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unpaid balances and status of the cases. The County Executive has been sued and so many cases are in court which have remained undisclosed in their financial records.

In the circumstances, the accuracy and regularity of the legal fees amount of Kshs. 140,507,214 paid could not be confirmed.

Management response

Management stated that during the period under review, the County paid Kshs. 100,000,000 as part settlement of a contingent liability amounting to Kshs. 756,757,420 which had been disclosed in a previous audit report. The liability arose from a decretal sum issued by the court in a case between the County Government and Mico Leopard Hotel, which was determined against the County. Management explained that since the case was not contractual in nature, the amount did not attract withholding tax.

Management further stated that all amounts paid on legal cases, including Kshs. 40,507,214, were disclosed under Use of Goods and Services within Other Operating Expenses. A supporting ledger for Other Operating Expenses, provided during the audit, included the said amount.

Management maintained that there was an approved budget under the Department of Public Service and Legal Administration which was used to pay the legal fees.

In addition, Management indicated that supporting documentation for the payments, including payment vouchers, requisitions, taxed amounts, unpaid balances, and status of the cases, was available for audit review.

Committee Observations

The Committee observed that:

- 1) The County Executive made payments totalling Kshs. 40,507,214 for legal cases that were not disclosed as contingent liabilities in the financial statements. This omission is a contravention of Paragraph 46 of IPSAS 19: Provisions, Contingent Liabilities and Contingent Assets, which requires an entity to disclose a brief description of the nature of contingent liabilities and an estimate of their financial effect.
- 2) The payment of Kshs. 140,507,214 was made against budget lines that were either unapproved or non-existent. This action violates Section 149(2)(a) of the Public Finance Management Act, 2012, which mandates an accounting officer to ensure that all expenditure made by the entity is lawful and authorised, and Article 201(d) of the Constitution which requires that public money be used in a prudent and responsible

Committee Recommendations

The Committee recommends that;

- 1) **The Ethics and Anti-Corruption Commission (EACC) conduct an investigation into the Kshs 140,507,214 paid against non-existent budget lines to identify the beneficiaries and recover any embezzled funds. The Commission should also investigate the non-disclosure of Kshs 40,507,214 in legal liabilities as possible falsification of public records, recommend prosecution of any culpable officer(s), and submit a status report to the Senate and Auditor-General within 90 days of adoption of this report.**
- 2) **The County Governor undertakes administrative action against the responsible officer(s) who failed to prepare and submit accurate financial statements at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provide a status report to the Senate and Auditor General within 90 days of the adoption of this report.**
- 3) **The County Executive Committee Member (CECM) for Finance must, in future budgets, make a provision for contingent liabilities in respect of legal fees, pursuant to Regulation 25(2)(e) of the Public Finance Management (County Government) Regulations, 2015, which requires the inclusion of a statement of fiscal risks, including a list of contingent liabilities, in the County Fiscal Strategy Paper.**

2.0 Missing Information on Level 1, 2 and 3 Hospitals

The statement of financial performance reflects transfers to other Government entities amount of Kshs. 766,771,028 which includes others (FIF) amount of Kshs. 108,648,141 and transfers to other County Government entities amount of Kshs. 529,412,779 as disclosed in Note 11 to the financial statements. The transfers amount of Kshs. 529,412,779 further includes Donor (DANIDA) funds amount of Kshs. 29,495,006 also transferred to primary healthcare facilities.

However, Authority to Incur Expenditure (AIEs), payment vouchers, stores receipts vouchers (S13) and project implementation status reports were not provided for audit review. In addition, various medical services, key personnel and equipment in the Hospital on key services required in level 1, 2 and 3 Hospital, the staffing levels, the equipment at the facilities as prescribed by the Kenya Quality Model for Health Policy Guidelines, bank reconciliations and reimbursements amount on claims from Social Health Authority (SHA) and Social Health Insurance (SHI) were not provided for audit.

In the circumstances, the accuracy and completeness of transfers to other Government entities amount of Kshs. 138,143,147 could not be confirmed.

Management response

Management stated that during the period under review, the County, through the Department of Health, transferred Kshs. 29,495,000 as DANIDA funds to various health facilities within the

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County and reported Kshs. 108,648,141 as Facility Improvement Fund (FIF) for Level 3 facilities.

Management indicated that details relating to expenditure incurred by the respective facilities, including Authorities to Incur Expenditure, payment vouchers, and store records, were provided for audit review.

Further, Management stated that information relating to staffing levels in Level 1, 2, and 3 health facilities was provided for audit review

Additionally, Management indicated that data relating to Social Health Authority and Social Health Insurance reimbursements, including claims made to hospitals, was provided for review.

Committee Observations

The Committee observed that management failed to provide key accounting documents to the auditors, including Authorities to Incur Expenditure (AIEs), payment vouchers, and stores receipt vouchers (S13) for the transfers to health facilities. This failure is a breach of Section 62(1)(b) and (c) of the Public Audit Act, 2015 (Cap. 412B), which creates an offence for a public officer to fail, without reasonable excuse, to provide documents required by the Auditor-General.

Committee Recommendations

The Committee recommends that;

- 1) **The County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors in accordance with section 156 of the Public Finance Management Act, and provides a status report to the Senate and Auditor General within 90 days from the adoption of this report.**
- 2) **The Directorate of Criminal Investigations (DCI) investigates breach of section 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.**

3.0 Unreconciled Long Outstanding Refund on Borrowing

The statement of financial position and as disclosed in Note 15 to the financial statements reflects receivables from non-exchange transactions balance of Kshs. 1,650,794,342 which excluded borrowings by Meru Micro-finance Corporation balance of Kshs. 1,400,000. Review of records revealed that the amount was borrowed from the County Executive to pay salaries for the Corporation employees in March, 2018. However, no satisfactory explanation was given why the debt was not settled by 30 June, 2025. This was contrary to Section 201(d) of the

Constitution of Kenya, 2010 which provides that public money shall be used in a prudent and responsible way.

In the circumstances, the accuracy and regularity of the long outstanding debtors balance of Kshs. 1,400,000 could not be confirmed.

Management Response

Management stated that the County correctly reported Kshs. 1,650,794,322 as receivables from non-exchange transactions.

Management further stated that a review of records held by both the County Executive and Meru Micro Finance Corporation showed that no amount of Kshs. 1,400,000 was borrowed by the Corporation to pay March 2018 salaries as reported.

Management indicated that bank statements for both entities for the months of March and April 2018 did not reflect such a transaction, thereby demonstrating that the alleged borrowing did not take place.

Management therefore maintained that the accuracy and regularity of receivables from non-exchange transactions was not in doubt.

Committee Observations

The Committee observed that:

1. An amount of Kshs. 1,400,000 was erroneously classified in the financial statements, creating a misrepresentation of the financial position. This contravenes Regulation 41 of the Public Finance Management (County Governments) Regulations, 2015, which requires that financial transactions be classified according to the standard chart of accounts to ensure accurate reporting.
2. The misclassification and inaccurate reporting constitute a failure in the duty of the accounting officer to ensure that the entity keeps financial and accounting records that comply with the law, as required by Section 149(2)(b) of the PFM Act, 2012.

Committee Recommendations

The Committee recommends that;

- 1) **The Institute of Certified Public Accountants (ICPAK) takes action(s) against CPA Charles Mwenda (ICPAK No. 20191) and CPA Douglas Kobia Domoiziano (ICPAK No. 10401) for misrepresentation of financial statements which constitutes professional misconduct pursuant to Section 8 (a) and 30 of the Accountants Act CAPS 531 and reports to the Committee and the Auditor General within 90 days of adoption of this report.**

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- 2) The County Governor, in conjunction with the National Treasury, should identify the training needs of staff serving in the Finance Department and initiate capacity-building programmes to prevent future misclassification and reporting errors, as recommended under Regulation 5 of the PFM (County Governments) Regulations, 2015. This should be completed within 90 days of the adoption of this report.
- 3) The County Executive Committee Member (CECM) for Finance should take immediate steps to correct the error, ensuring that the Kshs. 1,400,000 is properly reclassified and reported as a grant in the financial records. A status report confirming this correction should be submitted to the Auditor-General within 90 days of the adoption of this report.

4.0 Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs. 3,415,572,399 and as disclosed in Note 17 to the financial statements. However, the supporting ledgers reflected a balance of Kshs. 3,428,210,299 leading to an unexplained and unreconciled variance of Kshs. 12,837,900. In addition, review of records provided reveal that the County Executive submitted to the Controller of Budget, payables totaling Kshs. 1,741,933,778 leading to another variance of Kshs. 1,673,638,621 which has also not been explained or reconciled.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs. 3,415,572,399 could not be confirmed.

Management Response

Management stated that during the period under review, the County reported trade payables amounting to Kshs. 3,428,210,299, which were supported by a detailed ledger provided for audit review.

Management acknowledged that the County reported Kshs. 1,741,933,778 as pending bills to the Office of the Controller of Budget. The variance between the trade payables figure and the pending bills reported was attributed to payments that were requisitioned in June 2025 but were actually paid in July 2025.

Management explained that, for purposes of preparing the financial statements, the amounts were treated as payables since payment had not been made as at 30 June 2025. However, for reporting to the Office of the Controller of Budget, the amounts were excluded from the pending bills list because the funds had already been approved within the year under review.

Management further indicated that a reconciliation of the two figures was provided for audit review, including a supporting ledger for Kshs. 1,686,276,521 relating to payments made in July

2025 that were not included in the pending bills list submitted to the Office of the Controller of Budget.

Committee Observations

The Committee noted an unexplained and unreconciled variance of Kshs. 1,673,638,621 between the payables reported in the financial statements (Kshs. 3,415,572,399) and the pending bills list submitted to the Controller of Budget (Kshs. 1,741,933,778). This discrepancy, coupled with the failure to provide supporting documents, means the management has not ensured that the financial records are accurate and complete, as required by Section 149(2)(b) of the PFM Act, 2012.

Committee Recommendations

The Committee recommends that;

- 1) The County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Senate and Auditor General within 90 days of the adoption of this report.**
- 2) The Directorate of Criminal Investigations (DCI) investigates breach of section 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.**
- 3) The Institute of Certified Public Accountants (ICPAK) takes action(s) against CPA Charles Mwenda (ICPAK No. 20191) and CPA Douglas Kobia Domoziario (ICPAK No. 10401) for misrepresentation of financial statements which constitutes professional misconduct pursuant to Section 8 (a) and 30 of the Accountants Act CAPS 531 and reports to the Committee and the Auditor General within 90 days of adoption of this report.**
- 4) The County Executive, through the CECM for Finance, should identify the training needs of its finance staff and initiate capacity building in conjunction with the National Treasury within 60 days of the adoption of this report, as per Regulation 5 of the PFM (County Governments) Regulations, 2015.**

5.0 Unreconciled Kenya Medical Supplies Authority Debt

The statement of financial position reflects trade and other payables balance of Kshs. 3,415,572,399 and as disclosed in Note 17 to the financial statements. The balance includes trade payables balance of Kshs. 2,759,432,547 which further includes supply of drugs and medical supplies totaling Kshs. 43,412,108 owed to Kenya Medical Supplies Authority.

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However, the Authority's records reflect a balance of Kshs. 105,367,569 resulting in an unreconciled and unexplained variance of Kshs. 61,955,461.

In the circumstances, the accuracy and completeness of current liabilities balance of Kshs. 3,415,572,399 could not be confirmed.

Management response

Management stated that during the period under review, the County correctly reported an outstanding pending bill of Kshs. 43,412,108 owed to the Kenya Medical Supplies Authority. Management further stated that, as at 30th June 2025, the County, through the Department of Health, had issued various LPOs to KEMSA amounting to Kshs. 105,367,569, but the authority had not fully supplied the drugs to the County. Management explained that, in preparing the financial statements, only amounts for which drugs had been supplied were recognized, while KEMSA retained the value of undelivered drugs as the amount owed by the County.

Management indicated that a reconciliation of the two amounts was provided during the audit process.

Management further noted that KEMSA has since fully supplied all the drug items relating to the said LPOs.

Committee Observations

The Committee observed that the County's financial statements reflect Kshs. 43,412,108 owed to KEMSA, while KEMSA's records show Kshs. 105,367,569, resulting in an unexplained variance of Kshs. 61,955,461. The management failed to provide sufficient supporting evidence to justify this difference, thereby breaching Section 149(2)(b) of the PFM Act, 2012, which requires the accounting officer to ensure that the entity keeps accurate financial and accounting records.

Committee Recommendations

The Committee recommends that;

- 1) **The County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors in accordance with section 156 of the Public Finance Management Act, and provides a status report to the Senate and Office of the Auditor General within 90 days of the adoption of this report.**
- 2) **The Directorate of Criminal Investigations (DCI) investigates breach of section 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.**

- 3) **The Institute of Certified Public Accountants (ICPAK) takes action(s) against CPA Charles Mwenda (ICPAK No. 20191) and CPA Douglas Kobia Domoiziano (ICPAK No. 10401) for misrepresentation of financial statements which constitutes professional misconduct pursuant to Section 8 (a) and 30 of the Accountants Act CAPS 531 and reports to the Committee and the Auditor General within 90 days of adoption of this report.**
- 4) **The County Executive, through the CECM for Finance, should identify the training needs of its finance staff and initiate capacity building in conjunction with the National Treasury within 90 days of the adoption of this report, as per Regulation 5 of the PFM (County Governments) Regulations, 2015.**

6.0 Outstanding Retentions and Deposits Refund

The statement of financial position and as disclosed in Note 18 to the financial statements reflects refundable deposits and prepayments balance of Kshs. 89,224,553. This balance is in respect of retention money withheld by the County Executive, which is supposed to be banked in a refundable deposits account. The opening balance reflects a balance of Kshs. 86,843,700 while the County Executive procured capital projects totaling Kshs. 705,357,090 as reflected in the statement of cash flows. However, the movement of the deposits had not been disclosed in the Notes to the financial statements. Further, the bank account held at Central Bank of Kenya revealed a closing balance of Kshs. 40,824,224 hence an unexplained and unreconciled variance of Kshs. 48,400,329.

In the circumstances, the accuracy and completeness of refundable deposits and retentions balance of Kshs. 89,224,553 could not be confirmed.

Management Response

Management stated that during the period under review, the County reported trade payables amounting to Kshs. 3,428,210,299, which were supported by a detailed ledger provided for audit review.

Management acknowledged that the County reported Kshs. 1,741,933,778 as pending bills to the Office of the Controller of Budget. The variance between the trade payables figure and the pending bills reported was attributed to payments that were requisitioned in June 2025 but were actually paid in July 2025.

Management explained that, for purposes of preparing the financial statements, the amounts were treated as payables since payment had not been made as at 30 June 2025. However, for

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reporting to the Office of the Controller of Budget, the amounts were excluded from the pending bills list because the funds had already been approved within the year under review.

Management further indicated that a reconciliation of the two figures was provided for audit review, including a supporting ledger for Kshs. 1,686,276,521 relating to payments made in July 2025 that were not included in the pending bills list submitted to the Office of the Controller of Budget.

Committee Observations

The Committee observed that the movement of retention and deposit funds was not disclosed in the Notes to the financial statements, and an unexplained variance of Kshs. 48,400,329 exists between the reported balance (Kshs. 89,224,553) and the bank statement balance (Kshs. 40,824,224). This lack of transparency and failure to reconcile public funds is contrary to the principle of prudent and responsible use of public money under Article 201(d) of the Constitution and the accounting officer's duty under Section 149(2)(b) of the PFM Act, 2012.

Committee Recommendations

The Committee recommends that:

1. **The County Governor undertakes administrative action against the responsible officer(s) who failed to properly manage, reconcile, and disclose the retention and deposit funds, as required by Section 156 of the PFM Act, 2012. A status report on the reconciliation and actions taken should be provided to the Senate and the Auditor-General within 90 days of the adoption of this report.**
2. **The Directorate of Criminal Investigations (DCI) investigates the breach of Section 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the concerned county public officers. Where criminality is established, the matter should be referred to the Director of Public Prosecutions for prosecution.**

7.0 Unexplained Voided Transactions

Analysis of the system payments indicated that four hundred and ninety-six (496) transactions with a value of Kshs. 766,804,548 were voided or canceled during the year under review. However, Management did not provide reconciliation to confirm whether the voided transactions were subsequently paid.

In the circumstances, the accuracy and regularity of the voided transactions totaling Kshs. 766,804,548 could not be confirmed.

Management Response

Management stated that during the period under review, the County voided four hundred and ninety-six (496) transactions. The voiding of these transactions was necessitated by various reasons, including but not limited to:

- Capturing of incorrect account details,
- Cancellation of transactions for which approval to withdraw funds was not granted by the Controller of Budget, and
- Unpaid entries in the internet banking system at the close of the financial year.

Management further stated that a detailed analysis of the reason for each voided transaction, as well as the current status of each transaction, was provided for audit review.

Committee Observations

The Committee observed that 496 transactions valued at Kshs. 766,804,548 were voided or cancelled during the year. Management did not provide sufficient reconciliation to confirm whether these transactions were subsequently paid or properly re-authorised. The lack of a clear audit trail for these voided transactions undermines the control environment and is contrary to Regulation 102(3) of the PFM (County Governments) Regulations, 2015, which requires a sufficient audit trail for any alteration or deletion of a financial transaction.

Committee Recommendations

The Committee recommends that;

- 1) **The National Treasury to review the voided transactions to confirm whether due process was followed in voiding, noting to stipulate how and why the transactions were voided, and report back to the Senate within ninety (90) days of adoption of this report;**
- 2) **The Cabinet Secretary for the National Treasury to ensure IFMIS is reconfigured with the Central Bank of Kenya system to avoid cases of IFMIS approvers voiding and diverting funds to other activities not initially approved for payment and report back to the Senate within ninety (90) days of adoption of this report; and**
- 3) **The Ethics and Anti-corruption Commission (EACC) investigates the voided transactions to determine whether funds were utilized for purposes approved by the Controller of Budget.**

Emphasis of Matter

8.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 12,452,916,563 and Kshs. 9,054,751,662 respectively, resulting to an under-funding of Kshs. 3,398,164,901 or 27% of the budget. Similarly, the County Executive spent an amount of Kshs. 8,241,985,043 against actual receipts of Kshs.

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9,054,751,662 resulting to an under-utilization of Kshs. 812,766,619 or 9% of the actual receipts.

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

Management Response

Management concurred with the audit observation that there was underfunding and underutilization of funds. Management explained that this was primarily due to the late disbursement of funds by the National Treasury. All grants were received in July 2025, and amounts that were received in June but whose approval from the Controller of Budget was obtained in July were therefore not included in the financial statements.

Committee Observations

The Committee observed that the County Executive experienced significant under-funding of Kshs. 3,398,164,901 (27% of the budget) and under-utilization of Kshs. 812,766,619 (9% of actual receipts). This indicates weaknesses in budget implementation and fiscal planning, which negatively impacts service delivery to the public as envisaged in the objects of devolution under Article 174 of the Constitution.

Committee Recommendations

The Committee recommends that:

- 1) **The National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act; and**
- 2) **The County executive puts in place measures to enhance its own generated Revenue in order to meet its revenue target and address revenue shortfalls.**

9.0 Unresolved Prior Year Audit Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, review of the status during audit revealed that the matters summarized in the attached **Appendix I** remained unresolved as at 30 June, 2025.

Management Response

Management stated that during the period under review, the County undertook both corrective and preventive measures to address prior audit issues. This included the preparation and adoption of an Action Plan to resolve outstanding audit matters. A copy of the implementation matrix detailing actions taken on issues raised during the prior year audit was provided for review.

Committee Observations

The Committee observed that several prior-year audit issues remain unresolved, contrary to Section 31(1) of the Public Audit Act, 2015 (Cap. 412B), which requires the Accounting Officer to take action to implement the recommendations of the Auditor-General and submit a report to the relevant legislative body.

Committee Recommendations

The Committee recommends that;

- 1) The County Executive implements the recommendations of the Committee in its report on the Report of the Auditor-General on Financial Statements for Meru County Executive for the Financial Year 2023/2024 as adopted by the Senate and reports to the committee within 90 days of the adoption of this report;**
- 2) The Accounting Officer complies with section 53 of the Public Audit Act by taking the relevant steps to implement the recommendations of the Senate on the report of the Auditor-General and submits a report to the Senate within ninety (90) days of the adoption of this report;**
- 3) The County Executive engages with the Office of the Auditor-General to address and resolve any outstanding matters; and**
- 4) The Auditor General lists any unresolved audit issues in the report of the subsequent financial year.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

Basis for Conclusion

10.0 Delayed Passing of the Budget by the County Assembly

Review of budget process revealed that the County Assembly of Meru did not approve the County Government's annual budget estimates within the statutory timelines of 30 June, each year as prescribed under the Public Finance Management Act, 2012. The budget, was passed on 13 August, 2024. This was contrary to Section 129(7) of the Public Finance Management Act,

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2012 which provides that to enable smooth commencement of Government operations at the start of each financial year. The County Treasury should also ensure timely submission of the budget estimates to allow adequate review and deliberation.

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

Management Response

Management stated that during the period under review, the County undertook both corrective and preventive measures to address prior audit issues. This included the preparation and adoption of an Action Plan to resolve outstanding audit matters. A copy of the implementation matrix detailing actions taken on issues raised during the prior year audit was provided for review.

Committee Observations

The Committee observed that the County Assembly approved the County Budget on 13 August 2024, which was 44 days after the statutory deadline of 30 June. This delay is a direct contravention of Section 129(7) of the Public Finance Management Act, 2012, and disrupts the smooth commencement of government operations at the start of the financial year.

Committee Recommendations

The Committee recommends that the County Executive Committee Member for Finance should ensure that the draft budget is submitted to the County Assembly by 30 April each year, in accordance with Section 129(2) of the Public Finance Management Act, 2012, to allow for timely public participation and legislative review as required by Article 196 of the Constitution.

11.0 Late Disbursement of Exchequer Releases

Analysis of payment details revealed that the County Executive received an amount of Kshs. 1,640,816,129 after 15 June, 2025 from the Exchequer. This was contrary to Section 17(6) of the Public Finance Management Act, 2012 which provides among others that; The National Treasury shall administer the Consolidated Fund in accordance with Article 206 of the Constitution and facilitate payment into that account all monies raised or received by or on behalf of the National Government, and pay from that National Exchequer Account without undue delay all amounts that are payable for public services.

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

Management Response

Management concurred with the audit observation that there was late disbursement of exchequer releases. However, Management stated that the County has no control over the timing of disbursements by the National Treasury.

Committee Observations

The Committee observed that the County Executive received Kshs. 1,640,816,129 from the Exchequer after 15 June 2025. This late disbursement is contrary to Section 17(6) of the Public Finance Management Act, 2012, which requires the National Treasury to facilitate payments from the National Exchequer Account without undue delay.

Committee Recommendations

The Committee recommends that;

- 1) The National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act; and**
- 2) The County executive puts in place measures to enhance its own generated Revenue to meet its revenue target and address revenue shortfalls**

12.0 Non-Compliance with Fiscal Responsibility Principle on Development Expenditure

The statement of comparison of budget and actual amounts reflects total expenditure amount of Kshs. 8,241,985,042 comprising recurrent and development expenditure amount of Kshs. 7,536,627,953, and Kshs. 705,357,090 respectively. The development expenditure accounted for 9% of the total expenditure which was below the 30% threshold stipulated by Regulation 25(1)(g) of the Public Finance Management (County Governments) Regulations, 2015.

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

Management Response

Management concurred with the audit observation that total expenditure on development was below 30%. Management explained that this was because the majority of development expenditure related to requisitions made in June, but the actual payments were affected in July and were therefore reported as payables in the financial statements. Evidence of development expenditure whose payments were made in July 2025 was provided for audit review.

Committee Observations

The Committee observed that the County Executive's development expenditure of Kshs. 705,357,090 accounted for only 9% of the total expenditure. This is significantly below the

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statutory minimum of 30%, constituting a breach of Regulation 25(1)(g) of the Public Finance Management (County Governments) Regulations, 2015, which requires compliance with Section 107(2)(b) of the PFM Act.

Committee Recommendations

The Committee recommends that **the County Executive** must comply with Regulation 25(1)(g) of the PFM (County Governments) Regulations, 2015, by ensuring that development expenditure meets the 30% requirement as outlined in Section 107(2)(b) of the PFM Act. The County Treasury should provide a plan to the County Assembly and the Auditor-General on how this will be achieved in subsequent financial years.

13.0 Projects Implementation Status

The statement of comparison of budget and actuals reflects actual amount of Kshs. 8,241,985,042 which includes acquisition of property, plant and equipment amount totaling Kshs. 705,357,090. However, the following observations were made;

13.1 Procurement of Projects - Mechanical Transport Fund and Contractors

Review of the development cashbook revealed that an amount of Kshs. 223,000,000 in respect to civil works was paid to the Department of Roads - Mechanical Transport Fund (MTF) for gravelling of all-weather roads and culverts works. Further, the County Executive awarded contracts totaling Kshs. 493,777,736 to various contractors for similar civil works. However, mapping of which works were to be done by the Mechanical Transport Fund and individual contractors was not provided for audit. Further, the details of road works done by the MTF and individual contractors were also not provided.

