REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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REPORT OF

THE AUDITOR-GENERAL

ON

URBAN INSTITUTIONAL GRANT (KUSP II) – CREDIT NO: 7349-KE, 7350-KE AND GRANT NO. E208-KE– DADAAB MUNICIPALITY

FOR THE YEAR ENDED 30 JUNE, 2026

COUNTY GOVERNMENT OF GARISSA



OFFICE OF THE AUDITOR - GENERAL
GARISSA REGIONAL OFFICE
17 SEP 2026
RECEIVED
P. O. Box 88-70100, GARISSA

PROJECT NAME: DADAAB MUNICIPALITY URBAN INSTITUTIONAL GRANT

IMPLEMENTING ENTITY: DADAAB MUNICIPALITY

PROJECT GRANT/CREDIT NUMBER: 7349-KE, 7350-KE; IDA Grant No. E208-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2026

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

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1. Acronyms, Abbreviations, and Definition of Terms

A. Acronyms and Abbreviations

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

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is Dadaab Municipality Urban Institutional Grant (UIG-KUSP II).

Objective

The key objective of the project is to improve infrastructure, enhancing service delivery and supporting the integration of marginalized and refugee host communities

Address

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

Contacts: The following are the project contacts

P.O. Box 89-70103

Dadaab Sub-County Office Building.

DADAAB, KENYA.

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	30 June 2024
Project End Date:	30 June 2028
Project Coordinator:	Mr. Mowlid Mohamed Muhumed
Project Development Partner:	Dadaab Municiplaity Urban Institutional Grant

2.3 Project Overview

Line Ministry or State departments/ County Department	Department of Land, Housing and Physical Planning
Project number	7349-KE, 7350-KE
Strategic goals of the project	The strategic goals of the project are as follows: (i) Improve urban infrastructure and service delivery *(ii)* Promote integrated and climate resilient urban planning
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Finance priority infrastructure such as road, markets, drainage, street lightening, waste management and other municipal services (ii) Integrate climate adaptation, disaster risk reduction and environmental safeguards into urban development
Other important background information of the project	The project was formed to intervene the following
Areas that the project was formed to intervene	The project was formed to intervene in the following problems/gaps: (i) Inadequate urban infrastructure and basic services (ii) Climate Change and urban resilience

	challenges (increasing vulnerability of urban areas to drought and other related risks
Project duration	5 Years

Project Information and Overall Performance (Continued)

2.4 Bankers

Equity Bank of Kenya
Garissa, Branch

2.5 Independent Auditor

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

2.6 Roles and Responsibilities

No	Names	Title designation	Key qualification	Responsibilities
	Farhiya Ismail Omar	Chief Officer-	Bachelor Degree	Accounting Officer
	Mowlid Mohamed Muhumed	Municipality Manager/ Project Coordinator	Bachelor Degree	Program Coordinator
	Mohamed Abdullahi	Municipality Finance Officer	Bachelor Degree	Prepare Financial Reports Prepare and Manage Project Budget
	Naomi	Municipality	Bachelor	Lead

	Muthoni Karanja	Planner	Degree	integrated urban Planning Prepare development plan Guide land use planning development control
	Sophia Yussuf Gure	Municipality Procurement	Bachelor Degree	Prepare Procurement plans, manage tendering and contract process
	Abdullahi Yussuf Abdi	Municipality Environment Officer	Bachelor Degree	Ensure environmental safeguards are incorporated into projects . Undertake environmental screening and moniotoring
	Abdullahi Abdi	Municipality Accountant	Bachelor Degree	Prepare and Manage project budget. Maintain financial records
	Ibrahim Abdi Salat	Social Safeguards	Bachelor Degree	Manage social safeguards and

				community engagement. Ensure participation of hosts and refugee communities
	Edward Ndinya	Engineer	Bachelor Degree	Identify and supervise infrastructure projects. Review designs bills of quantities

2.7 Funding summary

The Project is for a duration of 5 years from 2024 to 2028 with an approved budget of US$ 503,798 equivalent to Kshs.65,000,000 as highlighted in the table below:

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Development Partner Commitment		Amount received to date – (30th June 2026)		Undrawn balance to date	
	Development Partner currency	Kshs	Development Partner currency	Kshs	Development Partner currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
(i) Grant						
World Bank	503,798	65,000,000		0	503,798	65,000,000
(ii) Counterpart funds						
County Government of Garissa				0		0
Total	**503,798**	**65,000,000**		**0**	**503,798**	**65,000,000**

