and that 60% of the same be committed. As at 30<sup>th</sup> June 2023 the Authority had not reached this threshold. The Authority had spent Kshs. 14M out of the 271M disbursed which is 5.3% of the total disbursement which</p> | <p>Resolved</p> <p>Awaiting recommendation from PIC</p> | <p>N/A</p>   |

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| Reference No. on the external audit Report | Issue / Observations from Auditor  | Management comments   | Status: (Resolved / Not Resolved)                       | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|--|---|---|--|
| 3  | <p><b>Late submission of financial statements</b></p> <p>The financial statements for the year ended 30 June 2023 was submitted to the office of the Auditor General on 22 January 2024. Contrary to Section 47. (1) of the Public Audit Act 2015 which states that "The financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor General within three months after the end of the fiscal year to which the accounts relate. This was beyond the statutory timelines of 30 September 2023.</p> | <p>was way below 40% requirement</p> <p>CDA submitted its Financial Report for the FY 2022/2023 to the Office of the Auditor General within the stipulated deadline of 30<sup>th</sup> September, 2023. The financial Statements for MISHDP II Program were consolidated in the Final Annual Report 2022/2023. Later on, after submission of the Final Annual Report, the National Treasury advised CDA to submit a separate set of Financial Statement for the program. However, the Loan agreement clause 9.4 and financial agreement clause 4.5 and 6.4 clearly states that submission of the Audited financial report proving that at least 40% of funds previously disbursed have been utilized and that 60% of the same be committed. As at 30<sup>th</sup> June 2023 the Authority had not reached</p> | <p>Resolved</p> <p>Awaiting recommendation from PIC</p> | <p>N/A</p>   |

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| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments   | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|-----------------------------------|---|-----------------------------------|--|
|  |                                   | this threshold. The Authority had spent Kshs. 14M out of the 271M disbursed which is 5.3% of the total disbursement which was way below 40% requirement |                                   |  |

**Guidance Notes:**

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

  
 .....  
**Name: Dr. Mwanasiti Bendera**  
**Ag. Managing Director**

  
 .....  
**Name: Monicah Chepkemoi**  
**Programme Accountant**

**Annex 2: Reconciliation of inter-entity transfers**

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

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

Ag. Managing Director

Sign



Programme Accountant

Sign



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**Annex 3: Fixed Assets Register**

| Asset class                              | Opening Cost (KShs) 2024/25 | Donations in form of assets (KShs) 2024/25 | *Purchases/ Additions in the Year (KShs) 2024/25 | **Disposals in the Year (KShs) 2024/25 | Transfers in/(out) Kshs 2024/25 | Closing Cost (KShs) 2025                   |
|--|-----------------------------|--|--|--|---------------------------------|--|
|  | (a)                         | (b)  | (c)  | (d)                                    | (d)                             | (e)=<br>(a)+<br>(b)+c<br>-<br>(d)+(-<br>d) |
| Land                                     | -                           |  | -  |  |                                 | -  |
| Buildings and structures                 | -                           |  | -  |  |                                 | -  |
| Transport equipment                      | -                           |  | -  |  |                                 | -  |
| Office equipment, furniture and fittings | 2,878,000                   | -  | 10,632,269                                       |  |                                 | 13,510,269                                 |
| ICT Equipment,                           | 3,198,184                   |  |  |  |                                 | 3,198,184                                  |
| Other Machinery and Equipment- MV        | 8,000,000                   |  |  |  |                                 | 8,000,000                                  |
| Heritage and cultural assets             |                             |  |  |  |                                 | -  |
| Biological assets                        |                             |  |  |  |                                 | -  |
| Infrastructure assets roads, rails       |                             |  |  |  |                                 | -  |
| Intangible assets                        | 7,145,202                   |  |  |  |                                 | 7,145,202                                  |
| Work in Progress                         | 76,399,952                  |  | 72,394,394                                       |  |                                 | 148,794,346                                |
| <b>Total</b>                             | <b>97,621,339</b>           |  | <b>83,026,663</b>                                |  |                                 | <b>180,648,001</b>                         |

Notes

\*Purchases/Additions in the year reconciled to the amount in Statement of Receipts and Payments

**Annex 4: Other Support Documents**

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