In the circumstances, value for money in the expenditure amounts of Kshs. 223,000,000 and Kshs. 493,777,736 paid to Mechanical Transport Fund (MTF) and various contractors respectively, could not be confirmed.

Management Response

Management further explained that the projects were categorized into Flagship Projects and Ward Projects. The Flagship Projects comprised roads included in the Governor's manifesto, while Ward Projects were identified during public participation at the ward level.

All Flagship Projects were implemented through the Mechanical Transport Fund (MTF) in the State Department of Transport and Infrastructure, whereas Ward Projects were implemented

using local contractors. This approach was intended to ensure effectiveness and efficiency while promoting local enterprise.

Management stated that records of roads undertaken by both the MTF and local contractors were distinct and provided for audit review.

Committee Observation

The Committee observed that Kshs. 223,000,000 was paid to the Mechanical Transport Fund (MTF) and Kshs. 493,777,736 to various contractors for civil works, but a clear mapping of the specific works to be done by each entity was not provided for audit. The failure to provide detailed scope of works and project mapping means the accounting officer did not ensure that the resources were used in a way that was effective, efficient, and transparent, as required by Section 149(1) of the PFM Act, 2012.

Committee Recommendations

The Committee recommends that;

- 1) The Ethics and Anti-Corruption Commission investigate the Kshs 223,000,000 (MTF) and Kshs 493,777,736 (contractors) allocations to determine any cases of double payment, ghost projects, or misappropriation of public funds, and submit a status report to the Senate and the Auditor-General within 90 days of adoption of this report.**
- 2) The County Executive establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, and the Public Finance Management (County Government) Regulations, 2015.**
- 3) The County Governor undertakes administrative action(s) against the responsible officer(s) who failed to provide documents at the time of audit to the auditors in accordance with section 156 of the Public Finance Management Act, 2012. and provide a status report to the Office of the Auditor General within 90 days from the adoption of this report.**
- 4) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.**

13.2 Construction of Timau Stadium Toilet

The County Executive incurred an expenditure amount of Kshs. 1,861,445 in respect to the construction of the Timau stadium toilet. However, physical verification carried out in month of June, 2025 revealed that toilet had not been constructed. Further, the existing gates had been vandalized and there was no dias.

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Management Response

Management stated that during the period under review, the County constructed a toilet in Timau. Initially, the toilet was planned to be within the stadium; however, following consultations with stakeholders during the implementation phase, it was agreed to construct the toilet at the stage bordering the stadium to ensure it served a larger population within Timau town.

Management further explained that the vandalism of the gate and dais observed during physical verification occurred during a match when opposing fans turned rowdy. The County has since repaired the vandalized gate.

Committee Observations

The Committee observed that the toilet was originally tendered for construction within the stadium but was relocated to the main stage without a formal contract variation. This is a breach of the Public Procurement and Asset Disposal Act, which requires any material change to a contract to be effected through a formal variation. The subsequent vandalism also points to a lack of proper handover and security measures.

Committee Recommendations

The Committee recommends that;

- 1) **The County Executive establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, and the Public Finance Management (County Government) Regulations, 2015.**
- 2) **The County Executive should ensure that public participation is conducted prior to the tendering of any project and that any subsequent variations to contract terms strictly comply with the provisions of the Public Procurement and Asset Disposal Act (PPDA).**
- 3) **The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within (90) days of the adoption of this report.**
- 4) **The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.**

13.3 Incomplete Execution of Low Voltage Board Works at Kanyakine Hospital

The County Executive through the Department of Health procured for supply, installation and commissioning of Low Voltage Board at Kanyakine Sub-County Hospital through an open National tender and awarded the contract to a local contractor. This award was through a

contract agreement dated 2 May, 2023 at a contract sum of Kshs. 8,958,007. Two (2) certificates of payment were raised with the second and final payment of Kshs. 1,861,026 being paid on 30/09/2024. However, physical verification at the Hospital in June, 2025 revealed that the Low Voltage Board had only been mounted and there was no evidence of connection to the power supply system.

Further, evidenced documentation including test reports and commissioning certificates to confirm commissioning activities had been carried out were not attached. This has resulted in the Hospital relying on outdated electrical infrastructure. Further, procurement documents were not provided for audit review.

Management Response

Management concurred with the audit observation that an LV board had been procured and installed at Kanyakine Level 4 Hospital but was not operational at the time of the audit review due to the absence of three-phase electric power.

Management stated that, at the time of the audit, the County had applied for the three-phase connection, which Kenya Power had not yet installed. The three-phase electricity has since been connected, and the LV board is now in use. Pictorial evidence confirming that the LV board is operational was provided.

Committee Observations

Committee Observations

The Committee noted that the LV Board at Kanyakine Level 4 Hospital, for which Kshs. 1,861,026 was paid, was not connected to power and remained non-operational at the time of audit. This expenditure did not achieve value for money as required by Section 149(1) of the PFM Act, 2012, due to poor project planning.

Committee Recommendations

The Committee recommends that;

- 1) The County Executive establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, and the Public Finance Management (County Government) Regulations.
- 2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within (90) days of the adoption of this report.

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3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.

13.4 Construction of Ablution Block and Laboratory at KMTC Miathene Campus

The County Executive awarded a local contractor a tender for construction of an ablution block and laboratory at Kenya Medical Training College (KMTC) Miathene Campus at a cost of Kshs. 8,893,027. The project was to commence in January, 2022 and was scheduled for completion in August, 2022. The project was inspected and accepted on 30 November, 2023 one year after the intended completion date. Physical verification carried out in June, 2025 revealed that both the ablution blocks (male & female) and the laboratory were not in use. It was also, observed that no provision for water to these facilities was factored in during project planning, further hindering their use.

Management Response

We concur with the audit observation that the county constructed an ablution block and a laboratory at KMTC miathene campus. At the time of physical verification, the facilities were not in use. This was due to lack of water connection. However, as at the moment the water has since been connected and the facilities are currently in use.

Committee Observations

The Committee observed that the ablution blocks and laboratory at KMTC Miathene Campus, constructed at a cost of Kshs. 8,893,027, remained unused as at June 2025 due to the absence of a water connection. This demonstrates a failure in project planning, leading to expenditure that did not deliver the intended social benefits, contrary to the principles of effectiveness and economy under Section 149(1) of the PFM Act, 2012.

Committee Recommendations

The Committee recommends that;

- 1) The County Executive establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, and the Public Finance Management (County Government) Regulations.
- 2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within (90) days of the adoption of this report.
- 3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.

13.5 Kiguchwa Dispensary

The County Executive awarded local contractor a tender at a cost of Kshs. 999,251 in respect to renovation works at Kiguchwa Dispensary. The works were scheduled for completion on 30 June, 2023. However, physical verification of the dispensary revealed that several renovation works were completed in June, 2023 on the maternity block that was originally commissioned on 3 August, 2015. Despite the recent renovations, the maternity block remains underutilized due to persistent understaffing at the facility.

Management Response

Management stated that renovation works at Kiguchwa Dispensary were completed, as correctly observed in the audit findings, and the dispensary maternity block is in use.

Management further noted that, at the time of the audit review, the facility had two staff. To improve staffing levels across various hospitals, the County is in the process of recruiting additional health workers to bridge staffing gaps and enhance service delivery. A copy of the advertisement for recruitment of additional health workers was provided. Management stated that, once the recruitment process is completed, additional staff will be posted to the facility.

Committee Observations

The Committee observed that renovation works at Kiguchwa Dispensary, costing Kshs. 999,251, were completed, but the maternity block remains underutilized due to inadequate staffing. This indicates a lack of coordinated planning between infrastructure development and human resource deployment, failing to ensure effective service delivery as required by Section 149(1) of the PFM Act, 2012.

Committee Recommendations

The Committee recommends that;

- 1) The County Governor, through the County Public Service Board, should facilitate the recruitment and posting of the required staff to Kiguchwa Dispensary to ensure that the renovated facility is fully utilised. A status report should be submitted to the Auditor-General and the Senate within 90 days of the adoption of this report.**
- 2) The County Executive establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, and the Public Finance Management (County Government) Regulations.**

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- 3) **The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within (90) days of the adoption of this report.**
- 4) **The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.**

13.6 Construction of Modern Roof Shed at Kinoro Market

The County Executive awarded a contract to a local merchant at a contract sum of Kshs. 1,279,619 in respect to the construction of a modern roof shed at Kinoro Market. The Project Inspection Certificate was issued on 15 February, 2024. Physical verification carried out in June, 2025 revealed that the works were complete. However, the market was not in use and appeared abandoned but was occupied by boda-boda riders. No justification was provided on why the project was not put to use promptly to deliver the intended economic benefit by the relevant Department.

Management response

Management stated that during the period under review, the County had completed construction of market infrastructure projects aimed at improving trade and industry within the County.

Management further noted that, at the time of the audit review, the market had not been officially commissioned and was not in use. The County has since officially opened the market for use. Evidence confirming that the market infrastructure is now operational was provided.

Committee Observations

The Committee observed that projects totalling Kshs. 99,639,474 (Kinoro Market: Kshs. 1,279,619; Timau Market: Kshs. 6,174,861; Maritati Market: Kshs. 3,120,680; Marimati Perimeter Wall: Kshs. 3,120,680) were completed but remained idle for over a year. This failure to put completed public assets to use constitutes wasteful expenditure and a failure to achieve value for money, as required by Section 149(1) of the PFM Act, 2012, and is contrary to the principle of prudent use of public resources under Article 201(d) of the Constitution.

Committee Recommendations

The Committee recommends that;

- 1) **The County Executive establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, and the Public Finance Management (County Government) Regulations.**

- 2) **The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within (90) days of the adoption of this report.**
- 3) **The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.**

13.7 Timau Market Roofing

The County Executive incurred an expenditure amount of Kshs. 6,174,861 in respect to roofing. However, the market has been idle for over one year.

Management Response

Management concurred with the audit observation that the roofing at Timau Market had been properly undertaken.

Management further stated that the National Government, in its effort to create modern markets within the County, identified Timau Market as one of the modern markets and committed funds to improve additional infrastructure within the market. At the time of the physical verification, there were ongoing works, including cobro paving, which made it temporarily impossible for traders to display their wares.

Management noted that the works by the National Government have since been completed, and traders have resumed using the market. Evidence confirming that traders have moved back following completion of the works was provided.

Committee Observations

The Committee noted that Kshs. 6,174,861 was spent on roofing the market; however, the facility remained idle for over one year despite completion.

Committee Recommendations

The Committee recommends that;

- 1) **The County Executive establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, and the Public Finance Management (County Government) Regulations.**
- 2) **The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within (90) days of the adoption of this report.**
- 3) **The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.**

13.8 Grill Fixing at Maritati Market

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The County Executive incurred an expenditure amount of Kshs. 3,120,680 in respect to fixing grills at Maritati Market. However, the project has been idle and it has not been put into use for over one year.

Management Response

Management concurred with the audit observation that, at the time of physical verification, the market was not in use. This was because the County was addressing various concerns and conditions raised by the traders before they could move back.

Management further stated that the market has since been put into use following an agreement with the traders on the issues raised, including market zoning, cleaning of the market and toilets, and water connection.

Committee Observations

The Committee noted that Kshs. 3,120,680 was spent on fixing grills at Maritati Market, yet the facility remained idle for over one year.

Committee Recommendations

The Committee recommends that;

- 1) **The County Executive establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, and the Public Finance Management (County Government) Regulations.**
- 2) **The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within (90) days of the adoption of this report.**
- 3) **The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.**

13.9 Alterations and Installations of Steel Grills at Marimati Perimeter Wall

The County Executive awarded a contract for alterations and installations of steel grills at Marimati perimeter wall at a cost of Kshs. 3,120,680. Physical verification carried out in the month of June, 2025 revealed that although the works were done, the project remained idle as it had not been put into use for over one year.

In the circumstances, these projects totaling Kshs. 99,639,474 may not have delivered the intended economic and social benefits to the public.

Management Response

Management concurred with the audit observation that, at the time of physical verification, the market was not in use. This was because the County was addressing various concerns and conditions raised by the traders before they could move back.

Management further stated that the market has since been put into use following an agreement with the traders on the issues raised, including market zoning, cleaning of the market and toilets, and water connection.

Committee Observations

The Committee noted that Kshs. 3,120,680 was spent on alterations and installation of steel grills at Marimati perimeter wall, but the project remained idle for over a year.

Committee Recommendations

The Committee recommends that;

- 1) The County Executive establishes a project management and monitoring Committee to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, and the Public Finance Management (County Government) Regulations.**
- 2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within (90) days of the adoption of this report.**
- 3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.**

14.0 Delayed Proposed Construction of County Aggregation and Industrial Parks

The State Department for Industry invited sealed bids for construction of proposed County Aggregation and Industrial Parks (CAIP). Seven (7) bidders submitted their bidding documents and the contract was awarded to a local merchant at a contract sum of Kshs. 492,212,741. Review of the project file provided for audit revealed that one of the unsuccessful bidders who had bid at a contract sum of Kshs. 465,320,261 was disqualified during Mechanical works evaluation for failing to attach sub-contractors' details. However, according to the standard tender document Section III on evaluation and qualification criteria, the document only provided mandatory requirements for Main Contractor and was silent on sub-contractor's mandatory documents. It was therefore, not clear why unsuccessful bidder was denied the contract having bid the lowest by an amount of Kshs. 26,892,480. Therefore, the County Executive may have prepared skewed or tailored technical specifications allowing unfair competition contrary to Section 149(1) of the Public Finance Management Act, 2012 which requires an Accounting Officer to ensure that resources of the entity for which the officer is designated are used in a way

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that is effective, efficient, economical and transparent. Management has paid the contractor an amount of Kshs. 478,499,999. However, the bank statement for the project was not provided for audit review.

In the circumstances, the value for money of an amount of Kshs. 26,892,480 incurred above the lowest bidder could not be confirmed.

Management Response

Management stated that during the period under review, the County implemented the County Aggregation Industrial Parks Project.

Management further stated that during bid evaluation, one bidder who had quoted Kshs. 465,320,261 was disqualified at the mechanical works evaluation stage. The disqualification was due to the sub-contractor's documents having expired NCA and Tax Compliance Certificates, which are mandatory prerequisites for the award of any government contract. Management noted that the disqualification was therefore justified. Evidence of the evaluation committee's decision was provided.

Management also stated that the project has been completed and the County has planned its official launch and commissioning in March of the current year.

Committee Observations

The Committee observed that the lowest bidder (Kshs. 465,320,261) was disqualified based on sub-contractor documentation requirements that were not clearly specified as mandatory in the tender document. This action potentially undermines the principles of fairness, equity, transparency, and competitiveness in public procurement, as enshrined in Article 227 of the Constitution.

Committee Recommendations

The Committee recommends that;

- 1) The Committee recommends that, to achieve the primary objective of the County Aggregation Industrial Project (CAIP), which is to foster growth in manufacturing and investments through agro-industries while sustainably enhancing the productivity of the agriculture sector, the National Government should actively engage with County Governments. This engagement should empower Counties to identify and prioritize initiatives that promote inclusive and decent job creation, as well as increase farmers' incomes through participatory approaches. Consequently, this will establish a collaborative platform enabling farmers, processors, exporters, research institutions, industrial bodies, and Government entities to engage effectively in agro-industrial development**

- 2) The County Executive takes appropriate disciplinary action against the responsible officer(s) where it is established that a bidder was disqualified based on criteria not contained in the tender documents;
- 3) The Public Procurement Regulatory Authority (PPRA) investigate the tendering process and the Tender Evaluation Committee pursuant to section 9(1)(h) with a view to establishing if any offences against procurement law were committed and the individuals responsible for the irregular modification of the tender document;
- 4) The Ethics and Anti-Corruption Commission investigate the individual members of the Tendering Committee with a view to the prosecution of the individuals responsible for the irregular tendering process.
- 5) The Office of the Auditor-General conduct a forensic audit of the Kshs. 478,499,999 already paid. If the audit establishes that the technical specifications were intentionally skewed to favor the winning bidder, the Accounting Officer should be held personally liable and surcharged for the loss of public funds in accordance with Section 202 of the Public Finance Management Act.

15.0 Non-Compliance with the Public Procurement Capacity Building Levy Order, 2023

Review of records revealed that the County Executive entered into contracts but no documentary evidence had been provided to confirm that the Entity complied with paragraph 3(1) of the Public Procurement Capacity Building Levy, Order 2023 which provides that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes. In addition, Public Procurement Regulatory Authority (PPRA) circular No. 01/2024 dated 30 August, 2024 which requires procurement entities to remit the levy to the Authority through the e-Citizen payment platform by the 20th day of the subsequent month and also file monthly returns.

In the circumstances, Management was in breach of law.

Management response

Management stated that during the period under review, the County deducted and remitted 0.03% of the value of signed contracts as the Public Procurement Capacity Building Levy in accordance with the 2023 Order.

Management further stated that the bank details for the Public Procurement Authority are mapped in the IFMIS system, enabling the County to remit the levy directly without using the e-Citizen platform.

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A sample of payments made to the Public Procurement Authority for the Capacity Building Levy was provided for audit review.

Committee Observation

The Committee observed that there was insufficient documentary evidence to confirm that the 0.03% Public Procurement Capacity Building Levy on procurement contracts was consistently deducted and remitted as required. This constitutes a breach of the Public Procurement Capacity Building Levy Order, 2023, and the accounting officer's duty under Section 149(2)(a) of the PFM Act, 2012, to ensure all expenditure is lawful.

Committee Recommendations

The Committee recommends that;

- 1) **The County Governor submits to the Auditor-General, within ninety (90) days of adoption of this report, a schedule of all contracts signed since the inception of the 2023 Order, together with IFMIS-generated receipts confirming that the 0.03% levy was deducted and remitted to the Public Procurement Regulatory Authority (PPRA).**
- 2) **The County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors in accordance with section 156 of the Public Finance Management Act, and provides a status report to the Senate and Auditor General within 90 days of the adoption of this report.**
- 3) **The Directorate of Criminal Investigations (DCI) investigates breach of section 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.**

16.0 Compensation of Employees

The statements of financial performance and as disclosed in Note 9 to the financial statements reflects an amount of Kshs. 4,620,092,462 in respect of compensation of employees. Review of employees' records revealed the following unsatisfactory matters:

16.1 Payment of Salaries and Wages Above Set Limit

As previously reported, the County Executive incurred an expenditure on salaries and wages amounting Kshs. 4,620,092,462 which translates to 45% of the total receipts of Kshs. 10,217,151,933 during the year. This was contrary to Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that the County Government's expenditure on wages and benefits for its public officers, shall not exceed thirty-five (35) percent of the County Government's total revenue.

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

Management Response

Management concurred with the audit observation that expenditure on compensation of employees exceeded the statutory 35% of total revenue threshold.

Management stated that, to address this, the County has frozen recruitment for non-essential services. Additionally, the County is undertaking measures to enhance revenue collection in order to reduce the employee cost ratio and ensure compliance with the statutory requirement.

Committee Observations

The Committee observed that the County's salary and wage expenditure of Kshs. 4,620,092,462 represented 45% of its total revenue, which is 10 percentage points above the statutory limit. This is a direct contravention of Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, read with Section 107(2)(c) of the PFM Act, which limits wage expenditure to 35% of total revenue.

Committee recommendations

The Committee recommends that—

- 1. the management should provide to the Auditor General and the Senate the measures it will put in place to contain the high wage bill within ninety (90) days of the adoption of this report;**
- 2. the management should strictly adhere to the provision of paragraph 25(1)(b) of the PFM (County Government) Regulations, 2015 which stipulate that the county wage bill should not exceed 35 per cent of the county total revenue;**
- 3. the County Executive puts in place measures to enhance its own source revenue collection in order to address the wage bill gap;**
- 4. That pursuant to the High Court orders issued in *Matindi v Salaries and Remuneration Commission & another [2026] KEHC 755 (KLR)*, the Salaries and Remuneration Commission submits to the Committee a copy of the court ordered affidavit detailing the following—**
 - (i) time-bound strategies it has developed and is implementing to achieve a 35% public wage bill to revenue ratio;**
 - (ii) collaborative measures being jointly implemented in conjunction with the County Governments; and**

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- (iii) advisories and/or directives issued to curb abuse in payment of allowances to State and public officers, percentages of reduction of wage to revenue ratio and savings being made per every year arising from the strategies and interventions it has put in place and implemented.

5. The Auditor General should continue monitoring the issue in subsequent financial years.

16.2 Centralized Budgeting for Staff Costs

Audit review of employee costs revealed that the budget for staff costs for all Departments was made under one vote Meru - Public Service Management and Administration (Vote 3569), yet each Department's Accounting Officer (the Chief Officer) is responsible for identifying staffing needs, preparing recruitment requests, and submitting them to the County Public Service Board (CPSB). They were accountable for the staff deployed to their department, including performance management, discipline, and ensuring staff align with departmental objectives. This was contrary to Regulations 119(2) and (3) of the PFM (CG) Regulations which provides that the budgetary allocation for personnel costs shall be determined based on a detailed costing of a human capital plan of a County Government entity as approved by the responsible County Department for Public Service Management matters, the County Public Service Board and County Treasury. Regulation 3 provides that the Accounting Officer of a County Government entity shall ensure that the personnel cost of all appointees, as well as promotion and salary increase, can be met within the budgetary allocation voted for the County Government entity.

In the circumstances, it was not possible to confirm the actual staff level of officers in each Departments.

Management Response

Management stated that during the period under review, the County budgeted for employee costs under the Department of Public Service Management and Administration, which is responsible for overall human resource management.

Management explained that although Chief Officers identify staffing needs at the departmental level, human resource functions are centralized to enhance efficiency in managing common services such as administration, leave management, disciplinary matters, support staff, and drivers.

Management further stated that the County payroll is centrally managed under the Department of Public Service Management and Administration, unlike the National Government where line

ministries manage independent payrolls. The centralized budgeting framework enables management to assess the impact of departmental recruitment on the overall personnel ratio.

Management therefore maintained that the County was not in breach of any law by maintaining a centralized budget for employee costs.

Committee Observations

The Committee observed that budgeting for all staff costs under a single, centralized vote (Public Service Management and Administration) makes it difficult to confirm the actual staff levels and personnel costs for individual departments. This obscures accountability and is not in line with best practice where each accounting officer should be responsible for the personnel costs within their vote, as implied by Regulations 119(2) and (3) of the PFM (CG) Regulations, 2015.

Committee Recommendation

The Committee recommends that the CECM for Finance, in consultation with the County Public Service Board, should decentralize the payroll budget. A separate vote head for Personnel Emoluments should be assigned to each department to ensure staff costs are reflected against the specific department they serve, enhancing transparency and accountability. A report on the implementation of this should be submitted to the Auditor-General within 90 days of the adoption of this report.

16.3 Failure to Budget and Pay Gratuity to Contracted Employee

The County Executive engaged contracted employees but failed to honor the contract by paying the gratuity at the end of the contract. Instead, the terms of the contract kept on changing after every contract renewal. No explanation was given as to why the County Executive failed to pay or set aside funds for gratuity to the contracted employees. This was contrary to Paragraph 6.6.2 of the Employment Contract Between Meru County Public Service Board which provides that the Employee and the Contracted Employee for the Provision of Services on Contract shall upon successful completion of the contract the employee will be entitled to thirty (30) calendar days' wages in lieu of gratuity.

Management Response

Management stated that during the period under review, the County had employees engaged on contractual terms. For all contractual employees, gratuity is managed through the County Pension Fund (CPF).

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Management further stated that the County remitted the requisite contributions to the pension fund and that, upon expiry of the respective contracts, gratuity payments are expected to be made by the pension scheme.

Evidence of contributions made by the County to the pension scheme for purposes of gratuity was provided for audit review.

Committee Observations

The Committee observed that while the County remits contributions to a pension fund for contracted employees, the failure to ensure timely payment of gratuity at the end of their contracts constitutes a potential breach of contract and a contingent liability to the County. This represents a failure in proper financial planning and risk management, contrary to the duties of an accounting officer under Section 149 of the PFM Act, 2012.

Committee Recommendations

The Committee recommends that:

1. **The Accounting Officer must ensure that the amounts payable as gratuity to contract employees upon completion of their term are provided for in the budget and that payments are made in a timely manner to avoid litigation and additional costs to the County.**
2. **The Auditor-General is requested to keep this matter in view in the subsequent audit cycle to ensure compliance.**

16.4 Irregularities in the Human Resource

Review of records revealed that County Executive engaged a local contractor on Phase 2 of unknown contract sum to deliver, install, test, and commission an Integrated County Human Resource System (HRIS-Ke). The vendor initiated the second phase of the works through data collection. Further, the contract was not provided for audit review. However, review of the data collection report revealed the following further observations;

16.4.1 Unexplained Unverified Worker

Review of the data collection report from the Vendor revealed that the County Executive had a total of six thousand, two hundred and five (6,205) staff members out of which, five thousand, six hundred and twenty-eight (5,628) were verified leaving five hundred and seventy-seven (577) staff unaccounted for. Further, the audit extract information from the payroll in June, 2024 revealed a population of five thousand, eight hundred and fifty-seven (5,857) resulting in an unreconciled variance of one thousand, three hundred and forty-eight (1,348) between the Vendor and the Audit.