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30th June 2026)		Cumulative amount paid to date – (30th June 2026)		Unutilised balance to date (30th June 2026)	
	Development Partner currency	*Kshs*	Development Partner currency	*Kshs*	Development Partner currency	*Kshs*
	(A)	*(A')*	*(B)*	(B')	*(A)-(B)*	*(A')-(B')*
Grant	0	0		0		0
Counterpart funds						
County Government of Garissa				0		0
Total	**0**	**0**				**0**

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

Output	Indicator	Annual Target FY 2025/26	Quarter Two(Q2) Target FY 2025/26	Quarter Two (Q2) Achievement FY 2025/26	Cumulative Achievement FY 2025/26	Remarks on variance
Core governance arrangements to manage public funds and development partner funding, performance monitoring, and legal compliance	Signed participation agreements	Signing of Participation agreement and uploading in the county website	Signed participation agreements	Signed participation agreements	Signed participation agreements	Target achieved
	Prepared and approved work plan, cash plan and budget	Preparation and approval of work plan, cash plan and budget	Prepared and approved work plan, cash plan and budget	Prepared and approved work plan, cash plan and budget	Prepared and approved work plan, cash plan and budget	Target achieved
Oversight and Accountability	Established and approved program management structure CPSC, CPTC, CPI U	Establishment and approval of program management structure CPSC, CPTC, CPIU and	Established and approved program management structure CPSC, CPTC, CPIU	Established and approved program management structure CPSC, CPTC, CPIU	Established and approved program management structure CPSC, CPTC, CPIU	Target achieved
Establish institutional framework for the implementation of UIG -UIG-KUSP II at the MCG	County Program Implementation Unit Staff trained on Program /Project Management	Training of County Program Implementation Unit Staff on Program/ Project Management	County Program Implementation Unit Staff trained on Program/ Project Management	County Program Implementation Unit Staff trained on Program/ Project Management	County Program Implementation Unit Staff trained on Program/Project Management	Target achieved
	Nominated members for UIG- KUSP II Committees CPSC, CPIU, SPMU, CTIPTs.	Nomination of members for UIG- KUSP II Committees CPSC, CPIU, SPMU, CTIPTs.	Nominated members for UIG- UIG-KUSP II Committees CPSC, CPIU, SPMU, CTIPTs.	Nominated members for UIG- KUSP II Committees CPSC, CPIU, SPMU, CTIPTs.	Nominated members for UIG- KUSP II Committees CPSC, CPIU, SPMU, CTIPTs.	Target achieved
	Trained County Program Steering Committee (CPSC)	Capacity Building of the County Program Steering Committee (CPSC)	Trained County Program Steering Committee (CPSC)	Trained County Program Steering Committee (CPSC)	Trained County Program Steering Committee (CPSC)	Target achieved
	Trained Building of the County Program Technical Committee	Capacity Building of the County Program Technical Committee	Trained Building of the County Program Technical Committee	Trained Building of the County Program Technical Committee	Trained Building of the County Program Technical Committee	Target achieved

The following challenges were reported

i) Delay in disbursement of funds to implement the program activities hampering timely implementation of the program

ii) Inadequate training to fully implement the Urban Institutional Grant

iii) Slow progress in implementation of the Urban Institutional Grant recommendations

Recommendation

i) Timely release of funds to fully implement the program

ii) Train all units as the work plan to achieve quality results

iii) Fast track the implementation of the Urban Institutional Grant for timely delivery of the work plan target

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

The Government of Kenya has received an International Development Association (IDA) Credit in the amount of US$503,798 from the World Bank for implementing the Urban Institutional Grant (Credit Number 7349-KE, 7350-KE) over a four-year period, starting 30 June 2024. Urban Institutional Grant is supporting a sub-set of reforms envisaged under the Government's Devolution Sector Plan.

The Program, whose development objective (DO) is to "strengthen county performance in the financing, management, coordination, and accountability for resources", supports a series of key interventions (at the input and output levels) that contribute to intermediate outcomes and, in turn, contribute to outcomes. To achieve the DO, the Program is expected to significantly improve outcomes in the participating counties under three key result areas (KRAs) outlined below:

KRA 1: Sustainable Financing and Expenditure Management: This KRA supports efforts towards enhancing financing to and expenditure management by counties.

KRA 2: Intergovernmental Coordination, Institutional Performance, and Human Resource Management. This KRA supports national and county government initiatives towards strengthening intergovernmental coordination, institutional performance, and Human Resource Management (HRM).

KRA 3: Oversight, Participation, and Accountability. KRA 3 will support improvements in oversight, participation, and accountability. The IPF component will support the development of guidelines on project stocktaking, community-led project management committees, and climate change risk screening and preparedness (including assessment of the climate resilience of existing infrastructure assets).

Introduction

Section 164 (2)(f) of the Public Finance Management Act, 2012, requires that the Accounting Officer include a statement of the national government entity's performance against predetermined objectives at the end of each financial year.

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

i. KRA 1: Sustainable Financing and Expenditure Management. This KRA will support efforts toward enhancing financing to and expenditure management by counties. In this KRA, the national-level activities entail the development of frameworks and guidelines for county revenue mobilization, policy to support financing for service delivery units, and structures and tools to support counties' institutionalization of shared project management functions, that is, the county Single Project Management Unit (SPMU). The expected outcomes will include improved revenue mobilization agenda (for example, increased revenue collection, enhanced accuracy of fiscal forecasting, and expansion of revenue base), timely communication on releases of conditional grants, automation of the county exchequer requests, and implementation of pending bills action plans.

ii. KRA 2: Intergovernmental Coordination, Institutional Performance, and Human Resource Management. KRA 2 will support the National Government and county governments initiatives toward strengthening intergovernmental coordination, institutional performance, and human resource management (HRM). The national-level activities financed through Investment Project Finance (IPF) will support the development of policy and administrative procedures for the operationalization of intergovernmental, intercity, and inter-municipality forums. The IPF will also support the development of guidelines including on county HR and skills audits, model organization structures for customization by counties, and performance management. Disbursement-Linked Indicators (DLIs) under this KRA will target counties implementing recommendations of HR, skills, and payroll audits; aligning county staffing with departmental functions in select sectors; and improving credibility of the payroll.

iii. KRA 3: Oversight, Participation and Accountability. KRA 3 will support improvements in oversight, participation, and accountability. The IPF component will support the development of guidelines on project stocktaking, community-led project management

committees, and climate change risk screening and preparedness (including assessment of the climate resilience of existing infrastructure assets). It will also support the rollout of the county Public Investment Management (PIM) framework. The expected outcomes include the establishment of Program management committees, county compliance with the PIM framework, and the development and operationalization of a county investment dashboard with a citizen feedback interface (which is used to improve public investments). Additionally, it is expected that county assemblies will establish a fiscal bureau to strengthen the role of the legislatures in budget scrutiny and oversight.

Progress on the attainment of strategic development objectives

To implement and cascade the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic, and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified to track progress and performance measurement

Progress on the attainment of strategic development objectives

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4. Environmental and Sustainability Reporting

The Urban Institutional Grant is a government-led initiative designed to strengthen the capacity of county governments to effectively deliver services to citizens while promoting transparency, accountability, and sustainability in governance. Anchored in the principles of the Constitution of Kenya 2010, Urban Institutional Grant builds upon the successes and lessons of the first phase, with a deliberate focus on improving service delivery systems, institutional performance, and accountability in devolved units. Its overarching mandate is to equip counties with the tools, resources, and frameworks necessary to manage public affairs in a manner that ensures long-term socio-economic and environmental sustainability.

Central to Urban Institutional Grant is the recognition that sustainable development is not merely about meeting present needs but also about safeguarding the capacity of future generations to thrive. Sustainability in this context refers to the ability of county governments to continue providing equitable, efficient, and inclusive services to citizens over the long term. This commitment requires a balanced approach that integrates economic, social, and environmental considerations into county planning, budgeting, and implementation frameworks. By mainstreaming sustainability into governance, Urban Institutional Grant aligns itself with both Kenya Vision 2030 and the United Nations Sustainable Development Goals (SDGs), particularly those relating to environmental conservation, decent work, responsible governance, and inclusive growth.