The inconsistency in respect to the staff members' records was not explained.

Management Response

Management stated that during the period under review, the County engaged a vendor to deliver, install, test, and commission an Integrated County Human Resource System. A copy of the contract agreement was provided for audit review.

Management further stated that the second phase of the project involved physical verification of academic and professional documents and capturing biometric data of staff. The exercise covered staff of the County and its entities, with the County Executive accounting for 5,857 staff members and 1,348 relating to County entities.

As at the time of audit review, the vendor had submitted a draft report for the second phase, capturing biometrics of 5,628 staff members. Management stated that, upon receipt of the draft report, staff whose records did not appear in the exercise or whose details were missing were removed from the payroll. Communication to payroll and copies of the payroll for July and August 2025 were provided for audit review.

Management further stated that officers removed from the payroll were required to provide explanations for failure to participate in the exercise or demonstrate that they had participated before being reinstated. Sample forms completed by affected officers and endorsed by their supervisors were provided for audit review.

Committee Observations

The Committee observed that a total of 577 staff remained unaccounted for, with an unreconciled variance of 1,348 between the vendor's HR system report and the June 2024 payroll. This raises serious concerns about the integrity and accuracy of the payroll, potentially pointing to the existence of "ghost workers" and a breach of Regulation 120(3) of the PFM (County Governments) Regulations, 2015, which requires the accounting officer to certify the correctness of the payroll.

Committee Recommendations

The Committee recommends that the Ethics and Anti-Corruption Commission (EACC) should conduct an immediate and thorough investigation into the suspected payroll fraud involving the unverified staff. The investigation should aim to identify the beneficiaries of the payments made to these individuals and recommend the prosecution of any officer(s) found complicit in maintaining unverified workers on the payroll. A status report should be submitted to the Senate and the Auditor-General within 90 days of the adoption of this report.

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16.4.2 Staff Under Probation for More than the Stipulated Period

As previously reported, review of the payroll records revealed that an amount of Kshs. 343,604,330 was paid to five hundred and ninety-eight (598) staff members who have been on probation for more than one year. This was contrary to Paragraph B.16 (1) of the County Public Service Human Resource Manual, 2013 provides that where vacancies exist in the pensionable establishment, candidates recruited to fill such vacancies shall be appointed on probation for six (6) months.

Management response

Management stated that, contrary to the audit observation that 598 members of staff were serving under probationary terms, the said officers had been confirmed to permanent and pensionable terms of service.

Management indicated that minutes of the County Human Resource Advisory Committee approving the confirmation of the officers to permanent and pensionable basis were provided for audit review

Committee Observation

The Committee observed that management failed to provide minutes of the County Human Resource Advisory Committee to support the claim that 598 officers had been confirmed to permanent and pensionable terms. This failure to provide supporting documents to auditors is a breach of Section 62(1)(b) and (c) of the Public Audit Act, 2015 (Cap. 412B).

Committee Recommendations

The Committee recommends that;

- 1) The County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors in accordance with section 156 of the Public Finance Management Act, and provides a status report to the Office of the Auditor General within 90 days of the adoption of this report.
- 2) The Directorate of Criminal Investigations (DCI) investigates breach of section 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.

16.4.3 Compensation of Employees Costs to Unknown Staff

Detailed review of a sampled human resource records in the County Executive payroll revealed that an expenditure amount of Kshs. 9,486,690 had been paid to some employees who had not

offered services to the County and had been expunged from the payroll without any evidence and approval for the same as detailed below: -

- i) A Medical Officer was granted a four-year study leave and bonded to serve for four years upon completion. The officer had only two years of service before the leave was approved. However, there is no evidence that the officer resumed duty after completing the study leave. Despite this, the officer has continued to receive a salary, leading to a potential loss of Kshs. 9,486,690 for the four years the officer was not in service from the expected date of return date of 21 October, 2021.
- ii) Medical Officer's job designation remained Medical Officer Intern, Job Group L since the officer was posted to County Executive by the Transitional Authority in June, 2015 and confirmed received by the then County Chief Officer of Health. The Officer requested to pursue a masters of medicine (family medicine) which was approved by the Board according to a letter from the County Public Service Board vide a letter ref: MCPSB/LET/PER/20 dated 25 August, 2017 and was released vide a letter ref: 2014005244/TY/ (17) dated 29 August, 2017. The release letter being signed by the then Acting Chief officer Health. The rules governing the award of scholarship were signed by the officer on 7 September, 2017 and bonding forms were completed and signed on 25 August, 2017. The bonding period was four (4) years or Kshs. 10,155,150 payable to Chief Officer of Health on behalf of the County Executive in case of breach. In addition, as at the time of audit in June, 2025, there was no evidence in the staff personal file to show that the officer completed her studies and reported back to County Executive or any payment in lieu of the bond. The last document in her personal file (data sheet) was filled and completed on 6 April, 2018. The staff was also not in the Chief Officer of Health staff returns submitted for audit and did not turn up for physical verification conducted on 12 March, 2025.

Management response

Management concurred with the audit observation regarding the employee referenced in bullets (i) and (ii), a Medical Officer who was posted to Meru by the Transitional Authority in 2015. Management stated that the officer was granted approval to pursue a Master's Degree in Family Medicine, was bonded prior to proceeding on study leave, and the bonding terms required service for four (4) years or payment of Kshs. 10,155,150 to the Chief Officer for Health on behalf of the County Government in the event of breach.

Management further stated that the officer did not report back upon completion of study leave and that the County has initiated legal measures to recover the bonded amount. Evidence of the legal action taken was provided for audit review.

Committee Observations

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The Committee observed that Kshs. 10,155,150 was paid to a Medical Officer who did not resume duty after a four-year bonded study leave. Management failed to provide evidence that the officer resumed duty or paid the bonded amount despite breaching the study leave terms. This represents a loss of public funds and a failure by management to enforce the bond agreement, as required by their fiduciary duty under Section 149 of the PFM Act, 2012.

Committee Recommendations

The Committee recommends that;

- 1) **The County Executive prioritizes the recovery of Kshs. 10,155,150 from the former officer and report back to Senate within 90 days of adoption of this report.**
- 2) **The County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors in accordance with section 156 of the Public Finance Management Act, and provides a status report to the Office of the Auditor General within 90 days of the adoption of this report.**
- 3) **The Directorate of Criminal Investigations (DCI) investigates breach of section 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.**
- 4) **The Auditor General to keep the matter in view in the subsequent audit cycle.**

17.0 Non-Compliance with the Law Staff Ethnic Diversity

As previously reported, the audit established that 89% of employees in the IPPD System as at 30 June, 2025 were from one dominant ethnic community. This was contrary to the requirements of Section 7(2) of the National Cohesion and Integration Act, 2008. Further, the dominant community represented 88% of the new recruitment done in 2024/2025.

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

Management Response

Management concurred with the audit observation that the County did not adhere to the statutory requirement on regional balance.

Management explained that this was due to the limited number of applications received from applicants from non-dominant communities in response to various job advertisements. In most cases, the few applicants from non-dominant communities did not meet the minimum qualification requirements for the advertised vacancies.

Management stated that, going forward, the Board will strive to comply with the statutory requirement and will include a caption in future advertisements encouraging applications from non-dominant communities in order to attract qualified candidates from such communities.

Committee Observations

- 1) The Committee observed that the composition of the County's workforce does not reflect the ethnic diversity of Kenya, with 89% of employees from one dominant ethnic community. While acknowledging the demographic realities of Meru County, this fails to meet the spirit of Section 7(2) of the National Cohesion and Integration Act, 2008. The Committee further notes that Section 65(1)(e) of the County Governments Act mandates county public service boards to ensure that at least 30% of vacant posts at entry level are filled by candidates who are not from the dominant ethnic community, a provision that must be adhered to.

Committee Recommendations

The committee recommends that: -

1. **the County Executive adheres to section 65(1)(e) of County Governments Act and ensures that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county; and**
2. **The Committee recommends that the Standing Committee on National Cohesion, Equal Opportunity and Regional Integration undertake a post legislative scrutiny on the application of Section 7(2) of the National Cohesion and Integration Act (Cap. 7N) to County Governments**

18.0 Irregular Payments to the Council of Governors and County Public Service Board National Consultative Forum

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects use of goods and services amount of Kshs. 1,585,636,068 which includes other operating expenses amount of Kshs. 310,276,980. This latter amount further, includes amounts of Kshs. 6,000,000 and Kshs. 300,000 paid to the Council of Governors and County Public Service Board National Consultative Forum, respectively. However, supporting documents such as; legal framework, invoice and contract agreement that formed the basis for the payment were not provided for audit review. This was contrary to Section 37 of the Intergovernmental Relations Act, 2012 which provides that the operational expenses in respect of the structures and institutions established in this Act shall be provided for in the annual estimates of the revenue and expenditure of the National Government to cater for; the Summit, the Council of County

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Governors, the Technical Committee, Secretariat, and the sectoral working group established by the Technical Committee and the sectoral working groups established by the Council.

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

Management response

Management concurred with the audit observation that the County paid Kshs. 6,000,000 to the Council of Governors and Kshs. 300,000 to the County Public Service Board National Consultative Forum.

Management explained that the payments were made due to inadequate funding by the National Government to key institutions that support devolution.

Management further stated that discussions have been held between the Council of Governors, the Senate, and the National Government on the matter, and there is expectation that an appropriate resolution will be reached.

Committee Observation

The Committee observed that the County paid Kshs. 6,000,000 to the Council of Governors and Kshs. 300,000 to the County Public Service Board National Consultative Forum without a clear legal framework or appropriation from the County Assembly for these specific purposes. This constitutes an irregular expenditure, as defined in Regulation 2 of the PFM (County Governments) Regulations, 2015, and is contrary to Section 149(2)(a) of the PFM Act, which requires all expenditure to be lawful and authorised.

Committee Recommendations

The Committee recommends that; -

- 1) **The irregular payments to the COG and the County Public Service Board National Consultative Forum be stopped and further recommends the surcharge of any Governor, in their capacity as the Office of the County Governor, who continues to make the irregular contribution.**
- 2) **The EACC to oversee the recovery of all the public funds irregularly transferred to the COG and CPSB National Consultative Forum by the Governor within 90 days of the adoption of this report. This is in line with the Resolution of the Senate.**

19.0 Lack of Approved Training Policy, Needs Assessment, and Annual Training Plan

The County Executive did not have an approved Training Policy, an Approved Annual Training Plan, or evidence of a Training Needs Assessment (TNA). Additionally, the County's Human Resource Manual is still in draft form, which contributed to the lack of formalized training and development procedures and frameworks. This was contrary to Section H 2 (3) of the Human

Resource Policies and Procedures Manual for Public Service, 2016, which requires that nomination and selection for individual and group training be based on prioritized training projections. The approved programmes should address National, Organizational and individual goals.

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

Management Response

Management stated that during the period under review, County departments approved training for various staff through their respective Departmental Human Resource Committees.

Management explained that the approved trainings were intended to address identified skills gaps at both individual and departmental levels and were informed by departmental training needs assessments.

Copies of minutes of the Departmental Human Resource Advisory Committee meetings approving the training requests were provided for audit review.

Committee Observation

The Committee observed that the County Executive continues to operate without a formally approved Human Resource Manual, a Training Needs Assessment, and an Annual Training Plan. This is contrary to Section H 2 (3) of the Human Resource Policies and Procedures Manual for Public Service, 2016, and undermines systematic and strategic human capital development.

Committee Recommendations

The Committee recommends that;

- 1) The County Public Service Board (CPSB) to finalize and table the County Human Resource Policies and Procedures Manual in the County Assembly for approval and submit a status report to the Auditor General within ninety (90) days from the date of adoption of this report.**
- 2) The CPSB to develop and submit an Approved Annual Training Plan for the 2026/2027 Financial Year to the Auditor-General within ninety (90) days of the adoption of this report.**
- 3) The Auditor General to keep the matter under view in subsequent audit cycle.**

20.0 Unestablished Sub-County (Level 4) Hospitals

Audit review revealed that the County Executive has nine (9) established Sub-counties. However, the County has only established seven (7) Sub-county Hospitals. Further, there was no evidence to prove that the County Executive established a County Health Management Team,

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a health quality and assurance unit, a Health Facility Improvement Board and a policy on transfer of unutilized pharmaceutical and non – pharmaceuticals from one health facility to another so as to ensure efficient stock management. This was contrary to Section 8 (1) of the Meru County Health Services Act, 2016 which provides that there shall be at least one county hospital, at least one sub-county hospital in each sub-county, and at least one health center in each ward.

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

Management Response

Management concurred with the audit observation that the County has three gazetted Level 4 hospitals. Management stated that the mandate to classify and grade hospitals as Level 5, 4, or 3 rests with the Ministry of Health at the National Government level and not the County Government.

Management further stated that, in order to ensure residents of Meru County access quality medical services, the County maintains fifteen major hospitals distributed across the County. These include Meru Level 5 Hospital and Giaki Sub-District Hospital in Imenti North; Kanyakine Level 4 Hospital, Mikumbune Sub-District Hospital, and Kinoro Sub-District Hospital in Imenti South; Githongo Sub-District Hospital in Imenti Central; Timau Sub-District Hospital and Naari Sub-District Hospital in Buuri; Miathene Level 4 Hospital and Mikinduri Sub-District Hospital in Tigania West; Muthuara Sub-District Hospital and Mbeu Sub-District Hospital in Tigania East; Kageta Sub-District Hospital in Igembe Central; Nyambene Level 4 Hospital in Igembe South; and Mutuati Sub-District Hospital in Igembe North.

Management indicated that the County has continued to improve infrastructure and services within these facilities, including enhancement of theatres, morgues, specialized services, inpatient wards, and radiology blocks.

Committee Observation

The Committee observed that the County Executive has not established the required health governance structures, including a County Health Management Team, a Health Quality and Assurance Unit, and Health Facility Management Boards for all Level 4 and 5 hospitals, as required by Section 19 of the Health Act, 2017, and the Facility Improvement Funds (FIF) Act, 2023. Further, only seven out of the nine sub-counties have a gazetted sub-county hospital.

Committee Recommendations

The Committee recommends that;

- 1) **The County Governor to liaise with the Ministry of Health (MOH) and the Kenya Medical Practitioners and Dentists Council (KMPDC) to conduct an official inspection and grading of all facilities, ensuring their levels reflect current capacity and services, within ninety (90) days of adoption of this report.**
- 2) **The County Governor to appoint and gazette the County Health Management Team and the Health Quality and Assurance Unit in compliance with Section 19 of the Health Act, and submit a status report to the Senate and Auditor-General within 90 days of adoption of this report.**
- 3) **The County Governor to establish and operationalize Health Facility Management Boards for all Level 4 and 5 hospitals, in line with the FIF Act, 2023, to ensure transparency in revenue retention and service delivery, within 90 days of adoption of this report.**
- 4) **The County Executive to develop and table a Pharmaceutical and Non-Pharmaceutical Stock Management Policy in the County Assembly within ninety (90) days of the adoption of this report to ensure efficient stock management.**
- 5) **The Auditor-General to keep this matter under review in the next audit cycle.**

21.0 Lack of County Finance Bill

Review of the County Executive's legislative framework revealed that County continues to rely on the Finance Act of 2019 for the imposition of taxes, fees, and charges for services. The Act, though passed in line with the 2019/2020 financial year's budget proposals, has not been revised to reflect subsequent annual budgets and prevailing economic realities. As a result, current rates for various County services do not align with inflation and the increased cost of service delivery.

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

Management Response

Management stated that during the period under review, the County was using the Finance Act of 2019 to collect revenue.

Management further stated that the County has prepared the Finance Bill for 2025, awaiting approval by the County Assembly.

Committee Observation

The Committee observed that the County Executive continues to rely on the Finance Act of 2019 to impose taxes, fees, and charges. This reliance on outdated legislation may not reflect current economic realities and is contrary to the principle that no tax may be imposed, waived, or varied except as provided by legislation (Article 210(1) of the Constitution).

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Committee Recommendations

The Committee recommends that;

- 1) The CECM for Finance to comply with Section 132(2), read together with Section 131 PFM Act by submitting the County Finance Bill simultaneously with the annual budget estimates to the County Assembly.
- 2) The County Assembly must, pursuant to Section 133 of PFM Act, pass and enact Finance Bill into law within ninety (90) after the passing of the Appropriation Act, to prevent the use of obsolete legislation.
- 3) The Auditor General to keep the matter in view in subsequent audit cycle.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion.

Basis for Conclusion

22.0 Lack of an Updated Assets Register

Review of the County Executive’s register revealed that Management did not update its assets register in 2024/2025 financial year. Scrutiny of sampled procurement records and physical verification exercises revealed that assets acquired in the subsequent financial years, including some identified in the year under review totaling Kshs. 3,959,399 had not been recorded in the assets register.

In the circumstances, the controls and safeguards of assets could not be confirmed.

Management Response

Management stated that during the period under review, the County was in the first year of adoption of the accrual basis of accounting.

Management further stated that IPSAS 33 allows entities in the first year of adoption to report only financial assets and liabilities. Additionally, the roadmap provided by the National Treasury in collaboration with the Public Sector Accounting Standards Board permits counties to report all fixed assets in the third year of adoption.

However, Management noted that the County prepared an inventory of all newly acquired assets, which was included in the assets register using the approved template. Documentation relating to the newly acquired assets, prepared in the prescribed format, was provided for audit review.

Committee Observation

The Committee observed that the County Executive had not updated its assets register during the 2024/2025 financial year, resulting in newly acquired assets valued at Kshs. 3,959,399 not being recorded. While the transition to accrual accounting allows for a phased approach as per the National Treasury's guidelines, the failure to maintain an updated register of current-year acquisitions is a lapse in internal control and a breach of Regulation 136(1) of the PFM (County Governments) Regulations, 2015, which mandates the maintenance of an updated asset register.

Committee Recommendations

The Committee recommends that;

- 1) The County Executive should expedite the process of updating and presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 90 days of adoption of this report; and**
- 2) The County Executive should adopt and implement the report of the Inter-Governmental Relations Technical Committee (IGRTC).**

23.0 Failure to Tag Fixed and Movable Assets

As previously reported, Public Finance Management Regulations, 2015 Paragraph 136 specifically mandates that County Governments to maintain an updated asset register that records all fixed and movable assets. This includes tagging assets and keeping detailed records such as the cost of acquisition, asset location, and condition. Physical inspection of sampled office desks, chairs and desktops revealed that the assets did not have tags on them therefore it was not possible to confirm whether the assets belonged to the County.

In the circumstances, the controls on management of fixed assets could not be confirmed.

Management response

Management concurred with the audit observation that the County did not tag assets acquired in the last two financial years.

Management explained that this was due to lack of budgetary allocation for the exercise. Management further stated that an allocation was made in the current year's budget to carry out the asset tagging exercise.

Committee Observation

The Committee observed that the County has not tagged its fixed and movable assets, making it difficult to verify ownership and physical existence. This is a direct contravention of Regulation

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136(1) of the Public Finance Management (County Governments) Regulations, 2015, which requires that fixed and movable assets be tagged and recorded in a register to ensure proper control and safeguarding.

Committee Recommendations

The Committee recommends that;

- 1) The County Governor to complete the physical verification and tagging of all high-value and movable assets and submit a status report to the Senate and Auditor-General within ninety (90) days date of adoption of this report.**
- 2) The Office of the Auditor General should progressively review and report on the matter in the subsequent financial year.**

CHAPTER TWELVE

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF COUNTY EXECUTIVE OF EMBU FOR THE FINANCIAL YEAR 2024/25.

The Governor of Embu County, Hon Cecily Mutitu Mbarire EGH, MGH appeared before the Committee on Wednesday 28th January 2025, to respond (under oath) to audit queries raised in the Reports of the Auditor General on County Executive, Receiver of Revenue and County Revenue Fund of Embu County for the Financial Year 2024/25.

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF COUNTY EXECUTIVE OF EMBU FOR THE FINANCIAL YEAR 2024/25

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

1. Unsupported Retention Deposits

The statement of financial position and as disclosed in Note 33 to the financial statements reflects refundable deposits and prepayments balance of Kshs.18,340,626. This balance is in respect of retention money withheld by the County Executive, which is supposed to be banked in a refundable deposits account. The opening balance reflects a balance of Kshs.32,161,778 while the County Executive procured capital projects totalling Kshs.896,222,260 as reflected in the statement of comparison of budget and actual amounts.

Further, the bank account held at Central bank of Kenya revealed a closing balance of Kshs.569,633 hence an un explained and unreconciled variance of Kshs.17,770,993.

In addition, Management did not provide a deposit ledger/register of beneficiaries who were either deducted or refunded the deposits indicating the contract sum of the projects, the scope, period and status. In the circumstances, the accuracy and completeness of the deposit balance totalling Kshs.18,340,626 could not be confirmed.

Management Response

The management responded that the variance relates to years when there was no separate deposits account and the funds could be retained in the Development bank account. Reconciliation has been done and all the funds accounted for. The management is in the process of providing for the difference through a supplementary budget. Retentions for the current and recent years are wired to the retention account accordingly.

Committee Observation

The committee observed that the refundable deposits balance of Kshs.18.34 million does not match the bank account balance of Kshs.0.57 million, leaving a difference of Kshs.17.77 million that the County Executive has not explained or reconciled.

Management could not provide a deposit register showing which contractors were deducted or refunded, or the details of the related projects. This made it impossible to confirm if the Kshs.18.34 million balance is accurate or complete.

Committee Recommendations

The Committee recommends that the Ethics and Anti-Corruption Commission (EACC) conduct an investigation on the Kshs.17,770,993 , and to recommend prosecution of any culpable officer(s).

The County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within ninety (90) days of the adoption of this report.

The Committee further recommends that the Directorate of Criminal Investigations investigates breach of section 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.

2. Unsupported Expenditure on Legal Services

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects an amount of Kshs.468,516,798 in respect of the use of goods and

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services, which includes an amount of Kshs.90,698,285 in respect of other operating expenses, which further includes legal expenditure amount of Kshs.2,287,351 paid to an Advocate. However, the files containing details of the work done by the Advocate were not provided for audit review. Further, there was no approval from the County Executive Committee regarding the outsourcing of legal services.

In the circumstances, the accuracy and completeness of the legal expenditure amount of Kshs.2,287,351 could not be confirmed.

Management Response

The management stated that the legal fees were paid to law firms that were contracted by the County Government to defend it against various legal suits instituted against it. The firm was given the contract was among law firms which had been prequalified. The County could have suffered immense loss if the legal firms never appeared in court to represent the County as judgement have been made previously against the County for failing to enter appearance. The files containing details of the work done by the Advocate has been availed for audit review.

Committee Observation

The committee observed that the management did not provide the necessary documents to support the query.

Committee Recommendation

The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within ninety (90) days of the adoption of this report.

The Committee further recommends that the Directorate of Criminal Investigations investigates breach of section 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.

3. Unsupported Payments in Respect of County Industrial Aggregation Park

The Embu County Revenue Fund financial statements reflect receipts of Kshs.186,000,000 from the County Industrial Aggregation Park Fund. Audit review of the Embu County Industrial Aggregation Park Fund bank statements reflect payments and transfers of Kshs.219,554,655 from the bank account during the year under review. However, tender documents, payment vouchers, project files, bid documents and the financing agreement of the Embu County Industrial and Aggregation Park Project (CAIP) were not provided for audit review. Management indicated that the tender documents had been burnt during

demonstrations in Embu Town. In the circumstances, the accuracy and regularity of the expenditure could not be confirmed.

Management Response

The management responded that the County Government is at an advanced stage of constructing a County Aggregation and Industrial Park (CAIP). The project is being undertaken jointly with the National Government. The agreement document between the National and County Governments, payment vouchers, project subject file and project status report have since been availed for audit review. Regrettably, the tender documents were among the records destroyed in an arson attack on government premises in the month of June, year 2023/2024.

Committee Observation

The committee observed that the original tender documents were destroyed in an arson attack.

Committee Recommendation

The Committee recommends that;

- 1. To achieve the primary objective of the County Agro-Industrial Project (CAIP), which is to foster growth in manufacturing and investments through agro-industries while sustainably enhancing the productivity of the agriculture sector, the National Government should actively engage with County Governments. This engagement should empower Counties to identify and prioritize initiatives that promote inclusive and decent job creation, as well as increase farmers' incomes through participatory approaches. Consequently, this will establish a collaborative platform enabling farmers, processors, exporters, research institutions, industrial bodies, and Government entities to engage effectively in agro-industrial development.**

- 2. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within ninety (90) days of the adoption of this report.**

- 4. The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update, in addition the management to ensure they provide the tender documents to the Auditor General within (90) days of the adoption of this report.**

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5. Undisclosed Account Payables

The statement of financial position reflects current liabilities balance totalling Kshs.1,722,877,451. However, the balance excludes a liability in respect to transfers from special purpose account amount of Kshs.10,167,300 which was borrowed from the special purpose account but was not refunded back to the account.