The program adopts a sustainability strategy that emphasizes resilience, inclusivity, and innovation in public service delivery. It places strong emphasis on institutional capacity-building, fiscal discipline, responsible resource use, and citizen participation. This strategy recognizes that devolution will only deliver lasting results if counties can institutionalize governance systems that prioritize environmental stewardship, fair labor practices, responsible supply chains, ethical governance, and active community engagement. The approach also incorporates international best practices on environmental and sustainability reporting, ensuring that Kenya's counties benchmark their performance against global standards while tailoring strategies to the unique realities of the devolved context.

Environmental and sustainability reporting under Urban Institutional Grant therefore provides an essential platform for tracking progress, identifying challenges, impacts and promoting

accountability in county-level governance. By documenting key initiatives and outcomes, the reporting framework not only enhances transparency but also builds public trust and confidence in devolution. Moreover, it allows counties to evaluate the long-term impact of their policies and operations on citizens, the environment, and the broader economy.

In pursuit of these objectives, Urban Institutional Grant's sustainability reporting framework focuses on five key areas of impact:

Sustainability Strategy and Profile – Highlighting the program's long-term sustainability commitments, strategic direction, leadership priorities, and integration of global and national sustainability trends. It reflects on key achievements, lessons learned, and future commitments by county governments.

Environmental Performance – Outlining the environmental policies guiding counties and their agencies, including waste management, biodiversity conservation, pollution reduction, and climate adaptation strategies. This section also addresses successes, shortcomings, and innovations aimed at minimizing negative environmental impacts.

Employee Welfare – Examining the policies and practices guiding human resource management, staff development, gender inclusivity, occupational health and safety, and efforts to create a motivated and productive public service workforce.

Marketplace Practices – Capturing counties' responsible approaches to supply chain management, supplier relations, ethical governance, anti-corruption frameworks, regulatory compliance, and political accountability in line with Kenya's governance standards.

Community Engagements – Documenting counties' social investments and contributions to communities, including education, health, sports, cultural programs, water and sanitation initiatives, and other corporate social responsibility (CSR) activities that strengthen the bond between governments and citizens.

5. Statement of Project Management Responsibilities

The Chief Officer for the County department of Land, Housing and Physical Planning and the Project Coordinator 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 the financial year ended on June 30, 2026.

This responsibility includes (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 Chief Officer for the County Department of Land, Housing and Physical Planning and the Project Coordinator accept responsibility for the Project's financial statements, which have been prepared on IPSAS Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Chief Officer for the County Department of Land, Housing and Physical Planning and the Project Coordinator are of the opinion that the Project's financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June 30, 2026, and of the Project's financial position as at that date. The Chief Officer for Land, Housing and Physical Planning and the Project Coordinator 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 and the adequacy of the systems of internal financial control.

The Chief officer for the County Department of Land, Housing and Physical Planning and the Project Coordinator 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 Chief Officer for the County Department of Land, Housing and Physical Planning and the Project Coordinator on 21/5/26 2026 and signed by:

.....
Name
Farhiya Ismail Omar
Chief Officer

.....
Name
Mowlid Mohamed Muhumed
Project Coordinator

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON URBAN INSTITUTIONAL GRANT (KUSP II) – CREDIT NO: 7349-KE, 7350-KE AND GRANT NO. E208-KE FOR THE YEAR ENDED 30 JUNE, 2026 – DADAAB MUNICIPALITY - COUNTY GOVERNMENT OF GARISSA

PREAMBLE

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

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

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the financial statements of Urban Institutional Grant (KUSP II) - Dadaab Municipality set out on pages 1 to 27, which comprise of the statement of financial position as at 30 June, 2026, and the statement of financial performance, statement

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of Urban Institutional Grant (KUSP II) – Dadaab Municipality as at 30 June, 2026 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards-Accrual Basis and comply with the Financing Agreement Credit No.7349-KE, 7350-KE and Grant No.E208-KE dated 21 December, 2023 between World Bank and Republic of Kenya and the Public Finance Management Act, Cap.412A.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Urban Institutional Grant (KUSP II) - Dadaab Municipality Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by Financing Agreement Credit No. Credit No. 7349-KE, 7350-KE and Grant No. E208-KE dated 21 December, 2023 between World Bank and Republic of Kenya: I report, based on my audit, that

i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

ii. Adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,

The Project's financial statements are in agreement with the accounting records and returns.

Basis for Conclusion

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

Responsibilities of the Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, Cap.412B and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, Cap.412B. Reasonable assurance is a high

level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, Cap.412B.

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

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

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

25 September, 2026

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

	Notes	2025-2026
		Kshs
Revenue		
Revenue Transfers	6	65,000,000
Total revenue		**65,000,000**
Expenses		
Employee costs	7	0
Use of goods and services	8	0
Total expenses		**0**
Surplus/ (deficit)		**65,000,000**

The financial statements were approved on 21 August, 2026 and signed by:

.....	.....	.....
Name	**Name**	**Name**
Farhiya Ismail Omar	**Mowlid Mohamed Muhumed**	**Mohamed Abdullahi**
Chief Officer	**Project Coordinator**	**Project Accountant**
		ICPAK Member No: 32580
Date	**Date** 21/8/26	**Date**

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

	Note	2025-2026
		Kshs
Assets		
Current Assets		
Cash and Cash equivalents	9	0
Receivables	10	65,000,000
Total Current Assets		**65,000,000**
Non-Current Assets		
Total Non- Current Assets		**0**
Total Assets (a)		**0**
Liabilities		
Current Liabilities		
Total Current Liabilities		**0**
Non-Current Liabilities		
Total Non-Current Liabilities		**0**
Total Liabilities (b)		**0**
Net Assets (a-b)		**65,000,000**
Represented By:		
Accumulated Surplus		65,000,000
Total Net Assets		**65,000,000**

The financial statements were approved on 21 August 2026 and signed by:

.....	.....	.....
Name	**Name**	**Name**
Farhiya Ismail Omar	**Mowlid Mohamed Muhumed**	**Mohamed Abdullahi**
Chief Officer	**Project Coordinator**	**Project Accountant**
		ICPAK Member No: 32580
Date	**Date** 21/8/26	**Date**

9. Statement of Changes in Net Assets

	Accumulated Surplus	Total
As At 1st July 2026	**0**	**0**
As at 30th June 2026	**0**	**0**
As At 1st July 2026	**0**	**0**
Surplus/ deficit for the year	65,000,000	65,000,000
As at June 30, 2026	**65,000,000**	**65,000,000**

The financial statements were approved on 21 August 2026 and signed by:

.....	.....	.....
Name	**Name**	**Name**
Farhiya Ismail Omar	**Mowlid Mohamed Muhumed**	**Mohamed Abdullahi**
Chief Officer	**Project Coordinator**	**Project Accountant**
		ICPAK Member No: 32580
Date	**Date** 21/8/26	**Date**

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

Description	Note	2025-2026
		Kshs
Cashflow from operating activities		
Receipts		
Revenue Transfers		0
Total receipts		**0**
Payments		
Employee costs		0
Use of goods and services		0
Total payments		**0**
Net cash flow from operating activities		0
Cashflow from investing activities		0
Net cash flows from investing activities		0
Cash flow from financing activities		0
Net cash flow from financing activities		**0**
Net increase/Decrease in cash and cash equivalents		0
Cash and cash equivalent at 1st July		**0**
Cash and cash equivalent at end June 2026		**0**

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

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable (cash) Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Receipts						
Revenue Transfers	65,000,000	0	65,000,000	0	65,000,000	100%
Total Revenue	**65,000,000**	**0**	**65,000,000**	0	**65,000,000**	100%
Payments			0	0	0	0%
Employee costs	0		0	0	0	0%
Use of goods and services	65,000,000		65,000,000	0	0	0%
Total Payments	**65,000,000**		**65,000,000**	0	0	0%
Surplus	0		0		**65,000,000**	

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	0
	Closing Cash and Cash Equivalent as per the statement of Cash flows	0

12. Notes to the Financial Statements

1. General Information

Dadaab Municipality Urban Institutional Grant (UIG- KUSP II) is established by and derives its authority and accountability from PFM Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to improve infrastructure, enhancing service delivery and supporting the integration of marginalized and refugee host communities.