Further, the payables have been classified as current liabilities, however, review of the payment plan forwarded to Controller of Budget showed that payables totalling Kshs.1,429,250,047 were to be settled between 2026/2027 to 2032/2033 six (6) years financial period which should have been classified as non – current liabilities.

In the circumstances, the accuracy and completeness of current liabilities balance of Kshs.1,722,877,451 could not be confirmed

Management Response

The schedules provided to support the figures of Kshs.1,429,250,047 payable between 2026/2027 to 2032/2033, a six (6) years financial period which should have been classified as non – current liabilities. The observation has been considered and shall be implemented in future reports while the Ksh.10,167,300 was not a borrowing but an inter account transfer which was appropriately journalized and authorized.

Committee Observation

The committee observed that even though the inter account transfer was appropriate the money borrowed had not been returned.

Committee Recommendations

The Committee therefore recommends that:

1. that trade payables due for more than 365 days be considered indicative of poor financial management and that the County Executive provides actionable payment plans to the Controller of Budget (CoB) within ninety (90) days of the adoption of this report, failure to which the subsequent quarter budget releases will not be effected;
2. that the County Executive pays all payables due to staff within ninety (90) days of the payables becoming due, failure to which the subsequent quarter budget releases will not be effected;
3. that the County Executive pays all statutory deductions to the relevant agencies within the statutory deadlines' failure to which the subsequent quarter budget releases will not be effected;

4. that the County Executive pays all pension deductions to the relevant funds within ninety (90) days of the deductions becoming due, failure to which the subsequent quarter budget releases will not be effected;
5. that the Ethics and Anti-Corruption Commission investigates the pending bills owed to staff, statutory deductions and pensions to establish whether any funds due to staff were retrieved from the County Revenue Fund, and if so, how the funds were utilised, with a view to recommending the prosecution of persons determined liable for misdirecting the funds;
6. that all County Governments pay verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2026/2027; and

The Committee further recommends that—

- i. pursuant to the provisions of Regulation 41(2) & (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;
- ii. the Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when approving exchequer releases;
- iii. County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) & (3) of the Public Finance Management (County Governments) Regulations;
- iv. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates;
- v. County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects;
- vi. County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets; and
- vii. The Office of Controller of Budget and the Senate will monitor compliance and apply sanctions if payment plans are not honoured.

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6. Unreconciled Kenya Medical Supplies Authority Debt

The statement of financial position reflects current liabilities balance totaling Kshs.1,722,877,451. The liabilities balance of Kshs.1,722,877,451 includes supply of drugs and medical supplies totaling Kshs.33,723,916 owed to Kenya Medical Supplies Authority. However, the Authority's records reflect a balance of Kshs.43,861,705 resulting in an unreconciled and unexplained variance of Kshs.10,137,789.

In the circumstances, the accuracy and completeness of current liabilities balance of Kshs.1,722,877,451 could not be confirmed.

Management Response

In line with the audit observation, the Embu County Government has done a reconciliation on amounts owed to Kenya Medical Supplies Authority (KEMSA), an amount of Kshs.33,723,916 which had not been settled by the closure of the financial period, while the Kems records showed an amount of Ksh.43,861,705.

Index	Details	Amount (Ksh)	Amount (Ksh)
1	Un reconciled amount	10,137,789	
	<u>Adjustments Done</u>		
2	Payments Posted 04.07.2025		7,772,599
3	Outstanding Invoice		2,365,190
	Sub Total		10,137,789
	<u>Amount Owed</u>		
4	Reported Balance		33,723,916
5	Add: Outstanding Amount		2,365,190
	TOTAL PAYABLE TO KEMSA		<u>36,089,106</u>

The reconciliation to that effect has been concluded and provided for audit verification.

Committee observation

The OAG informed the committee that the matter had been addressed.

Committee Recommendation

The committee recommends that the matter be marked as resolved.

7. Voided Transactions

Review of the County Executive's system payments revealed that eight hundred and sixty – two transactions amounting to Kshs.313,720,244 were voided during the financial year 2024/2025. However, Management did not provide the supporting approvals and justification for the voided transactions amounting to Kshs.313,720,244.

In the circumstances, regularity of the voided transactions amounting to Kshs.313,720,244 could not be confirmed.

Management Response

The voided transactions were as a result of payments processed up-to payment but were unpaid due to insufficient funds at the end of financial period. The approvals have been provided for audit review.

Committee observation

The OAG informed the committee that the matter had been addressed.

Committee Recommendation

The committee recommends that the matter be marked as resolved.

Emphasis of Matter

i. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.6,534,262,282 and Kshs.5,259,463,775 respectively, resulting to an under-funding of Kshs.1,274,798,507 or 20% of the budget. Similarly, the County Executive spent an amount of Kshs.5,093,307,106 against actual receipts of Kshs.5,259,463,775 resulting to an under-utilization of Kshs.166,156,669.

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

Managements Response

The underfunding of the budget was caused by shortage in funds to finance the entire budget, attributed to a shortfall in own source revenue and donor funding. However, there was no underutilization of the budget given that the works and services had been contracted in the year and were at an advanced stage of completion.

Committee Observations

The Committee observed that;

- 1) there was under-utilization of appropriated funds by the county executive as a result of delay

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- in exchequer releases by the National Treasury; and
 2) the county did not meet its own-source revenue targets.

Committee Recommendations

The Committee therefore recommends that:

1. **the National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, 2012.**
2. **the County executive puts in place measures to enhance its own generated revenue in order to meet its revenue target and address revenue shortfalls.**

ii. Pending Accounts Payable

Review of the budget revealed that an amount of Kshs.100,000,000 was allocated for the settlement of pending bills, against a total outstanding balance of Kshs.2,207,376,010 disclosed in the audited accounts for the year ended 30 June, 2024. An analysis of the ageing analysis schedule of pending bills revealed that the current year payables balance totaled Kshs.1,560,148,304, while the outstanding payables balance for the last financial year was Kshs.1,521,621,076. This represents Kshs.38,527,228 (3%) increase in pending bills from the financial year 2023/2024.

Further, the audit review of the payables' schedule revealed that as at the end of the third quarter of the financial year, the outstanding balance of accounts payable was Kshs.1,748,082,570. This indicates that the payables were not settled as a first charge on the budget.

Failure to settle bills during the year in which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year to which they have to be charged.

Management Response

The management responded that it has endeavored to settle the accounts payable through budgetary provision as well as deliver development to the residents with a total amount of ksh295,556,323 being paid out in the year under review. There was however an additional Ksh. 333,718,734.46 attributed to the short fall in resources an appendix was attached.

Committee Observation

The committee observed that the management has a 3% increase of pending accounts payable from the previous financial year.

Committee Recommendations

The Committee therefore recommends that:

1. that trade payables due for more than 365 days be considered indicative of poor financial management and that the County Executive provides actionable payment plans to the Controller of Budget (CoB) within ninety (90) days of the adoption of this report, failure to which the subsequent quarter budget releases will not be effected;
2. that the County Executive pays all payables due to staff within ninety (90) days of the payables becoming due, failure to which the subsequent quarter budget releases will not be effected;
3. that the County Executive pays all statutory deductions to the relevant agencies within the statutory deadlines' failure to which the subsequent quarter budget releases will not be effected;
4. that the County Executive pays all pension deductions to the relevant funds within ninety (90) days of the deductions becoming due, failure to which the subsequent quarter budget releases will not be effected;
5. that the Ethics and Anti-Corruption Commission investigates the pending bills owed to staff, statutory deductions and pensions to establish whether any funds due to staff were retrieved from the County Revenue Fund, and if so, how the funds were utilised, with a view to recommending the prosecution of persons determined liable for misdirecting the funds;
6. that all County Governments pay verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2026/2027; and

The Committee further recommends that—

- i. pursuant to the provisions of Regulation 41(2) & (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;
- ii. the Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when approving exchequer releases;
- iii. County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) & (3) of the Public Finance Management (County Governments) Regulations;

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- iv. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates;
- v. County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects;
- vi. County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets; and
- vii. The Office of Controller of Budget and the Senate will monitor compliance and apply sanctions if payment plans are not honoured.

Other Matter

Unresolved Prior Year Audit Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance as summarized in **Appendix I**. However, review of the status during audit revealed that the matters remained unresolved as at 30 June, 2025.

Management Response

The management recognized all outstanding matters and has put down measures to bring them to a closure including allocating funds for adequate budgetary allocation and adherence to specific guidelines from the national Government.

Committee Observation

The Committee observed that the County Executive did not take action on some issues raised in the Report of the Auditor General for the Financial year 2023/2024.

Committee Recommendations

The Committee recommends that—

- 1. the County Executive implements the recommendations of the Committee in its report on the Report of the Auditor-General on Financial Statements for Embu County Executive for the Financial Year 2023/2024 as adopted by the Senate and reports to the committee within ninety (90) days of the adoption of this report;
- 2. the account officer complies with section 53 of the Public Audit Act by taking the

relevant steps to implement the recommendations of the Senate on the report of the Auditor-General and submits a report to the Senate within ninety (90) days of the adoption of this report;

3. the County Executive engages with the Office of the Auditor-General to address and resolve any outstanding matters; and

4. the Auditor General lists any unresolved audit issues in the report of the subsequent financial year.

Other Information

1. Irregular Extension of Revenue Collection and Management Automation System Contract

Review of records established that during the year, Management paid an amount of Kshs.3,000,000 to a local company for an extension of a contract for the supply, delivery, implementation, customization, and commissioning of a revenue collection and management automation system. The contract expired on 06 April, 2023 but had not been extended. However, Management issued Local Purchase Orders. No. 66 and 76, approving the contract extension without a formal recommendation from the Tender Evaluation Committee. This was contrary to Section 139(1)(2) of the Public Procurement and Asset Disposal Act, 2015 which sets the contractual obligations to a contractor after a procurement process is completed.

Further, records show that the County Government was already in the process of acquiring a new revenue system at a contract sum of Kshs.37,120,000 and an amount of Kshs.8,742,644 had already been incurred towards acquiring the new revenue system.

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

Management Response

The management stated that it acquired a Revenue Collection and Management Automation System under a contract executed on 6th April 2018 for a period of five (5) years, which lapsed on 6th April 2023. In accordance with Clause 5, Sub-Clause 6.1.3(B) of the Second Addendum to the Contract, ownership of the system was granted to the County Government upon expiry of the contract. In addition, At the time of contract expiry, the County Government lacked the requisite ICT infrastructure and technical capacity, including servers and related system-hosting capabilities, to independently host and manage the system. Consequently, and in order to ensure continuity of revenue collection and avoid disruption of services, Management allowed the service provider to continue hosting and supporting the

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system on an interim basis while the County worked towards establishing the necessary internal capacity. This arrangement covered third-party system services required for the continued operation of the Revenue Management System and was documented through internal approvals by the Embu County Revenue Authority (ECRA) Board. Further, Management had noted that the existing system could not meet the evolving operational and efficiency requirements for service delivery. As a result, the process of procuring a new Revenue Management System was initiated, which was already underway during the period under review.

Committee Observation

The committee observed that the management did not provide the handover report for full ownership. In addition, the management is in breach of the provisions of Regulation 22(1)(b) of Public Finance Management (County Governments) Regulations, 2015.

Committee Recommendation

The Committee recommends that; -

- 1. The County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within (90) days of the adoption of this report.**
- 2. The Committee further recommends that the Directorate of Criminal Investigations investigates breach of section 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.**

1. Weaknesses in Management of County Vocational Training Centers

Review of the courses offered at VTC revealed that eight (8) VTCs were offering eighteen (18) more courses than those formally approved by the relevant accrediting bodies, such as the TVET Authority and the Curriculum Development Assessment and Certification Council (CDACC). These additional courses lacked official accreditation or curriculum approval, thereby constituting non-compliance with established academic regulatory standards. Mbonzuki VTC, was operating without accreditation, licensing, or registration by the Technical and Vocational Education and Training Authority (TVETA), contrary to the requirements of section 17 of the TVET Act, 2023.

Further, the Department of Vocational Training, offered appointment letters to twenty-six (26) Station Managers to the Vocational Training Centres across Embu County. However, it was noted that proper recruitment procedures and advertisements for the respective posts were not followed, and interviews were never conducted.

In addition, at one VTC, one permanent and pensionable instructor, who also served as the Manager, was responsible for training approximately eighty-three (83) enrolled students in the financial year. The instructor was technically skilled in one technical area, resulting in a competency gap for students seeking training in carpentry and welding courses.

In the circumstances, full optimization of the benefits from VTCs to the public could not be confirmed.

Management Response

The management stated that;

- i. All the courses offered in the VTCs are accredited by either TVETA or KNEC or recently, CDACC. The VTCs apply for accreditation whenever a new course is added, but these bodies work on their own calendar and sometimes, it takes a lot of time before they come for evaluation
- ii. The *Scheme of Service for Youth Training Personnel (May 2012)*, did not have the position of Manager of the VTC and the serving officer were only given duty allocation letters awaiting further recruitments. The **Department of Education**, VTC section, is in the process of implementing the *Scheme of Service for Vocational Training Personnel, November 2021*, after securing budget and the vacancies for Managers has been declared. The interviews will be conducted by Public Service Board in the year.
- iii. In the F/Y 2025/2026, the department has secured funds to employ more instructors to help with the deficit that has been identified. The process of recruitment of new Intern-instructors will be completed early January 2026

Committee Observation

The committee observed that the management did not prioritize competitive recruitment. In addition, 8 VTCs offer uncredited courses. Staffing failures have also undermined governance and instruction with one teacher handling 83 students which creates skill gaps.

Committee Recommendation

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The Committee recommends that the County Executive shuts down the 18 unaccredited courses and suspends operations at Mbonziki VTC until full accreditation is obtained under Sections 17 and 26 of the TVET Act, 2023.

Furthermore, the County Public Service Board must terminate the engagement of the 26 Station Managers hired without competitive recruitment, as their appointments violate Article 232 of the Constitution. To ensure personal accountability, the Accounting Officer responsible for these irregular hiring must be personally surcharged under Section 202 of the PFM Act to recover all salaries paid to date.

Additionally, the officer who authorized the unaccredited courses shall be surcharged to refund all tuition fees paid by affected students, as the training lacks legal and academic recognition.

3. Failure to Establish Sub-County (Level 4) Hospital

As previously reported, audit review revealed that Embu County has four (4) Sub- counties. However, the County Management has only established three (3) Sub - county (level 4) Hospitals, and none had been established in Manyatta Sub - county. This was contrary to Section 8 (1) of the Embu County Health Services Act, 2024 which states that

there shall be at least one County Hospital, at least one Sub-County hospital in each Sub-County, and at least one health center in each ward.

Further, there was no evidence to prove that the County Management established a County Health Management Team, a Health Quality and Assurance Unit, a Health Facility Improvement Board and a policy on transfer of unutilized pharmaceutical and non – pharmaceuticals from one health facility to another so as to ensure efficient stock management. This was contrary to the requirements of the Embu County Health Services Act, 2024, Sections 31, 35 and 45 respectively.

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

Management Response

The management stated that In line with the audit observation, the County Management has three Sub - County (level 4) Hospitals, and none had been established in Manyatta Sub – County. The Government is however at a very advanced stage of upgrading Four more health centers into Sub County hospitals, one of which is in Manyatta Sub County. The Embu Level 5 hospital is also domiciled in Manyatta Sub County which has all along served the residents in all health care matters.

Committee Observation

The committee observed that the management observed that the management is progressively working towards completing the four centers.

Committee Recommendation

The Committee recommends that;

- 1) The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 90 Days from the date of adoption of this report;**
- 2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 90 days of the adoption of this report;**
- 3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.**

4. Stalled Construction of Gategi Health Centre

The County Executive awarded a local contractor a tender for the construction of Gategi Health Centre (Upgrading from Level 3 to Level 4) through Negotiation No:1482228 at a contract sum of Kshs.28,843,272 on 12 June, 2024. The Construction was supposed to be completed in twelve (12) months from the date of the contract. The first payment for the contract amounted to Kshs.13,305,153 for works done in the financial year 2023-2024 while the second payment amount was Kshs.10,000,000 all totalling Kshs.23,305,153 paid to the contractor.

Physical inspection of the project in the month of June, 2025, revealed that the project had stalled and the contractor was not on site despite a substantial amount of the contract sum having been paid, and the completion date of the contract having expired on 12 June, 2025.

In the circumstances, the value for money for the expenditure totalling Kshs.23,305,153 could not be confirmed.

Management Response

The management stated that there was a request by the user department for temporary suspension of construction works due to change of design.

The contractor has since resumed construction works on site. Appendixes were attached.

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Committee Observation

The committee observed that the management observed that the management is progressively working towards completing the center.

Committee Recommendation

The Committee recommends that;

- 1) The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 90 Days from the date of adoption of this report;
- 2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 90 days of the adoption of this report;
- 3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.

5. Idle Health Facilities Buildings

Audit examination of payment records and supporting documents in respect of construction and civil works revealed that the County Executive incurred a total expenditure amounting to Kshs.11,474,068 in respect to construction of Kiangungi Dispensary, Kangethia Dispensary, Gichera Dispensary, an ablution block at Gicheche Dispensary, and renovation of an Isolation Ward at Kianjokoma Level 3 Hospital. The project's physical inspection carried out in the month of June, 2025, revealed that the final certificates had been paid. However, the buildings had not been put into any form of use.

Further, Gichera dispensary's land was not fenced hence risked encroachment, the buildings and toilets had been vandalized, and there was presence of overgrown thickets and bushes in the compound. At Kiangungi dispensary, there was a substandard fence, paving of the compound was not done, the buildings and toilets had been vandalized, and there was the presence of overgrown trees and bushes in the compound.

In the circumstances, the value for money for the three projects expenditure totalling Kshs.11,474,068 could not be confirmed.

Management Response

i. KIANGUNGI DISPENSARY

The County Government is in the process of acquiring medical equipment and furniture for the facility, as well as recruiting staff to operationalize it. Security has been provided at the facility, and the community has been sensitized on the protection of public property. Bushes within the compound have been cleared, and the fencing has been reinforced.

ii. GICHERA DISPENSARY

The County Government is in the process of acquiring medical equipment and furniture for the facility and recruiting staff to operationalize it. The facility has been fenced in accordance with Contract No. 1881314-2024/2025 dated 10/06/2025. Appendixes were attached.

iii. KIANJOKOMA LEVEL 3 HOSPITAL

The building was initially designed to function as an operating theatre; however, it was later converted into a COVID-19 isolation center under the same contract. The department is currently in the process of reconverting the facility back to an operating theatre and equipping it accordingly.

iv. KANGETHIA DISPENSARY

The County Government is in the process of completing the external works and equipping the mortuary. This has been proposed under the 2026/2027 Fiscal plan.

v. GICHECHE DISPENSARY

Ablution block is now complete and in use.

Committee Observation

The committee observed that the management observed that the management is progressively working towards completing and equipping the dispensaries.

Committee Recommendation

The Committee recommends that;

- 1) The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of**

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projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 90 Days from the date of adoption of this report;

- 2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 90 days of the adoption of this report;

The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.

6. Stalled Twin Workshop at Siakago VTC

Construction of a twin workshop at Siakago VTC, initiated by the National Government in the financial year 2012 had stalled and remained incomplete to date. Following devolution, no further works were undertaken, and there was no documentation indicating whether the project was to be completed by the National Government or handed over to the County Government. Physical inspection conducted in July, 2025 confirmed that the contractor was not on site. Further, inspection revealed that female students occupied a dilapidated wooden/prefab dormitory that was poorly ventilated, lacked natural light at daytime and was on the verge of collapsing, thereby posing a risk of loss of life to the students.

In the circumstances, value for money for the stalled building could not be confirmed.

Management Response

The responded that Siakago VTC is amongst the many facilities yet to be handed over from the national government in line with devolution of services, however during the F/Y 2025-2026, the department has allocated money for the completion of the Twin-Workshop at Siakago VTC.

Committee Observation

The committee observed that the management observed that the management is progressively working towards completing the workshop.

Committee Recommendation

The Committee recommends that;

- 1) The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance

- Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 90 Days from the date of adoption of this report;**
- 2) **The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 90 days of the adoption of this report;**
 - 3) **The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.**

7. Stalled Projects at Karaba and Kamweli Dispensaries

Physical inspection of the projects of unknown amount in the month of July, 2025 revealed that two projects, the mortuary at Karaba dispensary and the maternity ward at Kamweli dispensary, had stalled, and the contractor was not on site. The Maternity Ward at Kamweli Dispensary was initiated in 2009, and no action had been taken to fast track its completion as of July, 2025.

In the circumstances, value for money and benefits to be accrued from the dispensaries were not achieved.

Management Response

i. KARABA MORTUARY

The County Government has allocated Ksh. 2,500,000 in the 2025/2026 financial year and is in the process of completing the external works and equipping the mortuary. More allocations will be considered in the year 2026/2027 fiscal plan for the final conclusion of the multi-year project

ii. KAMWELI DISPENSARY

The County Government proposed the allocation of funds in the 2026/2027 financial period for the completion and operationalization of the facility.

Committee Observation

The committee observed that the management observed that the management is progressively working towards completing the mortuaries.

Committee Recommendation

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The Committee recommends that;

- 1) The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 90 Days from the date of adoption of this report;
- 2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 90 days of the adoption of this report;
- 3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.

8. Stalled Project - Governor's Official Residence

As previously reported, the County Executive entered into a contract for construction of Governor's residence with a firm at a contract sum of Kshs.49,703,439 on 08 March, 2021. The contract period was to run for seventy-two (72) weeks with expected completion date of 8 September, 2022. However, at the time of audit in September, 2025, the Governor's official residence was not complete and the last certificate of work done revealed that the project was 55% complete. Physical inspection conducted in August, 2025 confirmed that the contractor was not on site. Further, the building had deteriorated and the wooden elements had begun to rot. Request for an engineer's opinion on status of the building was not provided for audit review. No evidence was also provided for review to confirm whether the contractor had sought for extension of contract period, or a default notice issued to the contractor by the County Executive.

In the circumstances, Management was in breach of the SRC circular of 20 May, 2019 and the public may not have obtained value for money from the stalled project.

Management Response

The management responded that the Governor's official residence was not complete. The contractor acted in breach and the contract was terminated. The management is planning on budgetary allocation once funds for completing the facility and bring it to use. An appendix was attached.

Committee Observation

The committee observed that the management had not allocated funds towards completion of the project. In addition, the contractor was terminated.

Committee Recommendation

The Committee recommends that;

- 1) The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within 90 Days from the date of adoption of this report;**
- 2) The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within 90 days of the adoption of this report;**
- 3) The OAG to keep the matter in view and provide a status update to the Committee in the subsequent audit cycle.**

9. Failure to Establish and Gazette the Alcoholic Drinks Board

Review of the operations from the Trade and Investment Department, where the Alcoholics' Drinks Board is domiciled, revealed that the County does not have in place an Alcoholic Control Board. Instead, the functions of the Board were performed by an Ad hoc Committee. Consequently, the revenue raised from the liquor licenses could not be confirmed in terms of the rates charged and accountability of the same. This was contrary to Section 4 (1) of the Embu County Alcoholic Drinks Control Act, 2021 which states that there is established a Board to be known as Embu County Alcoholic Control Board.

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

Management Response

The management acknowledged the audit observation regarding the absence of a formally established and gazetted Embu County Alcoholic Drinks Control Board as provided for under Section 4(1) of the Embu County Alcoholic Drinks Act, 2021.

It is important to note that the Act was recently amended through the Embu County Alcoholic Drinks Control (Amendment) Act, 2024 (No. 6 of 2024), which commenced on 16th September 2024. The amendment revised Section 4(3) to update the composition and appointment procedure of the Board by:

- Deleting the representation of religious group 4(3) (e) and representation of youth groups 4(3) (f).
- Introducing representation from NGOs involved in drug rehabilitation as per the National Council for Non-Governmental Organizations 4(3) (fa)

Following these legislative changes, the Department has initiated the process of

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establishing the Board in line with the amended law. Consultations with relevant stakeholders have been concluded, and a draft list of nominees has will been prepared. The nominees will be formally presented to the County Assembly for consideration and approval, after which the appointments will be gazetted to operationalize the Board.

In the interim, an ad hoc committee continues to facilitate liquor licensing and compliance operations to ensure service continuity pending the full constitution of the Board. Revenue collections, accounting and financial are functions of Embu County Revenue Authority and not functions of the Alcoholic Control Board.

Committee Observations

The Committee notes that the County does not have in place an Alcoholic Control Board where its functions were performed by an Ad hoc Committee contrary to Section 4 (1) of the Embu County Alcoholic Drinks Control Act, 2021 which establishes Embu County Alcoholic Control Board.

In addition, the revenue raised from the liquor licenses could not be confirmed in terms of the rates charged and accountability of the same in the absence of the Board.