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 has Dadaab Municipality- Urban Institutional Grant (UIG- KUSP II) financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS)]. These financial statements comply fully, explicitly, and without reservation with the accrual-basis

These financial statements were authorized for issue by the accounting officer on 21 August 2026

3. Adoption of New and Revised Standards

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

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

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

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

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

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

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will

flow to the entity and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

ii) Revenue from exchange transactions

Finance income

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

b) Budget information

The original budget for FY 2025/2026 was approved by the Council or Board on ***30 June 2025.*** Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. 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.

c) Property, plant and equipment

Recognition and Measurement

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

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

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

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

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

Depreciation and Impairment

The entity applies the **straight-line method** of depreciation, as it best reflects the pattern of the asset's consumption of its future economic benefits or service potential. Depreciation begins when the asset is available for use and ceases at the earlier of the date the asset is classified as held for sale or the date of derecognition. The depreciable amount is the cost of the asset less its residual value. The residual value and the useful life of an asset are reviewed at least at each annual reporting date. The table below indicates the various classes of assets and the depreciation rates.

PPE Item	Depreciation Rate
Buildings	2-%
Motor vehicles	10%
Infrastructure assets	2%
Furniture and fittings	12.5%
Computers & ICT Equipment	33.3%

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

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d) Lease Liability

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

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

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

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

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

e) Lease Liability
The lease liability is measured at the present value of lease payments that are not paid at that date. The lease payments have been discounted using the interest rate implicit in the lease, and the rate can be

readily determined. If the rate cannot be readily determined, the entity uses the incremental borrowing rate.

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

f) Intangible assets

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

g) Research and development costs

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

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

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

h) Financial instruments

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

Financial assets

Classification

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

Subsequent measurement

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

Amortized cost

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

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

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

Trade and other receivables

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

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date.

Financial liabilities

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

i) Inventories

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

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

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

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

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 Urban Institutional Grant.

j) Provisions

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

k) Nature and purpose of reserves

The Urban Institutional Grant creates and maintains reserves in terms of specific requirements.

l) Changes in accounting policies and estimates

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

Notes to the financial statements

m) 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) Foreign currency transactions

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

o) Borrowing costs

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

p) Related parties

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

q) Service concession arrangements

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

r) Cash and cash equivalents

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

s) Subsequent events

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

Notes to the financial statements

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Urban Institutional Grant '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 requiring a material adjustment to the carrying amount of the affected asset or liability in future periods. State all judgments, estimates, and assumptions made:

Estimates and assumptions.

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available.

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.

6. Revenue Transfers

Description	2025-2026 KShs
Unconditional Transfers	
Transfers from Development partners	65,000,000
Total Transfers for the Year (a + b)	**65,000,000**

a) Details to Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Total transfers 2025-2026
	Kshs	**Kshs**
Development Partner	65,000,000	65,000,000
Total	**65,000,000**	**65,000,000**

7. Employees Costs

Description	2025-2026
	Kshs
Basic salaries of permanent employees	0
Total	0

8. Use of Goods and Services

De scription	2025-2026
c	Kshs
Utilities, supplies and services	0
Total	0

9. Cash and Cash Equivalents

Description	2025-2026
	Kshs
Cash in Bank	0
Total Cash and Cash Equivalents	0

Project Bank Accounts

Details	2025-2026
	Kshs
Foreign Currency Accounts	
Equity Bank -0580286240569	0
Total bank account balances	0

10. Receivables

Description	2025-2026
	Kshs
Development Partner	65,000,000
Total Receivables	65,000,000

Aging analysis for Receivables

Description	2025-2026	
	Kshs	
	2025-2026	% of the total
Less than 1 year	65,000,000	%
Total (a+b)	65,000,000	%

Notes to the financial statements

a) Valuation

No valuation was conducted

11. Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as of 30th June 2026 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.

12.Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the Dadaab Municipality Urban Institutional Grant 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 Dadaab Municipality Urban Institutional Grant (UIG- KUSP II), holding 100% of the Dadaab Municipality Urban Institutional Grant's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Entity, both domestic and external.

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.

Notes to the financial statements

13.Events after the Reporting Period

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

14.Ultimate And Holding Entity

The Entity is a State Corporation/ or a Semi-Autonomous Government Agency under the Department of Land, Housing and Physical Planning. Its ultimate parent is the Government of Kenya.

15.Currency

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

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
Financial Statements	None	None	None	None
Lawfulness & Effectiveness in the use of Public Resources	None	None	None	
Effectiveness of Internal Controls, Risk Management & Governance	None	None	None	None

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Name
Farhiya Ismail Omar
Chief Officer

.....
Name
Mowlid Mohamed Muhumed
Project Coordinator