Committee Recommendations

1. **The County Executive should implement Section 4 (1) of the Embu County Alcoholic Drinks Control Act, 2021 the Embu County Alcoholic Control Board to undertake the functions stipulated under Part II (4)(2) of the Act.**
2. **The Accounting Officer should provide accountability for the revenue raised from the liquor licenses and define the terms of the rates charged within 90 days after adoption of this repot.**

10. Failure to Surrender Imprests

Review of the imprest register revealed outstanding imprest of Kshs.21,768,240 issued between July, 2023 and 30 June, 2025 which had not been surrendered or accounted for. This was contrary to Regulation 93 (5) of the Public Finance Management (County Governments) Regulations, 2015, which stipulates that a holder of a temporary Imprest shall account or surrender the Imprest within seven (7) working days after returning to the duty station. In addition, some officers held multiple imprests before the surrender of

previous issues contrary to Regulation 93(4)(b) of the Public Finance Management (County Governments) Regulations, 2015.

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

Management Response

The outstanding imprest of Kshs.21,768,240 outstanding as at 30 June, 2025 has since been surrendered and documents produced for audit verification, and the recovery commenced on an outstanding amount of ksh.5,757,180 from the payroll. An appendix was attached.

Committee Observation

The committee observed that the management had not fully recovered the outstanding imprests.

Committee Recommendation

3. **The Committee recommends that the accounting officer who failed to recover the imprest surcharged in accordance with paragraph 93(6) of the Public Finance Management (County Governments) Regulations, 2015.**
4. **The Committee further recommends that the Directorate of Criminal Investigations investigate the breach of Regulation 93(7) of the Public Finance Management (County Governments) Regulations, 2015, by the Accounting Officer for failing to recover outstanding imprests. Where criminality is established, the matter should be referred to the Director of Public Prosecutions for prosecution.**
5. **OAG to keep this matter in view in the next audit cycle.**

11. Irregular Engagement of Casual Employees

Review of records maintained established that the County Executive recruited four hundred and forty-two (442) casual employees for more than one month during the financial year. This was contrary to paragraph (v) on the Basic Guidelines on Hiring of casual workers in the Embu County Public Service of March, 2024 which states that casual workers will not be engaged for more than one (1) month on a continuous basis.

Further, there was no evidence of transparency in picking the casual workers since majority of the casual were above thirty (35) years of age and the posting list of the casuals with the respective responsibilities in each duty station was not provided for audit review.

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

Management Response

The four hundred and forty-two (442) casual workers were engaged and deployed to perform critical and sensitive functions, primarily cleaning and sanitation services in

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health facilities and other public places. Disruption of these services would have posed significant public health and operational risks.

The casual workers were previously engaged by the former Hospital Management Boards and were therefore not newly recruited by the County Public Service Board during the period under review. Their continued engagement was necessitated by the need to ensure continuity of essential services pending regularization in accordance with applicable guidelines.

Management notes that the circumstances arose during the transition to the Basic Guidelines for Hiring Casual Workers in the Public Service (March 2024), whose procedural requirements are elaborate and time-intensive, particularly where large numbers of essential service providers are involved. As an interim measure, continuity of service was maintained pending full compliance with the said guidelines.

In view of the foregoing, and acting on its own motion, the County Public Service Board, pursuant to Section 63(c) of the County Governments Act, 2012, exercised its mandate in the best interest of the County Public Service to ensure uninterrupted delivery of essential services. Accordingly, the Board granted delegated authority to various Chief Officers to engage casual workers for a limited period of three (3) months strictly as a temporary measure to allow completion of the prescribed engagement processes in line with applicable laws and guidelines. (Delegated Authority)

With regard to transparency and deployment, Management confirms that the casual workers were deployed to specific duty stations based on operational requirements within departments.

Further, the County Public Service Board is in the process of regularizing the engagement of eligible casual workers by translating their terms of service to contractual engagements where the nature of the services is long-term, in order to ensure sustained compliance with the law and applicable public service regulations.

Committee Recommendation

The County Governor undertakes administrative action against the officer(s) responsible recruitment in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within ninety (90) days of the adoption of this report.

2. Irregular Engagement of Staff Above Mandatory Retirement Age

Review of payroll data revealed that seventy - six (76) officers who had attained the mandatory retirement age of sixty (60) years were still in service as at 30 May, 2025. This was contrary to Regulation 70(1) (a)(b) of the Public Service Commission Regulations

which states that the mandatory retirement age in the Public Sector shall be sixty (60) years and sixty-five for persons with disability.

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

Management Response

The officers cited were casual workers previously engaged by former Hospital Management Boards to perform security duties (watchmen) and were remunerated through a manual payroll system that existed prior to the migration to the Unified Human Resource (UHR) System for the Public Service.

Following a Government directive issued by the Head of Public Service vide circular Ref: OP.CAB.1/31A dated 4th August, 2022, directing all public institutions to migrate all categories of workers, including casual employees, from manual payrolls to the Unified Human Resource (UHR) System, thereby abolishing manual payroll arrangements. The Management on boarded all existing casual workers into the centralized system to ensure continuity of essential services, particularly security services in health facilities.

During the migration process, it was established that some of the casual workers had already attained the mandatory retirement age of sixty (60) years. This necessitated Management to take corrective action. Accordingly, the Chief Officer, Medical Services, vide letter Ref: EC/COII/CS/VOL.IV/6 dated 22nd December, 2025, communicated the release of the affected casual workers and confirmed that the officers had been duly cleared by the department.

To ensure continuity of service delivery while maintaining compliance with the law, the County Public Service Board subsequently granted delegated authority to the relevant departments to recruit replacement casual workers in accordance with applicable laws and regulations.

Management confirms that the issue has been fully addressed and measures have been put in place to ensure adherence to retirement age requirements going forward.

Committee Observation

The committee observed that the management contravened Regulation 70(1) of the Public Service Commission Regulations by retaining seventy-six (76) officers beyond the mandatory retirement age of sixty (60) years as at 30 May, 2025, resulting in an unlawful payroll and breach of public service regulations.

Committee Recommendation

- 1. The Committee recommends the immediate removal of the seventy-six (76) officers from the payroll, as their continued stay in service past the age of sixty (60) years**

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violates Regulation 70(1) of the Public Service Commission Regulations.

2. The County Governor undertakes administrative action against the officer(s) responsible in recruitment in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within ninety (90) days of the adoption of this report.

12. Non-Compliance with the Law on One Third Basic Salary Rule

Review of Payroll data for the financial year under review revealed that the County Executive had one thousand three hundred and seventy-four (1,374) employees whose net pay was below a 1/3 of their basic pay. This was contrary to Section C.1 (3) of the Human Resource Policies and Procedures Manual 2016 for the Public Service on Salary and Allowances which states that public officers shall not over-commit their salaries beyond two thirds (2/3) of their basic salaries and Heads of Human Resource Units should ensure compliance.

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

Managements Report

The County Executive operates an automated Human Resource Information System (HRIS) configured to enforce the one-third basic salary rule by restricting third-party deductions beyond the allowable threshold. However, there are specific circumstances under which this restriction may be overridden.

The implementation of Social Health Insurance Fund (SHIF), Housing Levy, and enhanced National Social Security Fund (NSSF) contributions which significantly increased mandatory statutory deductions in the near past. These deductions are legally enforceable, non-discretionary, and system-driven, and were applied uniformly across affected employees, thereby contributing to instances of non-compliance with the one-third rule.

In cases involving recovery of government liabilities such as imprests and salary overpayments, the system prioritizes recovery in line with public finance accountability requirements. During such recovery periods, third-party deductions are deferred, but recovery deductions may result in net pay falling below the one-third threshold.

Committee Observation

The Committee observed that some of the county staff were earning less than a third of their basic pay contrary to Section 19 (3) of the Employment Act 2007.

Committee Recommendation

Committee Recommendations

The Committee recommends that -

1. **The County Public Service Board, in coordination with the County Treasury, fully implement the Human Resources Information System (HRIS) to automatically lock out any loan commitments that would cause an employee's net pay to fall below the legal threshold, as required by sound internal control systems under Regulation 155 of the PFM (County Governments) Regulations, 2015.**
2. **The Committee further recommends that the Public Service Commission, in coordination with County Public Service Boards, review Section C (3) of the Human Resource Policies and Procedures Manual and propose mechanisms to ensure compliance, reporting their findings to the Senate within 90 days.**

13. Non-Compliance with the Law on Staff Ethnic Composition

Review of payroll data revealed that a total of one thousand nine hundred and eighty-nine (1,989) employees were from the dominant ethnic community in the County representing 55% of the total staff. This was contrary to the requirements of Section 7(1) and 7(2) of the National Cohesion and Integration Act, 2008 which states that all Public Establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

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

Committee Observation

The Committee observed that there was no ethnic diversity among the County Executive employees.

The Committee also notes that section 65(1)(e) of the County Governments Act mandates county public service boards, in selecting candidates for appointment, to consider the need to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county. This provision must be adhered to by all counties.

The Committee further noted that due to the homogeneous ethnographic population in most counties, it may not be feasible for them to attain the threshold provided under section 7 (2) of the National Cohesion and Integration Act, (Cap. 7N) which states that no public establishment shall have more than one third of the staff from the same ethnic community.

Committee Recommendations

The Committee recommends that—

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1. the County Executive adheres to section 65(1)(e) of County Governments Act and ensures that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county; and
2. The Committee recommends that the Standing Committee on National Cohesion, Equal Opportunity and Regional Integration undertake a post legislative scrutiny on the application of Section 7(2) of the National Cohesion and Integration Act (Cap. 7N) to County Governments

14. Failure to Collect Revenue from the Social Halls

The County Government operated five (5) active Social Halls. During the year under review, IEBC and Talent academy social halls generated a revenue amount of Kshs.120,000 and Kshs.206,000 respectively, totalling Kshs.326,000 as reflected in the financial records. However, the revenue generated by the remaining three (3) social halls was not banked to the County revenue account but used by communities at source. This was contrary to Regulation 80 (1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the County Treasury shall administer the County Revenue Fund in accordance with the Constitutional provisions in Article 207 and 209 (3) and (4) in controlling revenue receipts to ensure that (a) all revenue receipts by the County Government are paid into the County Exchequer Account, except receipts reasonably excluded by the Act, or any other Act of Parliament or an Act of County Assembly; and (b) withdrawals.

Further, physical inspection of one of the social halls revealed that, it was constructed on a road reserve, however there were no approvals from both the National and County Government for construction. In addition, management of the hall was under the community and revenue was channeled to a private bank account. Management did not provide information on the other three halls whose revenue collection was neither disclosed nor accounted for.

In addition, the County did not have any policy on handover of activities of halls to the communities after the constructions. Therefore, the basis of communities owning and collecting revenues from the halls could not be confirmed.

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

Management Response

The Department acknowledged the audit observations regarding the management and accountability of revenues from County social halls.

1. Gikuuri Social Hall - This facility is still under construction and has not yet become operational, hence no revenue was generated from the facility during the year under review. The current year's budget 2025/2026 has a budget for completion of the hall.

2. The Dallas Hall - is under the management of local community committees established prior to devolution. As such, the community committees were engaged to support operations, ensure proper maintenance, and safeguard County property from vandalism or misuse as witnessed previously before the facility was fully renovated by the current administration. The said facility is not charged per say but instead the users cater for cleaning and maintenance fee which is channeled through the committees for coordination.

3. Embu social hall - Embu Social Hall, located within the town center, is mainly utilized by government departments for official meetings and activities. The facility is considered a government establishment for internal use. Additionally, the hall has not been commercially viable due to inadequate furniture, limited maintenance, and availability of alternative modern facilities which offers better amenities and are freely accessible to the public.

To address the issue, the Department, in collaboration with the County Treasury, have developed a draft policy framework **to guide community participation and define clear modalities** for management of County social halls. The policy is awaiting budgetary allocation to kick start the other processes.

Committee Observation

The committee observed that the management contravened Regulation 80(1) of the Public Finance Management (County Governments) Regulations, 2015, by failing to bank revenue from three social halls, which was instead utilised by communities at source and not accounted for in the County Revenue Fund. Further, one social hall was constructed on a road reserve without requisite approvals from National and County Governments. Additionally, the absence of a policy on handover of halls to communities rendered the basis for community ownership and revenue collection unconfirmed, exposing public funds to potential loss and irregular use.

Committee Observation

The Committee observed that revenue from three social halls was not banked, its management was irregular, and the County lacks a policy governing hall operation.

Committee Recommendations

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The Committee recommends that;

- 1) **The County Executive should finalize and submit the Policy to the County Assembly for approval and submit a status report to the Senate and the Auditor-General within ninety (90) days of adoption of this report.**
- 2) **The County Executive should ensure that all future revenue collections at the social halls are integrated into the County's automated revenue system to eliminate manual handling and "at-source" expenditures.**
- 3) **The County Executive should identify and close all private accounts associated with Dallas Social Hall and transfer the balances to the Embu County Revenue Fund, and submit a status report to the Senate and the Auditor-General within ninety (90) days of adoption of this report.**
- 4) **The Auditor General to keep the matter in view in subsequent audit cycle.**

15. Unapproved Payment to the Council of Governors

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects an amount of Kshs.468,516,798 in respect to the use of goods and services, which includes an amount of Kshs.90,698,285 in respect to other operating expenses, which further, includes an amount of Kshs.3,000,000 paid to the Council of Governors. This was contrary to Section 37 of Intergovernmental Relation Act, 2012 which provides that the operational expenses in respect of the structures and institutions

established in this Act shall be provided for in the annual estimates of the revenue and expenditure of the National Government.

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

Management Response

The Council of Governors made a resolution towards subscription by all County governments and communicated the same and therefore made it a requirement for all Counties to pay.

Committee Observation

The Committee noted that payments made to the Council of Governors from County Revenue Funds were irregular and unlawful since the Intergovernmental Relations Act specifies that funding for the COG shall be drawn from the Consolidated Fund.

Committee Recommendation

1. **The Committee recommends that the irregular payments to the Council of**

Governors (COG) be stopped and further recommends the surcharge of any Governor, in their capacity as Chief Executive Officer, who continues to make the irregular contribution.

2. The EACC should oversee the recovery of all the public funds irregularly transferred to the Council of Governors (COG) by the Governor. This is in line with the Resolution of the Senate.

16. Failure to Deduct and Remit Public Procurement Capacity Building Levy

Review of records revealed that the County Executive entered into contracts but no documentary evidence was provided to confirm that the County Executive complied with paragraph 3(1) of the Public Procurement Capacity Building Levy, Order 2023 which states that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes. In addition, the Public Procurement Regulatory Authority (PPRA) circular No. 01/2024 dated 30 August, 2024 requires procurement entities to remit the levy to the Authority through the e-Citizen payment platform by the 20th day of the subsequent month and also file monthly returns.

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

Management Response

The management stated that it effected the levy effective January 2025 when the IFMIS system was configured to deduct the same along other mandatory deductions. The system configuration is done centrally at the national Treasury Nairobi and not a function of the County Government.

Committee Observation

The OAG informed the committee that the issue had been addressed.

Committee Recommendation

The committee recommended the matter be marked as resolved.

17. Lack of Annual Development Plan

The County Executive did not provide the Annual Development Plan for the financial year 2024-2025 that was submitted to the County Assembly. This was contrary to Section 126(3) of the Public Finance Management Act, 2012 which requires the County Executive Committee member responsible for planning to submit the county's development plan to

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the County Assembly for approval and also send copies to the Commission on Revenue Allocation and The National Treasury.

In the circumstances, Management was in breach of law.

Management comments

County Executive Committee member responsible for planning submitted the County's Annual Development Plan to the County Assembly for approval and also sent copies to the Commission on Revenue Allocation and The National Treasury as required by law. The plan is available in the Embu County Website and has been produced for audit verification.

Committee Observation

The committee informed the committee that the issue had been addressed.

Committee Recommendation

The committee recommended the matter be marked as resolved.

18. Non-Compliance with the Law on the County Appropriation Act, 2024

Review of the County Revenue Fund bank statements revealed that withdrawals totalling Kshs.606,491,986 and Kshs.290,384,401 between 01 July, 2024 and 14 July, 2024 were made for the recurrent and development expenditures respectively. However, approval from the Speaker of the County Assembly to the County Executive Committee Member granting authority to withdraw from the County Revenue Fund had not been provided as the County Appropriation Act, 2024 was assented to on 15 July, 2024. This was contrary to Section 8(1)(c) of the County Governments Act, 2012 which gives power for the County Assembly to approve before expenditure of the County Funds.

In the circumstances, Management was in breach of law.

Management Response

The management stated that the withdrawals totalling Kshs.606,491,986 and Kshs.290,384,401 between 01 July, 2024 and 14 July, 2024 for the recurrent and development expenditures respectively were in respect to the year 2023/2024 financial year when we were reporting on cash bases and the cut off extended to mid-July.

The expenditure the funds were committed to was reported in the financial statements and audited accordingly.

The cut offs have been presented to auditors for verification

Committee Observation

The committee observed that withdrawals totalling Kshs.896,876,387 for recurrent and development expenditures were made between 1 July 2024 and 14 July 2024 before approval of the County Appropriation Act, 2024 on 15 July 2024, contrary to Section 8(1)(c) of the County Governments Act, 2012.

Committee Recommendation

The committee recommends that the County Executive must ensure that no withdrawals from the County Revenue Fund are made without prior approval from the County Assembly, in strict compliance with Section 8(1)(c) of the County Governments Act, 2012, as well as the relevant provisions of the Public Finance Management Act, 2012 and Public Finance Management (County Governments) Regulations, 2015. All expenditures must be authorized only after the County Appropriation Act has been assented to, to safeguard public funds and ensure accountability

The OAG to keep the matter in view the next audit cycle.

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

1. Failure to Activate Exchequer Receipts Module in the Integrated Financial Management Information System

Comparison between the net exchequer issues by The National Treasury totalling Kshs.5,797,242,036 to County Government against the MRR Receipts as captured in Integrated Financial Management Information System (IFMIS), revealed Nil amounts resulting to an unexplained variance of Kshs.5,797,242,036. No explanation was provided for failure to activate the Receipt Module in IFMIS.

In the circumstances, the Effectiveness of Internal Controls, Risk Management and Governance in respect to complete accountability modules in IFMIS could not be confirmed.

Management Response

The management responded that the variance has been occasioned by the Exchequer releases not being posted to the revenue module in the IFMIS. Measures have been put in place to address the gap.

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Committee Observation

The committee observed that the management did not prioritize full automation as envisioned in the IFMIS strategic plan for 2022-2026.

Committee Recommendations

1. **The committee recommended that the office of the Governor should prioritize full automation of their systems and provide status update within 90 days after adoption of this report.**
2. **The OAG should keep the matter in view the next audit cycle.**

2. Lack of Annual Recruitment Plan

The County Government recruited six hundred and forty-one (641) officers during the year under review. However, the Departments did not have annual recruitment plans to guide the recruitment.

In the circumstances, the effectiveness of internal controls in human resource management could not be verified.

Management Response

The management had frozen recruitment due to high wage bill and only recruited replacements of officers who had exited service. However, it has now embarked on the preparation of annual recruitment plan as advised.

Committee Observation

The recruitment of 641 officers without approved annual recruitment plans hindered the ability to verify the effectiveness of internal controls in human resource management.

Committee Recommendations

3. **The Committee recommends that the County Public Service Board expedite development and approval of its staff establishment and a status report should be submitted to the Auditor General for verification and Senate within ninety (90) days of the adoption of this report.**
4. **the EACC undertakes investigations of the county officers involved in the recruitment of 641 officers with a view to establishing any breach of law and recommending criminal prosecution for loss of public money.**

3. Weaknesses in ICT Governance and Controls

An audit of the County's Information and Communication Technology (ICT) environment revealed multiple critical weaknesses indicating inadequate ICT governance, data protection, and systems control. The following anomalies were observed;

- i. Lack of an Approved ICT Policy, there was no formally approved ICT policy to guide the development, deployment, use, and management of ICT resources within the County.

Management Response:

The management responded that it is in the process of updating the current ICT Policy.

- ii. Use of Personal Email Accounts, staff were using personal email addresses for official communication, which undermines data security and organizational accountability.

As part of the new ICT Policy currently being finalized, a clear directive on Official Communication Channels will be enforced, mandating the use of corporate IDs for all government business.

- iii. Absence of a Data Protection Policy, the County lacked a documented policy to ensure the collection, handling, storage, and sharing of data that complied with legal and regulatory data protection requirements.

The County recognizes the critical importance of data privacy and is committed to full compliance with the Data Protection Act (2020). We wish to clarify that data protection governance is being addressed through the following strategic actions: Policy Integration: Rather than a standalone document, the Data Protection Policy has been incorporated as a thematic pillar within the comprehensive ICT Policy currently under development. This ensures that data privacy is baked into our broader digital governance framework.

- iv. Lack of System Integration, core operational systems including the bursary management system, hospital management system, finance system, and HR system were not integrated, resulting in data silos, inefficiencies, and duplication of efforts.

The County is engaging the relevant National agencies to rollout of integration modules.

V. No ICT Asset Register, there was no centralized and updated ICT asset register to track, manage, or safeguard ICT infrastructure and equipment.

The County maintains a centralized Asset Register however we are in the process of identification and decentralization of Assets to specific devolved units.

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- v. No Centralized ICT Department; ICT functions were fragmented across departments, with no centralized oversight or coordination, limiting strategic ICT planning and control.

Management Response:

The County is actively consolidating ICT governance to eliminate fragmentation and ensure uniform standards across all departments. This is being achieved through both structural and technical interventions:

- i. No Risk Assessment Policy, the County had not developed a risk assessment framework to identify, assess, and mitigate ICT-related risks.
- ii. No Data Backup Mechanism, there was no formalized data backup process, exposing the County to the risk of data loss in the event of system failure, cyberattack, or accidental deletion.

Management Response:

While the formal policy documentation is being finalized, the County has already prioritized the technical implementation of data safeguards through our ongoing Digitalization Programme:

- iii. No Disaster Recovery Plan, in the absence of a disaster recovery plan, the County lacked the capacity to restore operations promptly following system disruptions or disasters.

Management Response:

The Risk Assessment Framework, Data Backup Policy, and Disaster Recovery Plan are being developed as integrated components of the comprehensive County ICT Policy.

- iv. No ICT Steering Committee, there was no ICT steering committee to provide oversight, strategic guidance, and decision-making on ICT investments and priorities.

Management Response:

ICT Steering Committee was officially launched to oversee the digitalization roadmap. This committee provides the necessary political and strategic buy-in to ensure ICT investments align with the County’s development priorities. An appendix was attached to provide

Committee Observation

The County lacked an approved ICT Policy to guide ICT resource management, had no Data Protection Policy to ensure compliance with the Data Protection Act (2020), and operated without a centralized ICT Department, resulting in fragmented ICT functions, weak oversight, and limited strategic planning.

Committee Recommendation

- 1) **The County Governor should put in place a ICT policy within sixty (90) days from the adoption of this report and submit the same to the Auditor General.**
- 2) **The Auditor General to closely monitor the development, documentation and communication of and communication of these policies within the county entity in the subsequent audit cycles The OAG to keep this matter in view the next audit cycle.**

4. Lack of Comprehensive Fixed Assets Registers

Review of records revealed that the Management did not maintain an updated Fixed Assets Register which could have provided critical information including location of the assets, description, respective cost and serial numbers. The Register was also not completed to disclose the respective values of various assets acquired by the County such as land, construction and refurbishment of buildings, motor vehicles and other assorted assets.

Further, the County's twenty-six (26) Vocational Training Centres did not provide updated and complete Fixed Assets Registers, despite owning substantial assets, including buildings, furniture, and equipment. In addition, critical asset details such as descriptions, serial numbers, acquisition dates, values, physical locations, and operational status were either undocumented or unavailable, thereby hindering verification of ownership, existence, and valuation.

In the circumstances, the existence of an effective measure for control and custody of County Executive assets could not be confirmed.

Management Response

The management responded that it has an asset register which we are continuously updating as we await to receive the complete transfer of land; buildings and all other devolved assets from the Inter-Governmental Technical Relations Committee (IGRTC) including the ownership documents.

In addition, the government has further put in place a steering committee and a technical committee for the identification, valuation and tagging of all assets, after which each unit will be assigned their requisite assets to be put in their respective assets registers. Appendixes were attached.

Committee Observation

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Review of records revealed that the County Executive and its twenty-six (26) Vocational Training Centres did not maintain updated and complete Fixed Assets Registers. Consequently, key asset details such as descriptions, serial numbers, acquisition dates, values, and locations were not available, undermining effective asset management and control.

Committee Recommendation

The Committee recommends that; -

1. **County should expedite the process of updating and presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 90 days of adoption of this report;**
2. **County should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and submit a status update to the Office of the Auditor General within 90 days of adoption of this Report; and**
3. **Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years**

5. Lack of Valuation Reports and Ownership Documents

Review of records at Vocational Training Centres (VTC) revealed that, five (5) of the twenty-six (26) VTCs reviewed did not have title deeds for the parcels of land they occupied. Further, no valuation reports were made available for the assets.

Further, physical inspection carried out in July, 2025 revealed that land of unknown size at Kanja and Tenri VTCs had been encroached. A parcel of land at Kanorori VTC hosts two (2) National Government entities' residential houses and offices, despite the institution lacking playing grounds and adequate buildings for lecture halls and students' hostels.

In addition, twelve (12) Level 2 Hospitals reviewed had not secured title deeds for parcels of land occupied and their valuation reports were not provided for audit purposes.

In the circumstances, the existence and ownership of the property, plant and equipment held by the County could not be confirmed.

Management Response

The VTCs and health centers have requested to the Department of Lands to be issued with land usage documentation. However, some of the VTCs seat in land titled to the Primary School and those lands have a Circular from Ministry of Education that the titles

cannot be split, while health centers are on land whose ownership documents have not been transferred from the National Government since devolution.

In addition, the County has embarked on the process identification, valuation and registration of all its assets including hospital land, expected to be concluded in the current financial year period.

Committee Observation

The committee observed that ownership of County land assets remained unconfirmed due to missing title deeds for five VTCs and twelve hospitals, absence of valuation reports, and physical encroachment at two VTCs, with Kanorori VTC's land occupied by National Government entities instead of lecture halls and hostels.

Committee Recommendation

- 1. The County Governor should proactively engage the Inter-Governmental Technical Relations Committee (IGRTC) and the National Land Commission (NLC) to expedite the formal transfer of ownership documents within 90 days after adoption of this report.**
- 2. The OAG to keep this matter in view the next audit cycle.**

6. Failure to Tag Fixed and Movable Assets

Physical inspection carried out in June, 2025 on a sample of office desks, chairs, and desktops revealed that the items lacked location identifiers and asset tags. As a result, it was not possible to verify whether these assets were owned by the County Executive. This was contrary to Regulation 136 of the Public Finance Management (County Governments) Regulations, 2015, which requires County Governments to maintain an up-to-date asset register that accurately records all fixed and movable assets.

In the circumstances, the effectiveness of internal controls on assets could not be confirmed.

Management Response

The management responded that it has plans to identify, and value all its assets with a view of confirming the true status of all its assets. The process is expected to be executed in the in the financial years 2025/2026 and 2026/2027. The tagging of assets identified will be done progressively in earnest. The government has put in place assets steering and technical committees for the identification, tagging and valuation of all its assets which will be executed in the current year. Appendixes were attached.

Committee Observations

The Committee observed that the County has not tagged its fixed and movable assets, contrary to Regulation 136(1) of the Public Finance Management (County Governments)

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Regulations, 2015.

Committee Recommendations

The Committee recommends that;

- 1) The County Governor to complete the physical verification and tagging of all high-value and movable assets and submit a status report to the Senate and Auditor-General within ninety (90) days date of adoption of this report.
- 2) The Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years

7. Failure to Insure County Government Buildings

Review of the County Executive expenditure revealed that an amount of Kshs.189,117,557 was incurred as insurance costs. However, review of the insurance contracts revealed that the buildings did not have insurance cover. As a result, a section of the County Governors' building remained idle following extensive damage caused during the year 2024 riots. The lack of insurance coverage had hindered timely repairs and refurbishments due to high associated costs, leading the County Executive to incur additional expenditure on leased premises to sustain operations.

In the circumstances, existence of effective measures in safeguarding the assets could not be confirmed.

Management Response

The management responded that in line with audit observation, the County government has not attained the ownership documents to all the land parcels and buildings to help in processing the insurance policies.

Committee Observation

The committee observed that although the County Executive incurred Kshs.189,117,557 on insurance costs, the County buildings were not insured. Consequently, a section of the County Governor's building remained idle after being damaged during the 2024 riots, exposing the County to financial loss and additional expenditure on leased premises.

Committee Recommendations

1. The committee recommends that the county executive should ensure that all County buildings and other significant public assets are adequately insured to safeguard them against risks such as fire, riots, and other unforeseen events, in accordance with the provisions of the Public Finance Management Act, 2012 and the Public Finance Management (County Governments) Regulations, 2015 within 90 days after adoption of this report.
2. The OAG to keep matter in view the next financial year.

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF EMBU COUNTY REVENUE FUND FOR THE FINANCIAL YEAR 2024/2025

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.8,533,542,551 and Kshs.7,063,683,632 respectively resulting in an underfunding of Kshs.1,469,858,919 or 17% of the budget. Similarly, the Fund made payments of Kshs.6,508,126,065 against an actual amount of Kshs.7,063,683,632 resulting in an under-expenditure of Kshs.555,557,567 of the actual receipts.

The underfunding and underperformance affected the implementation of planned activities, resulting in a negative impact on the delivery of services to the public.

Management Response

The management responded that The national treasury did not release the equitable share on time. Some of the releases came towards the tail end of the financial year. This coupled with inability of the County Receiver of Revenue to meet the local revenue targets resulted to the underfunding and underperformance.

Committee Observation

The Committee observed that the financial statements revealed an underfunding of Kshs. 1,469,858,919 (17% of the budget) and an under-expenditure of Kshs. 555,557,567 relative to actual receipts.

1. The underfunding was attributed to delayed disbursement of the equitable share by the National Treasury, a breach of the timely release requirements as contemplated within the framework of intergovernmental fiscal relations.
2. The underperformance in expenditure is directly linked to the failure by the County Executive to meet its own-source revenue targets. This failure contravenes the fiscal responsibility principles set out in the PFM Act, which require counties to optimize their capacity to raise revenue and manage their budgets prudently to ensure the implementation of planned activities and the delivery of services to the public.

Committee Recommendations

The Committee recommends that; -

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- 1) **The National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate.**
- 2) **the County Executive puts in place measures to enhance its own generated revenue in order to meet its revenue target and address revenue shortfalls.**
- 3) **County Assemblies to exercise their powers as outlined in Article 201 of the Constitution to ensure budgets are realistic and espouse people's aspirations.**

2. Late Exchequer Disbursements

The statement of financial performance and as disclosed in Note 6 to the financial statements reflects Exchequer releases amounting to Kshs.5,797,242,036. Review of the bank statements revealed that the equitable share amounting to Kshs.2,255,356,814 representing 39% of the total receipts was received later than the fifteenth day from the commencement of the last quarter of the financial year under review. This was contrary to Section 17(6) of Public Finance Management Act, 2012 which provides that The National

Treasury shall, at the beginning of every quarter, and in any event not later than the fifteenth day from the commencement of the quarter, disburse monies to county governments.

In the circumstances, the late disbursement of Exchequer releases may have affected the timely implementation of approved activities in the County, which may have impacted negatively on service delivery to the public.

Management Response

The management responded that the Exchequer Disbursements are not released promptly as required. This affected the management of cash flows hence hindering efficient implementation of projects and activities in the County.

Committee Observation

The Committee noted that the County Executive experienced delayed exchequer releases by the National Treasury thereby hampering their budget implementation.

Committee Recommendations

The Committee recommends that:

- 1) **the National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate**
- 2) **the County executive puts in place measures to enhance its own generated revenue to meet its revenue target and address revenue shortfalls.**

3. Unspent Balances

The statement of cash flows reflects a cash and cash equivalents closing balance of Kshs.62,102,975 which relates to unspent cash balances as at 30 June, 2025. The County Government had trade and other payables amounting to Kshs.1,564,615,483 that remained unsettled. This was contrary to Section 149(1)(b) of the Public Finance Management Act, 2012 which states that an Accounting Officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is effective, efficient, economical and transparent.

Management Response

The management responded that the exchequer releases are disbursed late towards the tail end of the financial year. This affected the cash flow Planning for the funds. We have since put in place measures to prioritize settlement of pending bills with the unspent resources and approved budgets Financial Year 2025-2026.

Committee Observations

1. The Committee observed a gross failure in fiscal planning, evidenced by a cash and cash equivalents balance of Kshs. 62,102,975 coexisting with a monumental stock of pending bills totalling Kshs. 1,564,615,483. This situation violates the principle of prudent and responsible use of public money enshrined in Article 201(d) of the Constitution.
2. Furthermore, it constitutes a breach of Section 149(1)(b) of the PFM Act, 2012, which holds the Accounting Officer accountable for ensuring resources are used in an effective, efficient, economical, and transparent manner. The accumulation of pending bills while holding idle cash demonstrates ineffective budget execution and imposes an unfair burden on contractors and suppliers, which can cascade into economic distress.

Committee Recommendation

The Committee recommends that:

1. **The County Governor must immediately formulate and submit to the Senate, the County Assembly, Controller of Budget and the Auditor-General, a comprehensive Pending Bills Verification and Payment Plan within 60 days. This plan must prioritize verified bills, particularly those owed to micro, small, and medium enterprises, to mitigate the negative economic impact.**
2. **The Accounting Officer of the County Treasury is directed to reconcile the cashbooks and ensure that all future cash withdrawals from the County Revenue Fund are strictly aligned with a realistic cash flow plan and used to settle due and payable commitments**

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first, in compliance with Regulation 43 of the PFM (County Governments) Regulations, 2015.

3. The Auditor-General review the implementation of the payment plan in the next audit cycle and report on any recurrence of this trend as an indicator of a persistent material breach under Section 94 of the PFM Act.

4. Unresolved Prior Year Audit Matters

In the prior years' audit reports, two issues were raised under Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources.

Although the issues were discussed in the Senate and recommendations made, review of the implementation of recommendation during audit of the County Revenue Fund in 2024/2025 revealed that the recommendations remained unimplemented as summarized in the table below.

Report Reference	Recommendations	Status
That management reported using the proposed budget of Kshs.7,987,586,918 rather than the approved budget of Kshs.7,952,599,418.	Underfunding mainly resulting from the undisbursed exchequer release for the month of June 2024. This was compounded further by the late disbursement of grants which form part of the revenue in the resource basket	Not Implemented
	That the CECM for Finance and Economic Planning in collaboration with the CEO ECRA should adopt a more realistic approach when setting revenue projection targets	Not Implemented
	That CECM Finance and Economic Planning should always report using the approved budget estimates and not proposed estimates submitted to the County Assembly	Not Implemented

Management Response

The management responded that they sat with the County Assembly on the matters raised by the Auditor for the financial year 2023-2024. On matters Budgetary Control and Performance, we made the appropriate corrections and used the approved budget. The CECM Finance has engaged the CEO ECRA in preparation of the Budget Estimate for the Financial Year 2025-2026 in order to come up with more realistic estimates.

Committee Observations

1. The Committee is deeply concerned that the recommendations from the Auditor-General's report for the financial year 2023/2024, specifically regarding the use of the proposed instead of the approved budget and unrealistic revenue projections, remain unimplemented.
2. This persistent inaction is a violation of Section 53 of the Public Audit Act, 2015, which requires the Accounting Officer to take steps to implement the recommendations of the Auditor-General and the relevant parliamentary committee. Failure to resolve prior-year matters undermines the audit process, perpetuates systemic weaknesses, and reflects a disregard for legislative oversight and constitutional accountability.

Committee Recommendations

The Committee Recommends that—

1. **the County Executive implements the recommendations of the Committee in its report on the Report of the Auditor-General on Financial Statements for Embu County Executive for the Financial Year 2023/2024 as adopted by the Senate and reports to the committee within ninety (90) days of the adoption of this report;**
2. **the account officer complies with section 53 of the Public Audit Act by taking the relevant steps to implement the recommendations of the Senate on the report of the Auditor-General and submits a report to the Senate within ninety (90) days of the adoption of this report;**
3. **the County Executive engages with the Office of the Auditor-General to address and resolve any outstanding matters; and**
4. **the Auditor General lists any unresolved audit issues in the report of the subsequent financial year.**

5. Excess Budget Provision to the County Assembly

The statement of financial performance and as disclosed in Note 12 to the financial statements reflects transfers to the County Assembly of Kshs.753,412,694 which is equivalent to eleven percent (11%) of the total County Revenue of Kshs.6,567,672,887. This was

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contrary to Regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015, which states that the approved expenditure of a County Assembly shall not exceed seven percent (7%) of the total revenue of the County Government or twice the personnel emoluments of that County Assembly, whichever is lower.

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

Management Response

The management responded that the County Assembly exceeded their expenditure beyond the set limits. However, the County Assemblies have been in discussion over the same and an amendment to the County Public Finance Laws was assented to by the President on 13th August granting them autonomy from the County Executive

Committee Observations

1. The Committee observed that transfers to the County Assembly amounted to Kshs. 753,412,694, which is equivalent to 11% of the total County revenue of Kshs. 6,567,672,887. This is a direct and clear violation of Regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015, which explicitly states that the approved expenditure of a County Assembly shall not exceed seven per cent (7%) of the total revenue of the County Government.
2. This breach indicates non-compliance with established fiscal responsibility principles aimed at ensuring equitable allocation of resources between the county assembly and the executive for the benefit of the county's citizens.

Committee Recommendations

1. **The County Executive Committee Member for Finance must strictly enforce the provisions of Regulation 25(1)(f) of the PFM (County Governments) Regulations, 2015, when formulating the budget estimates. The allocation to the County Assembly in future budgets must not exceed the 7% statutory limit.**
2. **The County Assembly, in exercising its legislative and oversight role under Article 185 of the Constitution, must ensure that its own budget is realistic, adheres to the legal limits, and prioritizes its core mandate of representation, legislation, and oversight. The Accounting Officer of the County Assembly is put on notice to comply with this fiscal ceiling.**
3. **The Office of the Auditor-General (OAG) to keep this matter in view in the next audit cycle and report on any recurrence of this breach as a qualitative indicator of financial mismanagement.**

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF EMBU COUNTY RECEIVER OF REVENUE FOR THE FINANCIAL YEAR 2024/2025

Basis for Qualified Opinion

1.0 Inaccuracies in the Revenue Statements

The statement of financial position reflects total financial liabilities balance of Kshs.604,091,045 as disclosed in Note 22 to the revenue statements. However, recasting of Notes 22 to the revenue statements revealed a balance of Kshs.604,031,045 resulting in a variance of Kshs.60,000 which was not been explained or reconciled.

In the circumstances, the accuracy and completeness of total financial liabilities balance of Kshs.604,091,045 could not be confirmed.

Management Response

The above issue is noted and relates to a typo error, which was captured and disclosed in Note 22 to the revenue statements as Ksh. 412,513,540 instead of Ksh. 412,573,540.

Committee Observation

The Committee notes the Office of the Auditor-General (OAG) confirmed that the typographical error in Note 22, initially resulting in a Kshs. 60,000 variances, has been corrected by management. The issue is therefore resolved.

Committee Recommendation

The Committee recommends that the matter be marked as resolved. The County Executive is advised to strengthen its internal controls over financial statement preparation and review to prevent future occurrences of such errors, ensuring compliance with the accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) under Section 194 of the PFM Act.

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2.0 Unsupported and Irregularities in Revenue Collection Costs

Management awarded a contract to a local service provider for supply, delivery, implementation, customization and commissioning of a revenue collection and management automation system for the County Government of Embu for a period of five (5) years. The contract commenced on 6 April, 2018 and was to expire on 5 April, 2023.

However, Management signed a second addendum to the contract for revenue management system on 30 September, 2019 covering up to 5 April, 2023. Review of records revealed that between the period of 6 April, 2023 to 18 November, 2024 the County collected revenue using an expired contract.

On 19 November, 2024, the contract was extended and backdated to cover the period from 7 April, 2023 to 5 October, 2025. However, payment records for these periods were neither disclosed nor provided.

During the year under review, audit examination of payment records revealed that the County Executive paid an amount of Kshs.3,000,000 to same service provider vide Local Purchase Order (LPO) No. 66 and 76, approving the extension of three (3) months from October, 2025 to January, 2025. However, evidence of recommendation from the evaluation committee for a second extension was not provided for audit review. This was contrary to Section 139(1)(2) of the Public Procurement and Asset Disposal Act (PPADA).

The basis for the payment of Kshs.3,000,000 was not disclosed. No evidence of tax payment to Kenya Revenue Authority was provided.

On 25 April, 2025 the County Government Management signed a contract to acquire a new revenue system at a contract sum of Kshs.37,120,000 and an amount of Kshs.8,742,644 had been paid. However, Management did not provide handover reports from the initial service provider in terms of all invoices raised, commissions paid and hand over reports on termination of the contract in respect to fulfillment of obligations. This hindered reconciliation and confirmation of the total County own source revenue declared in the revenue statements.

In the circumstances, the regularity of the contract and accuracy and completeness of the contract extension amount of Kshs.3,000,000 could not be confirmed.

Review of records established that during the year, Management paid an amount of Kshs.3,000,000 to a local company for an extension of a contract for the supply, delivery, implementation, customization, and commissioning of a revenue collection and management automation system. The contract expired on 06 April, 2023 but had not been extended. However, Management issued Local Purchase Orders, No. 66 and 76, approving the contract

extension without a formal recommendation from the Tender Evaluation Committee. This was contrary to Section 139(1)(2) of the Public Procurement and Asset Disposal Act, 2015 which sets the contractual obligations to a contractor after a procurement process is completed. Further, records show that the County Government was already in the process of acquiring a new revenue system at a contract sum of Kshs.37, 120,000 and an amount of Kshs.8,742,644 had already been incurred towards acquiring the new revenue system. In the circumstances, Management was in breach of the law.

Management Response

The Embu County Government acquired a Revenue Collection and Management Automation System under a contract executed on 6th April 2018 for a period of five (5) years, which lapsed on 6th April 2023. In accordance with Clause 5, Sub-Clause 6.1.3(B) of the Second Addendum to the Contract, ownership of the system was granted to the County Government upon expiry of the contract was provided.

However, at the time of contract expiry, the County Government lacked the requisite ICT infrastructure and technical capacity, including servers and related system-hosting capabilities, to independently host and manage the system. Consequently, and in order to ensure continuity of revenue collection and avoid disruption of services, Management allowed the service provider to continue hosting and supporting the system on an interim basis while the County worked towards establishing the necessary internal capacity. This arrangement covered third-party system services required for the continued operation of the Revenue Management System and was documented through internal approvals by the ECRA Board (Minute extract attached (Annex 2)).

Further, Management noted that the existing system could not meet the evolving operational and efficiency requirements of the County Government. As a result, the process of procuring a new Revenue Management System was initiated, which was already underway during the period under review.

Committee Observation

1. The Committee observes that the County Government's actions regarding the revenue automation system contract were irregular and unlawful. By allowing a contractor to provide services under an expired contract from 6th April 2023 to 18th November 2024 and by subsequently extending and backdating the contract, Management violated the stringent procurement procedures mandated by the **Public Procurement and Asset Disposal Act (PPADA), 2015**.

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2. Further, the payment of Kshs. 3,000,000 for this extension was made without a recommendation from the Tender Evaluation Committee and without evidence of tax remittance to the Kenya Revenue Authority, contravening **Section 139(1)(2) of the PPADA**. This conduct also breaches the principles of public finance under **Article 201 of the Constitution**, specifically those of openness, accountability, and prudent use of public money.

Committee Recommendation

The Committee recommends that:

1. **The County Executive Committee member for Finance ensures that all future procurement and contract management complies strictly with the PPADA, 2015.**
2. **The County Executive develop and implement a comprehensive contract management policy to prevent the use of expired contracts and ensure all extensions are procedurally sound.**
3. **The County Governor submits a status report on the implementation of these recommendations, including the finalization of the new revenue system handover and reconciliation of all payments made, to the Senate and the Auditor-General within ninety (90) days of the adoption of this report.**

3.0 Unsupported Long Outstanding Revenue Arrears

The statement of financial position and references to Note 16 to the revenue statements reflects Nil and Kshs.587,480,810 in respect to comparable and current revenue receivables balance respectively. However, the prior year audited revenue statements disclosed land rate arrears of Kshs.412,573,540 which were not disclosed in current statement as an opening balance. Further, Note 16 to the revenue statements reflects total accruals from FIF which includes previous year arrears of Kshs.412,573,540 which are incorrectly classified under accruals from FIF instead of Land rates arrears. The previous year's balance of Kshs.412,373,540 was not supported by ledger and ageing analysis.

In the circumstances, the accuracy and completeness of revenue receivables balance of Kshs.587,480,810 could not be confirmed.

Management response:

The management has further acknowledged the issue above; however, the period of comparison is nil since, from FY 2024/2025, the entity is reporting on an accrual basis, whereas in FY 2023/2024 the entity applied the cash basis of reporting. Consequently, Note

16 was subsequently reclassified to reflect total accruals from both the FIF and own-source revenues.

Committee Observation

The Committee observes that the County failed to provide a proper opening balance for land rate arrears in its financial statements, incorrectly classifying prior year arrears of Kshs. 412,573,540 under "FIF accruals" rather than as land rates. This lack of a supported and aged ledger for receivables contravenes **Regulation 104(1) of the PFM (County Governments) Regulations, 2015**, which requires the maintenance of proper books of accounts and records relating to revenue. This failure impairs the transparency and accuracy of the financial statements as required by **Article 226 of the Constitution**.

Committee Recommendations

The Committee recommends that:

- 1. The County Treasury, led by the County Executive Committee member for Finance, establishes a task force to immediately compile a complete and aged ledger for all land rate arrears.**
- 2. The County Executive develops a clear policy for the recovery of these long-outstanding arrears, utilizing the legal provisions in the Finance Bill, 2025, and any relevant county legislation.**
- 3. The Auditor-General is requested to follow up on this matter in the subsequent audit to confirm the existence and accuracy of the arrear's ledger.**

4.0 Unsupported Liquor Charges

The statement of comparison of budget and actual amounts reflects actual total County Own Sources Revenue amount of Kshs.401,914,716 which includes liquor amount of Kshs.42,954,101. However, the revenue was not supported by a register of the liquor joints and the applied rates.

Further, the County did not have in place an Alcoholic Control Board instead the functions of the Board are performed by an Ad hoc Committee. This was against the provisions of Section 4 (1) of the Embu County Alcoholic Drinks Act, 2021 which provides that a Board is to be established known as the Embu County Alcoholic Control Board.

In the circumstances, the accuracy and completeness of the revenue raised from the liquor licenses totaling Kshs.42,954,101 could not be confirmed. Further, Management was in

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breach of the law.

Management response:

The issue above remains outstanding, as the County does not yet have an Alcoholic Control Board in place; however, the matter is being expedited, and management is fast-tracking the establishment of the Board for the FY 2025/2026 liquor licensing process. During FY 2024/2025, schedules were provided in relation to the registers of liquor outlets and the rates applied.

Committee Observation

The Committee observes that the collection of Kshs. 42,954,101 in liquor license revenue was irregular and unsupported. The County’s failure to establish the Embu County Alcoholic Control Board, as mandated by **Section 4(1) of the Embu County Alcoholic Drinks Act, 2021**, and its reliance on an ad hoc committee, is a direct violation of county law. This contravenes **Article 10 of the Constitution** on national values and principles of governance, which includes the rule of law. Furthermore, the lack of a liquor outlet registers and applied rates undermines the financial controls required by **Regulation 62 of the PFM (County Governments) Regulations, 2015**, making it impossible to confirm the accuracy and completeness of the revenue.

Committee Recommendation

The Committee recommends that:

1. **The County Governor, as the head of the County Executive, takes immediate steps to constitute and gazette the Embu County Alcoholic Control Board, as required by law.**
2. **Once established, the Board ensures that a comprehensive register of all liquor outlets is created and that all license fees are accurately assessed, collected, and remitted to the County Revenue Fund.**
3. **The County Executive submits a status report on the establishment of the Board and the status of liquor license revenue management to the Senate within sixty (60) days of the adoption of this report.**

5.0 Unsupported Land Rates

As previously reported, the statement of revenue and disbursements and as disclosed in Note 2 to the revenue statements reflects an amount of Kshs.14,995,910 (2023/2024-Kshs.25,213,018) in respect of land rate. However, the amount was not supported with an updated valuation roll for the four (4) Sub-Counties detailing the plot owners, plot numbers,

location, plot value, and land rates payable per year. Further, Management did not provide records of invoicing and detailed ledger to show the amount of land rates invoiced, amount received and outstanding balance as at 30 June, 2025.

In addition, the County Government relied on a 2016 draft valuation roll to collect plot rent and land rates revenue.

In the circumstances, the accuracy, completeness and regularity of land rates amounting to Kshs.14,995,910 could not be confirmed.

Management response:

The County is currently in the process of enacting a new valuation roll, following the passage of the Embu County Rating Act by the County Cabinet, a key prerequisite for the exercise. This process is being undertaken through the Department of Land, Housing, Physical Planning, and Urban Development. The new valuation roll is intended to update and standardize property values across the County, ensuring accurate assessment and equitable property rating and taxation.

Committee Observation

The Committee observes that the collection of Kshs. 14,995,910 in land rates was irregular and unsupported. The County's reliance on an outdated 2016 draft valuation roll is contrary to **Section 209(3) of the Constitution**, which allows counties to impose property rates. An outdated roll does not provide a fair and equitable basis for taxation. Furthermore, the failure to provide invoicing records and detailed ledgers violates **Regulation 63(1) of the PFM (County Governments) Regulations, 2015**, which holds the accounting officer personally responsible for ensuring adequate safeguards exist for the prompt collection and proper accounting of all revenue.

Committee Recommendations

The Committee recommends that;

- 1) The County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.**
- 2) The Directorate of Criminal Investigations investigates breach of section 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of**

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Public Prosecutions for prosecution.

- 3) **The Committee recommends that the County executives should expedite updating of valuation roll in accordance with Section 3 of the Valuation for Rating Act CAP 266 so as to reflect current market values for optimal revenue collection and comply with the guidelines of the Public Sector Accounting Sector Boards of reporting in the FY 2023/2024.**

6.0 Misclassified Public Health Revenue

The statement of revenue and disbursements reflects disbursements to County Revenue Fund amount totaling Kshs.442,359,051. This amount includes revenue Kshs.18,704,388 in respect to Public Health Department revenue which was collected and retained in Health Facility and not transferred to County Revenue Fund.

In the circumstances, the accuracy and completeness of disbursements to County Revenue Fund amount of Kshs.442,359,051 could not be confirmed.

Management Responses:

The County collected Kshs. 20,431,829 under Public Health, rather than Kshs 18,704,388 as indicated in the report. This revenue was collected under the Facility Improvement Fund (FIF) account, which is independent of the County Revenue Fund (CRF) that collects own-source revenue. Consequently, the amount was not included in the County Revenue Fund total of Kshs. 442,359,051.

Committee Observation

The Committee observes that Kshs. 18,704,388 collected by the Public Health Department as Facility Improvement Funds (FIF) was misclassified as County Revenue Fund (CRF) transfers. This error indicates a weakness in the reconciliation process between the Department of Health and the County Treasury. While the money was collected under the correct legal framework (FIF), its incorrect presentation in the financial statements contravenes the principle of accurate financial reporting mandated by **Article 226 of the Constitution** and the standards set by the PSASB under **Section 194 of the PFM Act**.

Committee Recommendation

The County Executive should establish a mandatory reconciliation framework between the Department of Health's Facility Improvement Fund (FIF) records and the County Revenue Fund (CRF) reporting system to ensure all health facility revenues are correctly classified as "Appropriation in Aid" in quarterly and annual financial

statements, in compliance with Regulation 30(3) of the PFM (County Governments) Regulations, 2015, and submit a status report to the Senate and the Auditor-General within 90 days of adoption of this report.

7.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.1,546,792,250 and Kshs.919,665,412 respectively resulting in an unrealized revenue of Kshs.627,126,838 or 41% of the budget.

Further, review of the receiver of revenue records indicated that six revenue streams reported nil revenue collections budgeted at Kshs.179,990,401 for the entire financial year.

The underperformance in revenue collection affected the implementation of planned activities thereby resulting to a negative impact on the delivery of services to the public.

My opinion is not modified in respect of this matter.

Management Response:

The issue has been noted by management. The Commission on Revenue Allocation (CRA) had provided a revenue potential of Ksh 1.4 billion, and the Agency was confident in its ability to realize and even surpass this potential. However, this target was not achieved due to several challenges, including orchestrated demonstrations, traders' boycotts, and pending policies required to fully actualize revenue collection.

In response, the Agency has put in place measures to ensure that all budgeted and approved revenue is collected by the County Government. These measures include, but are not limited to, the enactment of new policies and the gazettement of new areas, ensuring that the County fully leverages its revenue potential in a sustainable and systematic manner.

Committee Observation

The Committee observes that the County's revenue underperformance of 41% (Kshs. 627,126,838) against a budget of Kshs. 1.5 billion, including six revenue streams with nil collections, is a significant failure in financial planning and execution. This directly impacts the County's ability to implement its development plans and deliver services, contrary to the objects of devolution under **Article 174 of the Constitution**. This underperformance also indicates a failure to adhere to the fiscal responsibility principles set out in **Section 107 of the PFM Act**, which require prudent and effective financial management.

Committee Recommendation

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The Committee recommends that:

- 1) **The National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, 2012; and**
- 2) **The County executive puts in place measures to enhance its own generated Revenue in order to meet its revenue target and address revenue shortfalls.**

8.0 Unresolved Prior Year Audit Matters

Review of the progress on follow up on prior year auditor's recommendations reveal that, two (2) issues were raised under the Report on Financial Statements, three (3) issues under Report on Lawfulness and Effectiveness in Use of Public Resources and two (2) issues under Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during the audit of the Receiver of Revenue as at 30 June, 2025 revealed that, the unsupported land rates and unsupported long outstanding revenue arrears remained unresolved.

Management Response

The County is currently in the process of enacting a new valuation roll, following the passage of the Embu County Rating Act by the County Cabinet, a key prerequisite for the exercise. The management extracted the outstanding arrears of Kshs. 412,573,540 as it appeared from the E-revenue system which was subject to validation. Measures have been put in place through the Finance Bill, 2025, which provides the legal framework for enforcing the collection of rates and arrears. The implementation of these measures will be further facilitated upon the approval of the valuation roll and the Rating Act.

Committee Observation

The Committee observes with concern that despite prior audit recommendations, the issues of unsupported land rates and unsupported long-outstanding revenue arrears remain unresolved. This persistent failure to address audit queries is a direct contravention of **Section 53 of the Public Audit Act, 2015**, which requires the accounting officer to take steps to implement the recommendations of the Public Audit Committee. This undermines accountability and the principles of good governance enshrined in **Article 10 of the Constitution**.

Committee Recommendations

The Committee recommends that;

- 1) **The County Executive implements the recommendations of the Committee in its report on the Report of the Auditor-General on Financial Statements for Meru County Executive for the Financial Year 2023/2024 as adopted by the Senate and reports to the committee within sixty (60) days of the adoption of this report;**
- 2) **The Accounting Officer complies with section 53 of the Public Audit Act by taking the relevant steps to implement the recommendations of the Senate on the report of the Auditor-General and submits a report to the Senate within ninety (90) days of the adoption of this report;**
- 3) **The County Executive engages with the Office of the Auditor-General to address and resolve any outstanding matters; and**
- 4) **The Auditor General lists any unresolved audit issues in the report of the subsequent financial year.**

8.0 Lack of Budget Allocation for Enforcement Operations

Review of the enforcement function revealed that the County operated without a dedicated operational budget resulting in inadequate logistic support, enforcement officers lacked basic tools and transport including motorbikes, mobiles, road spikes and impounding vehicles. This omission was contrary to Regulation 29 (2) (a) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the accounting officer shall ensure that in the budget preparation, the Accounting Officer should ensure that all services which can be reasonably foreseen are included in the estimates and that they are within the capacity of the County Government entity during the financial year.

In the circumstances, these deficiencies compromised the overall effectiveness of enforcement activities, limited operational coverage and exposed the County to significant revenue leakages.

Management Response

During the FY 2024/25, the Authority operated under a constrained budget that was insufficient to adequately support critical ECRA operations, particularly enforcement activities. As a result of these limitations, the Agency adopted Rapid Response Initiatives (RRIs), including enforcement crackdowns and intensified field visits, as cost-effective measures to sustain revenue collection and compliance.

In the current FY 2025/26, these budgetary constraints have been substantially addressed through the provision of dedicated budgetary allocations for enforcement operations. The enhanced funding is intended to strengthen enforcement mechanisms, sustain expanded field operations, and improve compliance, thereby enhancing operational efficiency and revenue

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performance.

Committee Observation

The Committee observes that the County's enforcement operations lacked a dedicated operational budget, resulting in inadequate tools and transport. This omission is a direct violation of **Regulation 29(2)(a) of the PFM (County Governments) Regulations, 2015**, which mandates that an accounting officer ensures all reasonably foreseeable services are included in the budget estimates. This failure compromised the effectiveness of revenue collection and exposed the County to revenue leakages, which is inconsistent with the principle of efficient and effective use of public resources under **Article 201 of the Constitution**.

Committee Recommendation

The Committee recommends that the County Governor, through the County Executive Committee member for Finance, must ensure a distinct and adequate "Revenue Enforcement and Compliance Operations" budget line (Vote Head) is established within the County's annual budget to fund specialized equipment and operational mobility, in full compliance with Regulation 29(2)(a) of the PFM (County Governments) Regulations, 2015.

9.0 Failure to Collect Revenue from the Social Halls

The County Government operated five (5) active social halls namely; Dallas social hall, Gikuuri social hall, Embu social hall, Talent academy hall and IEBC social hall. During the year under review, IEBC and Talent academy social halls generated revenue amounts of Kshs.120,000 and Kshs.206,000 respectively, resulting to total revenue of Kshs.326,000 as reflected in the financial records maintained by the County for the year under review.

However, no explanation was provided by the County Management on why the revenue generated by the remaining three (3) social halls namely, Dallas, Gikuuri and Embu social halls was not banked to the County revenue account but used by communities at source. This was contrary to Regulation 80 (1) of the Public Finance Management (County Government) Regulations, 2015 which provides that the County Treasury shall administer the County Revenue Fund in accordance with the Constitutional provisions in Article 207 and 209 (3) and (4) in controlling revenue receipts to ensure that (a) all revenue receipts by the County Government are paid into the County Exchequer Account, except receipts reasonably excluded by the Act, or any other Act of Parliament or an Act of County Assembly; and (b) withdrawals.

Physical inspection of Dallas Social Hall revealed that, the hall was constructed on a road reserve. Further, there were no approvals from both the National and County Government for construction. In addition, management of the hall was under the community whose revenue was channeled in a private family bank account. Approvals for opening and signatories of the bank account were also not provided for audit review. Management did not provide information on the other two halls whose revenue collection was neither disclosed nor accounted for.

Audit also revealed that, the County did not have any policy on handover of activities of halls to the communities after the constructions. Therefore, the basis of communities owning and collecting revenues from the halls could not be confirmed.

In the circumstances, Management was in breach of the law and the accountability of revenue collected from the halls could not be confirmed.

Management Response

The Department acknowledges the audit observations regarding the management and accountability of revenues from County social halls.

- 1) Gikuuri social hall- This facility is still under construction and has not yet become operational, hence no revenue was generated from the facility during the year under review. The current year's budget 2025/2026 has a budget for completion of the hall.
- 2) The Dallas Hall is under the management of local community committees established prior to the current administration/ devolution. As such, the community committees were engaged to support operations, ensure proper maintenance, and safeguard County property from vandalism or misuse as witnessed previously before the facility was fully renovated by the current administration. The said facility is not charged per say but instead the users cater for cleaning and maintenance fee which is channeled through the committees for coordination.
- 3) Embu social hall - Embu Social Hall, located within the town center, is mainly utilized by government departments for official meetings and activities. The facility is considered a government establishment. Additionally, the hall has not been commercially viable due to inadequate furniture, limited maintenance, and availability of alternative modern facilities nearby which offers better amenities and is freely accessible to the public.

To address the issue, the Department, in collaboration with the County Treasury, has initiated corrective measures including development of a draft policy framework to guide community participation and define clear modalities for management of County social halls. The draft policy has already been developed ready awaiting budget allocation to kick start the other processes.

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Committee Observation

The Committee observed that revenue from three social halls was not banked, its management was irregular, and the County lacks a policy governing hall operation.

Committee Recommendations

The Committee recommends that;

- 1) The County Executive should finalize and submit the “Zero Draft Policy” to the County Assembly for approval and submit a status report to the Senate and the Auditor-General within ninety (90) days of adoption of this report.
- 2) The County Executive should ensure that all future revenue collections at the social halls are integrated into the County’s automated revenue system to eliminate manual handling and “at-source” expenditures.
- 3) The County Executive should identify and close all private accounts associated with Dallas Social Hall and transfer the balances to the Embu County Revenue Fund, and submit a status report to the Senate and the Auditor-General within ninety (90) days of adoption of this report.
- 4) The Auditor General to keep the matter in view in subsequent audit cycle.

10.0 Collection of Revenue Without a Finance Bill and Revenue Streams Policies

During the year under review, the Management collected own-source revenues without a Finance Bill 2024. This was contrary to Section 132 of the Public Finance Management Act, 2012, which provides that, each financial year, the County Executive Member for Finance shall, with the approval of the County Executive Committee, make a pronouncement of the revenue raising measures for the County Government and that not later than ninety days after passing the Appropriation Bill, the County Assembly shall consider and approve the Finance Bill with or without amendments. Further, Commissioner on Revenue Allocation requires that all revenue streams should have policy documents in place, however, the Management did not provide any policy for audit review.

In the circumstances, effectiveness of controls on optimum revenue collections could not be confirmed.

Management Response

During FY 2024/25, the Authority operated without an updated Finance Act, as the Finance Act, 2024 had not been enacted. Consequently, the Agency relied on the Finance Act, 2019 to administer revenue collection. However, in response to emerging and evolving revenue

streams, the Authority expedited the review process, culminating in the enactment of the Finance Act, 2025. The updated Act now serves as a critical instrument intended to ensure the full realization of the County's revenue potential through improved alignment with current economic Activities

In addition, the Agency initiated a comprehensive exercise to identify, formulate, and develop critical policies across all revenue streams, in collaboration with the respective parent departments. This ongoing initiative is aimed at strengthening governance, enhancing revenue administration, standardizing operational procedures, and supporting sustainable revenue growth across the County. The initiative has been coordinated by the County Secretary, as annexed in the memorandum dated 18th July, 2025 analyzing (Annex 3).

Committee Observation

The Committee observes that collecting revenue without an approved Finance Bill for FY 2024/25 is a serious breach of the law. This action violates **Section 132 of the Public Finance Management Act, 2012**, which requires the County Executive Committee member for Finance to make an annual pronouncement of revenue-raising measures, leading to a Finance Bill. Relying on an outdated 2019 Act to collect revenue for new or existing streams undermines the legality and effectiveness of the County's revenue systems and contravenes the principle of lawful administration under **Article 10 of the Constitution**.

Committee Recommendation

The Committee recommends that:

1. **The County Executive Committee member for Finance complies strictly with Section 132(2) of the PFM Act by submitting the County Finance Bill to the County Assembly simultaneously with the annual budget estimates.**
2. **The County Assembly must, pursuant to Section 133 of the PFM Act, ensure the Finance Bill is considered and passed within the stipulated timeline (ninety days after passing the Appropriation Bill) to provide a current and legal framework for revenue collection.**
3. **The County Treasury expedites the finalization of all revenue stream policies to provide a clear administrative framework for each, in line with the advice from the Commission on Revenue Allocation (CRA).**

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CHAPTER THIRTEENTH

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF BUNGOMA COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2024/25.

The Governor of Bungoma County, H.E Kenneth Makelo Lusaka, EGH appeared before the Committee on Wednesday 2nd February 2026, to respond (under oath) to audit queries raised in the Report of the Auditor General on Financial Statements for Bungoma County Executive for the Financial Year 2024/25.

REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF BUNGOMA COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2024/25.

Basis for Qualified Opinion

1. Unconfirmed Property, Plant and Equipment Opening Balance

The statement of financial position and as disclosed in Note 15 to the financial statements reflects opening statement balance as at 1 July, 2024 for property, plant and equipment of Kshs.509,803,798. The balance includes land balance of Kshs.6,064,000, motor vehicles of Kshs.15,987,626, equipment and other machinery of Kshs.7,003,250, furniture and fittings of Kshs.19,693,515, computers and ICT equipment of Kshs.13,973,860 and work-in-progress of Kshs.447,081,547. However, the balances were not supported by an updated non-current asset register.

In the circumstances, the accuracy and completeness of property, plant and equipment opening balance of Kshs.509,803,798 could not be confirmed.

Management Response

i. Non-Current Asset Register.

Management is still updating the asset register of opening balance of non-current assets as indicated in the draft asset register in appendix 1a. IPSAS 45 on Property, Plant and Equipment allows a first-time adopter a period of up to three years from the date of adoption of IPSASs to fully comply with non-current asset reporting and disclosure. The attached accrual transitional guidelines issued by National Treasury have further allowed entities a period of three years to fully report and account for non-current assets.

ii. Asset Management Unit

To strengthen the institutional capacity in asset management, an Assets Management Committee and a Unit has been established. The committee has been mandated to ensure a complete asset register is in place by 30th June, 2026. Attached is a letter appointing the committee and Head of Assets Unit.

iii. Inter-Governmental Relations Technical Committee

Management is also waiting for the Inter-Governmental Relations Technical Committee Report and gazettelement of specific asset classes to be transferred to the County Government. This will enable preparation of a full assets register and comply with the National Treasury deadline of 30th June 2027.

Committee Observation

The Committee observed that the accuracy and completeness of the property, plant, and equipment opening balance of Kshs. 509,803,798 could not be confirmed due to the lack of a comprehensive and updated non-current asset register. While the management cited transitional provisions under IPSAS 45, the failure to maintain a proper register at the time of the audit constitutes a breach of the fundamental duty of an accounting officer to ensure proper control over public assets.

This failure contravenes:

1. Section 149 (1) of the PFM Act, Cap 412A, which mandates an accounting officer to ensure resources are used in a way that is lawful, authorized, effective, efficient, economical, and transparent.
2. Regulation 136 of the PFM (County Governments) Regulations, 2015, which requires the Accounting Officer to be responsible for maintaining a register of assets under their control.
3. Regulation 22 (1) (c) of the PFM (County Governments) Regulations, 2015, which obligates the Accounting Officer to prepare financial reports that reflect a true and fair view of the financial position.

Committee Recommendation

The Committee recommends that; -

The Committee recommends that the County Governor ensures the completion and maintenance of a detailed non-current asset register, in accordance with Regulation 136 of the PFM (County Governments) Regulations, 2015, and provides the verified register to the Office of the Senate and the Auditor-General (OAG) within ninety (90) days after the adoption of this report.

2.Unconfirmed Trade and Other Payables Balance

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The statement of financial position reflects trade and payables balance of Kshs.4,469,304,080 as at 30 June, 2025 and as disclosed in Note 16 to the financial statements. However, the balances for the identified categories of payables classified as trade payables, employees' payables, and third-party payables were not supported by payables ledgers detailing invoice dates and amounts, payment amounts and outstanding balances. Further, the balance includes an amount of Kshs.32,407,357 for Kenya Power Company's electricity power bills. However, the amount differs with an amount of Kshs.42,717,024 reflected in the records of Kenya Power Company. The resultant variance of Kshs.10,309,667 has not explained or reconciled.

Additionally, the statement of financial position reflects an opening balance of Kshs.3,774,932,718 as at 1 July, 2024 for trade and other payables as disclosed in Note 16 to the financial statements. However, the circularization of suppliers, and a reconciliation of obtained statements to their records to ensure completeness was not provided for audit review.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.4,469,30,079 as at 30 June, 2025 could not be confirmed.

Management Response

Management responds as follows:

i. Payables Ledgers

The ledgers have been provided but are not complete due to missing invoice numbers. Management has requested for this information from all the trade creditors. Attached is an appendix 2e of the notice to confirm balances and provide additional details.

ii. Reconciliation of Power Bill

Management has been making efforts to ensure the balance due to Kenya Power is reconciled. Management requested Kenya Power to provide details of metres with accrued bills on 10th February, 2025. Attached is a delivery note. No response was received from Kenya Power. A reminder was done on 15th July, 2025. Kenya Power did not respond to this reminder. Management has again done a reminder to Kenya Power to provide details of meter numbers with accrued power bills to enable reconcile the variance of Ksh. 10,309,667.

iii. Circularization of Trade Creditors

Management has done a Newspaper Advertisement requesting all trade creditors to confirm their balances. This was informed by the fact that most creditors have changed their physical addresses, emails and phone numbers. The attached notice to creditor

Committee Observation

The Committee observed that the accuracy and completeness of the trade and other payables balance of Kshs. 4,469,304,080 could not be confirmed. Management failed to maintain proper payables ledgers, reconcile discrepancies with creditors like Kenya Power, and circularize suppliers. This constitutes a failure in financial management and accountability

Committee Recommendations

The Committee therefore recommends that:

- 1. that trade payables due for more than 365 days be considered indicative of poor financial management and that the County Executive provides actionable payment plans to the Controller of Budget (CoB) within ninety (90) days of the adoption of this report, failure to which the subsequent quarter budget releases will not be effected;**
- 2. that the County Executive pays all payables due to staff within ninety (90) days of the payables becoming due, failure to which the subsequent quarter budget releases will not be effected;**
- 3. that the County Executive pays all statutory deductions to the relevant agencies within the statutory deadlines' failure to which the subsequent quarter budget releases will not be effected;**
- 4. that the County Executive pays all pension deductions to the relevant funds within ninety (90) days of the deductions becoming due, failure to which the subsequent quarter budget releases will not be effected;**
- 5. that the Ethics and Anti-Corruption Commission investigates the pending bills owed to staff, statutory deductions and pensions to establish whether any funds due to staff were retrieved from the County Revenue Fund, and if so, how the funds were utilised, with a view to recommending the prosecution of persons determined liable for misdirecting the funds;**
- 6. that all County Governments pay verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2026/2027; and**

The Committee further recommends that—

- i. pursuant to the provisions of Regulation 41(2) & (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing**

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- payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;
- ii. the Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when approving exchequer releases;
 - iii. County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) & (3) of the Public Finance Management (County Governments) Regulations;
 - iv. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates;
 - v. County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects;
 - vi. County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets; and
 - vii. The Office of Controller of Budget and the Senate will monitor compliance and apply sanctions if payment plans are not honoured.

3.Unsupported Staff Medical Insurance Costs

The statement of financial performance reflects use of goods and services expenditure amounting to Kshs.4,159,662,691 which, as disclosed in Note 9 to the financial statements includes insurance costs amount of Kshs. 231,258,275. The insurance costs include an amount of Kshs.200,000,000 paid to an insurance broker for staff medical insurance. Verification of the contract document revealed that the County Executive engaged the insurance broker for provision of staff medical insurance cover for two years starting 16 February, 2023 at a contract sum of Kshs.599,721,288 with a premium amounting to Kshs.299,860,644 per year. The insurance cover lapsed on 16 February, 2025. However, Management did not provide for audit documents to show the full details of the policy including the list of names of employees covered and number of dependents of each employee and their age, the medical cases claimed and paid during the year and the cases claimed and not paid during the year. Also, Management did not provide the details of the total payments paid in respect to this contract. Further, Management did not provide insurance cover for staff for a period from February to June, 2025

In the circumstances, the regularity, accuracy and completeness the staff medical insurance

costs amounting to Kshs.200,000,000 could not be confirmed.

Management Response

Management stated that:

i. Lapse of insurance cover on 16 February, 2025

The County Executive had budgetary challenges after the cover lapsed. Management however procured a new medical insurer from 1st July, 2025 as per the attached policy cover. The new policy aligns the contract period with the Financial Year to avoid a situation where the cover lapses mid-year.

Appendix 3a: New medical Insurance Policy Cover

ii. Details of payment

Management has provided the details of the total payments in respect to this contract as per attached IFMIS payment ledger.

iii. Full details of the policy

Management has provided full details of the policy including the list of names of employees covered and their age as indicated under appendix 3c.

iv. Medical Cases Claimed

Management has now provided all the details about the medical cases claimed and paid during the year, cases claimed and not paid and dependents of each employee. Management had requested for this information from the insurer who at the time of audit had not submitted the same.

Committee Observation

The Committee observed that the regularity, accuracy, and completeness of staff medical insurance costs amounting to Kshs. 200,000,000 could not be confirmed. The management failed to provide full policy details, a list of covered dependents including their ages, and a detailed schedule of claims paid and not paid. Furthermore, there was a lapse in insurance cover for several months, exposing the county and its employees to significant risk.

Committee Recommendation

The Committee recommends that—

- 1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;**
- 2. The Institute of Certified Public Accountants of Kenya (ICPAK) takes action(s) against the responsible officer(s) for gross negligence in the conduct of professional duties**

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which constitutes a professional misconduct pursuant to section 8 (a) and 30 of the Accountants Act CAP 531; and

3. That the EACC undertakes investigations with a view to establishing if there was any loss of public funds and if so, determining the officers responsible for the loss of public funds for the purposes of criminal prosecution.

4. Long Outstanding Imprests

The statement of financial position reflects an amount of Kshs.153,328,772 for receivables from exchange transactions as disclosed in Note 13 to the financial statements. Included in this amount is Kshs.25,969,390 for outstanding imprests balance. The Management has indicated that imprests amounting to Kshs.7,681,650 are currently under investigation by Ethics and Anticorruption Commission (EACC), Kshs.6,114,580 is held by Officers who exited the service and Kshs.12,173,160 was submitted for recovery. However, no explanation was provided for failure to comply with regulation 93(5) of the of the Public Finance Management (County Governments) Regulations, 2015 which states that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station.

In the circumstances, the accuracy and recoverability of the outstanding imprests amounting to Kshs. 25,969,390 could not be confirmed.

Management Response

Management stated as follows:

- i. **Imprest under investigation by EACC – Ksh. 7,681,650**

The Commission requested for original imprest surrender documents on 15th March, 2019. Management has made several attempts to the Commission to provide copies of the documents for surrender. The first request was made to EACC on 16th September 2024. A reminder was again made on 21st October 2025. Management has not received any response from the Commission. Attached is a letter from EACC requesting for documents. The letters to EACC to submit documents for surrender are attached in the appendices.

- ii. **Imprest owed by officers who left service – Ksh. 6,665,240**

Management has done demand notices to the officers. The notices have since expired without any response from them. The county Executive has filed plaint for imprest recovery from these ex-officers.

*Appendix 4d: Demand Letters to Ex
Officers Appendix 4e: Complaint and
Verifying Affidavit*

iii. Imprest of Kshs.9,770,500 submitted for recovery

Management has instituted payroll recovery of unsurrendered imprest issued to officers who failed to account for imprest within seven (7) working days. Attached are copies of officers' payslips. The officers involved had no convincing explanation for delay to surrender the issued imprest. This necessitated management to institute recovery from payroll.

iv. Surrendered Imprest - Ksh. 1,215,400

Three officers have surrendered imprest of Ksh. 1,215,400 as per the attached copies of payment vouchers. Initially, these imprests were on payroll recovery.

Committee Observation

The Committee observed that the accuracy and recoverability of the outstanding imprests amounting to Kshs. 25,969,390 could not be fully confirmed. While recovery efforts are ongoing, the existence of long-outstanding imprests indicates a failure in internal controls.

This is a direct violation of:

1. Regulation 93(5) of the PFM (County Governments) Regulations, 2015, which requires a holder of a temporary imprest to account for or surrender it within seven (7) working days after returning to duty station.
2. Regulation 210 (k) of the PFM (County Governments) Regulations, 2015, which classifies the failure to provide information on financial management as an offence of financial misconduct.

Committee Recommendation

That the EACC to provide an update on the investigation undertaken to ensure recovery of the funds with a view of recommending their prosecution for committing the offences stipulated under section 62 (1) (b) and (c) of the Public Audit Act, Cap.412B and for violations of provisions of regulation 210 (k) of the Public Finance (County Governments) Regulations, 2015.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects revenue final budget and actual on comparable basis amounts of Kshs.13,633,044,511 and Kshs.11,188,343,410 respectively resulting to an under-funding of Kshs.2,444,701,100 or 18% of the budget.

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Similarly, the County Executive expended Kshs.10,849,255,026 against expenditure budget of Kshs. 13,633,044,511 resulting to under-expenditure of Kshs.2,783,789,485 or 20% of the budget.

In the circumstances, the under-funding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

The opinion of the Auditor-General is not modified in respect of this matter.

Management Response

Management responded as follows:

i. Underfunding of Ksh. 2,444,701,100

This was caused by:

- a) Unremitted grants and donor funds.
- b) Shortfalls in own source revenue collection during the year.

However, management confirms that donor funds amounting to Ksh. 553,267,890 were received after end of the Financial year as indicated below:

ii. Under-expenditure of Kshs.2,783,789,485

The County Executive received May and June exchequer allocations on 20th and 26th June, 2025. This was close to the end of the Financial Year. With the current long exchequer requisition process, it was impossible to absorb all the funds. Attached are bank statements indicating dates when the May and June exchequer from National Treasury were received.

iii. Addressing shortfall in Own Source Revenue

The County Executive has put in place the following measures to enhance own source revenue—

- a) The County Executive has deployed a new management and more technical officers to the Revenue department. Management had noted a weak management team at the revenue department;
- b) All revenue collectors have been put on performance management with regular review of performance against targets;
- c) The department has procured thirty-three motor cycles to enhance field revenue supervision. A request to procure two new double cabin pick-ups to enhance mobility of revenue supervisors is in progress;
- d) Management has approved Revenue Enhancement Strategies to address weak controls in revenue collection and reporting;
- e) The County Government has earmarked cess collection points for gazetteement to maximize revenues on Cess and Royalties;
- f) County has commenced registration of all County tax payers and each tax payer to be assigned a tax identification number with assistance from

our Development Partners (KDSP II);

- g) The County Government has engaged Market Management Committees, in collaboration with the Village administrators and Ward Revenue Officers to enhance revenue supervision and compliance;
- h) The County Government will exchange information on requests and joint partnership with KRA, NTSA and Traffic department to enhance and enforce revenues;
- i) County Government has established a Strategic Revenue Technical Team to review and advise on revenue strategy;
- j) County Government is currently validating and verifying all plot owner's ownership documents, and creating a link to the National Land Registry;
- k) County has established a tax arbitration and conflict management team to resolve tax related disputes; and
- l) The County Government has re-structured most of its revenue streams to stop pilferage and enhance collection efficiency. Restructuring of market entry fees is underway.

Committee Observation

The Committee noted that;

1. There was under-utilization of appropriated funds by the County Executive as a result of delay in exchequer releases by The National Treasury; and
2. The County did not meet its own source revenue targets.

The Committee recommends that;

1. **The National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate.**
2. **The County Executive puts in place measures to enhance its own generated revenue in order to meet its revenue target and address revenue shortfalls.**

Other Matters

Unresolved Prior Year Matters

Follow-up of the Auditor-General's recommendations for the previous financial year

2023/2024 revealed that several issues were raised as indicated below:

Management has indicated under the progress on follow up of Auditor's recommendations section of the financial statements that some issues were resolved, others partially resolved and while the rest were not resolved. Further, Management

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appeared for public hearing in the Senate where other recommendations were given for implementation. Audit verification of the Management responses and supporting documents revealed that the issues indicated as resolved were satisfactorily addressed while the issues not resolved were not satisfactorily addressed and therefore remain unresolved.

Committee Observation

The Committee observed that the Management had neglected to observe its duty towards accountability as expected under the provisions of Article 10 of the Constitution.

Committee Recommendations

1. the County Executive should implement the Senate recommendations in the Auditor General's report for the Financial Year 2023/2024 adopted by the Senate.
2. the County executive complies with section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor General and submits a report to the Auditor General within 90 days of the adoption of this report.
3. The County Executive should engage with the Office of the Auditor-General to address and resolve any outstanding matters.
4. The Auditor General should list any unresolved audit paragraphs in the report of the subsequent financial year.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

Basis for Conclusion

1. Excessive Wage Bill

The statement of financial performance reflects total expenditure of Kshs.5,983,157,896 in respect to employee costs which represent 53% of the total revenue for the year amounting to Kshs.11,383,133,843.

This was contrary to regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which states that total expenditure on the wage bill for County Governments should not exceed thirty-five (35) percent of the County Government's total revenue.

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

Management Response

The wage bill of 53% was caused by the following factors:

- i. Introduction of new statutory deductions that created new employer obligations - Housing Levy and National Social Security Fund (NSSF),

- ii. Implementation of Salary Increments for the staff of the County Executive as per the SRC circular dated 10th August, 2023 and 10th November, 2023.
- iii. Conversion of the terms of employment of 2,000 ECDE and teachers from contract to permanent in 2018. Their monthly salary increased from minimum of Ksh. 8,000 a maximum of Ksh. 32,000. Pre-primary education, village polytechnics, homecraft centres and childcare facilities is a key function of the County Government.
- iv. Employment of 300 VTC teachers in 2017 at a monthly salary of Ksh. 28,000
- v. Employment of 236 village administrators in 2022 at a monthly salary of Ksh. 31,550.
- vi. Promotions of officers in service and annual salary increments.
- vii. Conversion of the terms of employment of the casual employees to permanent in in July 2017 and June 2025 following a court order.

Appendix 7a: SRC circulars dated 10th August, 2023 and 10th November, 2023

Management Action on High Wage Bill

The County Executive Committee has undertaken the following measures to progressively reduce the wage bill;

- a) The County Executive committee approved the Wage Bill Management plan on 29th August, 2024. Management has set to achieve a target of 33.6% by end of the Financial Year 2028/2029 as per the attached wage bill management plan.
- b) The County will strive to increase its own source revenue and engage development partners to expand the resource envelope.
- c) Officers have been put on performance contracting and appraisal system to enable assessment of their productivity. With adequate work measurement, idle hours will be reduced to curb the need for new recruitment.

Committee Observation

The Committee noted that the County Executive's wage bill of 53% of total revenue is a clear violation of the fiscal responsibility principles and poses a threat to the sustainability of county finances. This is a direct contravention of Regulation 25(1)(b) of the PFM (County Governments) Regulations, 2015, which stipulates that the total expenditure on the wage bill for County Governments should not exceed thirty-five (35) percent of the County Government's total revenue.

The Committee recommends that—

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1. the management should provide to the Auditor General and the Senate the measures it will put in place to contain the high wage bill within ninety (90) days of the adoption of this report;
2. the management should strictly adhere to the provision of paragraph 25(1)(b) of the PFM (County Government) Regulations, 2015 which stipulate that the county wage bill should not exceed 35 per cent of the county total revenue;
3. the County Executive puts in place measures to enhance its own source revenue collection in order to address the wage bill gap;
4. That pursuant to the High Court orders issued in *Matindi v Salaries and Remuneration Commission & another [2026] KEHC 755 (KLR)*, the Salaries and Remuneration Commission submits to the Committee a copy of the court ordered affidavit detailing the following—
 - (iv) time-bound strategies it has developed and is implementing to achieve a 35% public wage bill to revenue ratio;
 - (v) collaborative measures being jointly implemented in conjunction with the County Governments; and
 - (vi) advisories and/or directives issued to curb abuse in payment of allowances to State and public officers, percentages of reduction of wage to revenue ratio and savings being made per every year arising from the strategies and interventions it has put in place and implemented.
5. The Auditor General should continue monitoring the issue in subsequent financial years.

2. Lack of Ethnic Diversity in Staff Establishment

Review of personnel records for newly employed staff revealed that out of six hundred and forty-two (642) employees employed during the Financial Year 2024/2025, five hundred and forty-four (544) or approximately 85% were from the dominant ethnic community. This was contrary to Section 65(1)(e) of the County Governments Act, Cap 265 which states that in selecting candidates for appointment, the County Public Service Board shall consider the need to ensure that at least thirty per cent of the vacant posts at the entry level are filled by candidates who are not from the dominant ethnic community in the county.

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

Management Response

The recruitment of six hundred and forty-two (642) employees in the financial year 2024/2025 was a regularization of casuals who had been engaged in health facilities for more than three months. Management reiterates that this was not a new recruitment. Regularization was also informed by the requirement to pay all personnel emoluments through IPPD as recommended by audit and Controller of Budget.

Achieving 30% as required under Section 65(1)(e) of the County Governments Act, Cap 265 was not possible considering the fact that these were casuals who were already working in remote primary health facilities serving local village populations.

Committee Observation

The Committee observed that approximately 85% of newly employed staff were from the dominant ethnic community, thus there was no ethnic diversity among the County Executive employees.

The Committee also notes that section 65(1)(e) of the County Governments Act mandates county public service boards, in selecting candidates for appointment, to consider the need to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county. This provision must be adhered to by all counties.

The Committee further noted that that due to the homogeneous ethnographic population in most counties, it may not be feasible for them to attain the threshold provided under section 7 (2) of the National Cohesion and Integration Act, (Cap. 7N) which states that no public establishment shall have more than one third of the staff from the same ethnic community.

Committee Recommendations

The committee recommends that: -

- 1. the County Executive adheres to section 65(1)(e) of County Governments Act and ensures that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county; and**
- 2. The Committee recommends that the Standing Committee on National Cohesion, Equal Opportunity and Regional Integration undertake a post legislative scrutiny on the application of Section 7(2) of the National Cohesion and Integration Act (Cap. 7N) to County Governments**

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3. Employees on Long-Term Probation

Review of Payroll Data for the month of June, 2025 indicate that there existed 694 employees serving on probation for long periods of up to 20 years. The Management did not explain the reasons for not absorbing these staff to the Permanent and pensionable terms. This was contrary to section 42 (2) of the Employment Act, Cap 226 which provides that a probationary period shall not be more than six months but it may be extended for a further period of not more than six months with the agreement of the employee.

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

Management Response

i. Reasons for not absorbing these staff

The officers who missed out on confirmation did not submit individual requests for confirmation.

ii. Status Report of the 694 Officers on probation

Management agreed with the audit finding. The County Public Service Board has confirmed one hundred seventy-four(174) out of the six hundred and ninety-four (694) to permanent and pensionable terms. The list is attached under *appendix 9b*.

Management has submitted additional request of one hundred and thirty (130) to the County Public Service Board for confirmation. At the time this was to be processed, the Board had no quorum. A full board has now been constituted to process the remaining conversions. Attached is gazette notice of appointment of the new Public Service Board Chairperson and Members.

Committee Observation

The Committee observed that there were legal and procedural irregularities in the absorption process that unduly exposed the Management to unnecessary legal exposure through adverse litigation.

Committee Recommendation

The Committee recommends that the County Governor ensures compliance with the law on absorption of staff as provided in Section 42 (2) of the Employment Act, Cap 226, and undertakes administrative action against the county officers found to be in breach of these laws and procedures.

4. Recruitment Without Approved Staff Establishment

Verification of June, 2025 payroll revealed that the County Executive paid seven thousand and eighty-five (7,085) employees through the Human Resource Integrated System (HRIS) during the pay period. Out of this number, six hundred and forty-two (642) were recruited during the year under review. However, the recruitment was done without an approved staff establishment to guide the filling of the positions. Audit verification revealed that the Bungoma County Public Service Board staff establishment was developed and approved for implementation in May, 2025 by the County Public Service Board. However, the Staff Establishment provided had not been approved by the County Executive Committee.

In addition, the County Executive did not have an approved staff establishment at the beginning of the financial the year under review and therefore the optimal staffing levels for all cadre of staff had not been established. The Management did not explain the mechanism it relied upon to identify existence of the vacancies filled. This was contrary to section 5 of the County Governments Act, Cap 265 which provides that a county government shall be responsible for establishing and staffing its public service as contemplated under Article 235 of the Constitution.

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

Management Response

The Management responded that the board relied on draft staff establishment at the beginning of the Financial Year as the basis for declaring vacancies, advertising and recruitment. This was after the County Human Resource Advisory Committee had adopted and presented it to the board. The County Public Service Board has since approved the Staff Establishment in May 2025.

The County Executive Committee has ratified the staff establishment. Extract of Committee minutes was attached.

Committee Observation

The OAG informed the Committee that the matter had been addressed.

Committee Recommendation

The Committee recommends that the County Executive strictly adheres to the established legal mechanisms for recruitment as provided under Section 5 of the County Governments Act, Cap 265 and Article 235 of the Constitution. The Committee marks this specific matter as resolved, contingent on future adherence.

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The Committee recommended that the matter be marked as resolved

5. Failure to Reserve Employment Positions for Persons Living with Disability

The Staff register provided for audit review shows that the County Executive had a staff population of 7,116 as at June, 2025. Out of this number, only 90 employees representing 1.26% of the population are persons living with disability. The County Executive therefore failed to ensure that 5% of the positions are reserved for persons with disability. This was contrary to Section 21(2)(a) of Persons with Disabilities Act, 2025 which provides that every employer shall where an employer has at least twenty employees, reserve at least five per cent direct employment opportunities for persons with disabilities to secure employment.

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

Management Response

The County Public Service Board carries out advertisement of job vacancies in the Daily Newspapers of national circulation. Interested candidates submit applications for consideration. In the job advertisement, Persons with disabilities, women and youth are usually encouraged to apply. Despite the reservation, few applications are received from persons living with disabilities. The County Public Service Board, in its advertisement will continue to put emphasis to persons living with disability to attract more applicants.

From the previous recruitment in Health, the long list had 1,850 applicants. From the 1,850 applications, persons living with disability were 9 representing 0.5%. The County Public Service Board shortlisted 8 applicants for interviews. Two persons living with disability were recruited. Appendixes were attached.

Committee Observation

The Committee observed that only 1.26% of County Executive staff were persons with disabilities, falling short of the 5% requirement under section 21(2)(a) of the Persons with Disabilities Act, 2025, indicating non-compliance with mandated employment provisions for persons with disabilities.

Committee Recommendation

The Committee recommends that

- 1. The County Public Service Board ensures the fulfilment of the 5% statutory quota for PWDs in compliance with Section 21(2)(a) of the Persons with Disabilities Act, 2025.**
- 2. The Board includes a report on the measures taken to implement employment equity for PWDs and the results achieved in its annual report, as part of its accountability under Article 10 of the Constitution.**

6. Non-Adherence to the One Third Basic Pay Rule

Verification of the staff payroll revealed that some employees' salary deductions exceeded two-thirds (2/3) of their basic salary in eleven months. This was contrary to Section 19(3) of the Employment Act, 2007 which provides that without prejudice to any right of recovery of any debt due and notwithstanding the provisions of any other written law, the total amount of all deductions which may be made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.

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

Management Response

Management agrees with the audit finding. Non-Adherence to the One Third Basic Pay Rule was caused by the following factors:

- i. Introduction of new levies including Housing Levy, Social Health Authority and increased Social Security deductions.
- ii. Payroll Administrative actions including Imprest recoveries of unsurrendered imprest and half pay to officers on suspension and undergoing disciplinary action.

A two months' notice had been issued to officers earning less than a third of the basic salary to regularize on their third party non-statutory deductions. A similar copy was made to all the affected Financial Institutions.

Management has now effected the directive in compliance with Section 19(3) of the Employment Act, 2007 from 1st January, 2026. All the officers in service will earn not less than one third of their basic salary as evidenced by the attached extract from payroll system.

Committee Observation

The Committee observed that some of the county staff were earning less than a third of their basic pay contrary to Section 19 (3) of the Employment Act, Cap 226.

Committee Recommendations

The Committee therefore recommends that -

I. The County Public Service Board, in coordination with the County Treasury, fully implement the Human Resources Information System (HRIS) to automatically lock out any loan commitments that would cause an employee's net pay to fall below the legal

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threshold, as required by sound internal control systems under Regulation 155 of the PFM (County Governments) Regulations, 2015.

2. The Committee further recommends that the Public Service Commission, in coordination with County Public Service Boards, review Section C (3) of the Human Resource Policies and Procedures Manual and propose mechanisms to ensure compliance, reporting their findings to the Senate within 90 days

7. Employment of Staff on Contract Without Gratuity Provision

During the year under review, the County Executive employed 566 employees and 70 employees in the Departments of Health and Agriculture respectively. However, it was observed that the staff were engaged on contract without gratuity contrary to Paragraph D32(2) of the Bungoma County Human Resource Policy and Procedures Manual, 2024 which states that all officers who are on contract are eligible for gratuity.

In the circumstances, Management was in breach of procedure.

Management Response

Management effected gratuity contribution to the pension schemes for these employees from 1st July 2025. Attached is a list of gratuity submissions under appendix 13a. A budget provision has been made for the arrears of gratuity in the attached extract of the supplementary budget.

Committee Observation

The Committee observed that the Management acted contrary to its own human resource policies by employing staff on contract without providing for gratuity. This exposes the county to potential litigation and financial loss. This is a contravention of Section 68 (2) (a) of the PFM Act, Cap 412A, which requires the accounting officer to ensure all expenditure is lawful and authorized (in this context, the commitment for gratuity must be properly planned and authorized).

Committee Recommendation

The Committee recommends that the County Public Service Board sures strict compliance with the Bungoma County Human Resource Policy and Procedures Manual, 2024, and undertakes administrative action against officers who acted contrary to its provisions, as this constitutes a failure in their duty under Article 10 of the Constitution.

8. Failure to Provide Monthly Progress Reports of all Procurement Contracts

During the year under review, various project files of Bungoma County Executive were sampled for audit review. Important information was missing in the contracts signed which included commencement dates, completion dates, and duration of the contract.

The project implementation team also failed to provide monthly progress reports of all the procurement contracts. This was contrary to section 152 of the Public Procurement and Assets Disposal Act, Cap 412C and regulation 140 (2) of the Public Procurement and Assets Disposal Regulations, 2020.

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

Management Response

The Management responded as follows—

i. Missing Information

Management has taken note of this finding. All procurement officers have been directed to ensure contract documents are complete. Management has further provided sample files for verification by audit.

Committee Observation

The Committee observed that the Management failed to provide monthly progress reports and a project implementation status report, demonstrating a lack of diligence and transparency in project management. This is a breach of Section 152 of the Public Procurement and Asset Disposal Act, Cap 412C, which requires the head of procurement to prepare and submit monthly progress reports, Regulation 140 (2) of the Public Procurement and Asset Disposal Regulations, 2020, which reinforces the requirement for monthly progress reports and Section 62(1)(b) and (c) of the Public Audit Act, Cap 412B, which makes it an offence to fail to provide information required by the Auditor-General.

Committee Recommendation

The Committee recommends that the Management undertakes administrative action against the county officers responsible for the breach of section 62(1)(b) and (c) of the Public Audit Act, Cap 412B and issues an implementation report on this matter within ninety (90) days of the adoption of this report.

9. Failure to Provide Project Implementation Status Report

The County Executive did not provide for audit review the project implementation status report as at 30 June, 2025. Therefore, it was not possible to ascertain the number of

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projects approved for implementation, how many were completed, how many were in progress, how many had not started and how many had stalled.

In the circumstances, the effectiveness of the projects' implementation management could not be confirmed.

Management Response

Management has attached the projects' implementation status report for audit verification.

Committee Observations

The Committee observed that the Management failed to address the audit exercise with the required level of diligence that is statutorily expected from public offices.

The Committee further observed that in failing to submit the required project implementation status report, the Management was in breach of section 62(1)(b) and (c) of the Public Audit Act, Cap 412B which provides that a person shall not without justification, fail to provide information required under the Act.

Committee Recommendations

The Committee recommends that the Management undertake administrative action against the county officers responsible for the breach of section 62(1)(b) and (c) of the Public Audit Act, Cap

412B and issue an implementation report in this matter within ninety (90) days of the adoption of this report.

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10. Payment for Subscriptions to Other Entities

The County Executive paid an amount of Kshs.3,500,000 to Lake Region Economic Bloc for subscriptions for the year under review.

However, Management did not provide any document indicating that the entity is recognized by the law. Further, the agreement for Lake Region Economic Bloc provides that the financial statements will be audited by the Auditor General but the Economic Bloc has never submitted financial statements to the Office of the Auditor General.

Management Response

The legal framework for the Lake Region Economic Bloc is primarily established through the LREB agreement and specific legislation passed by member counties. The County Government signed the Agreement on 26th March, 2018. The County Government has since initiated a Bill to anchor the County as a member county within the bloc. However, the subscription in question is in compliance with the resolution of the 9th summit as attached. However, the responsibility of preparation and submission of Financial Statements rests with the LREB Secretariat in accordance to Article 21 of the Agreement.

Committee Observations

The Committee observed that the payment of Kshs. 3,500,000 to the Lake Region Economic Bloc was made to an entity whose legal status and financial accountability to the OAG were not confirmed. This represents an unlawful and unauthorized use of public funds.

This is a direct contravention of Section 149(1) of the Public Finance Management Act, Cap 412A, which requires an accounting officer to ensure that resources are used in a way that is lawful and authorized and Section 68 (2) (a) of the PFM Act, Cap 412A, which obligates the accounting officer to ensure all expenditure made by the entity complies with the law.

Committee Recommendations

- 1. The County Executive cease all current and future payments to the Lake Region Economic Bloc, as such activities run contrary to the provisions of section 149 of the PFM Act, Cap 412A.**
- 2. Administrative action be applied to any county officer who authorizes further payments to LREB without proper legal and financial accountability frameworks in place.**

11. Unexplained Procurement and Distribution of Fertilizer

The County Executive awarded a contract to a local company on 17 December, 2024 at a sum of Kshs.50,452,200 for the supply of planting and top-dressing fertilizers to the 45 Wards and payment made on 22 March, 2025 for Kshs.26,000,000. The fertilizer was delivered in the financial year 2024/2025. However, review of County Finance Bill, 2023 indicated that the subsidized fertilizer was to be sold at Kshs.2,000 per bag for planting fertilizer and top- dressing fertilizer respectively. Further, the audit could not confirm whether the fertilizer was sold or given free of charge since no records were provided for audit and supporting documents were provided for audit to authorize the issue of fertilizers for free.

Additionally, the County Executive awarded a contract to a local firm on 18 February, 2025 at a sum of Kshs.56,250,000 for the supply of planting and top-dressing fertilizers for the 45 Wards within Bungoma County. However, review of Bungoma Finance Bill 2023 indicated that the subsidized fertilizer was to be sold at Kshs.2,000 per bag for planting fertilizer and top-dressing fertilizer. Audit review could not confirm whether the fertilizer was sold or given free of charge and no communication or supporting documents were provided for audit to authorize the issue of fertilizers for free.

In the circumstances, the County Executive may have lost public funds in respect of expected revenue from the sale of subsidized fertilizer.

Management Response

To enhance food security to all residents of the County, free farm inputs were issued local vulnerable farmers as provided in the attached Bungoma County Agriculture Sector Policy issued in October 2023. Additionally, management has submitted Bungoma County Agriculture Inputs and Services Support Bill 2024 to the County Assembly that provides a legal framework on distribution of farm inputs. Attached is a letter of submission of the Bill to the County Assembly.

Committee Observations

- i) The Committee noted that there was a failure to maintain records contrary to the provisions set out in statute. In this respect, the Committee observed that the provisions of section 149 of the Public Finance Management Act, Cap 412A provides that an accounting officer shall in respect of the entity concerned, ensure that entity keeps financial and accounting records that comply with this Act.
- ii) The Committee observed that regulation 77 of the Public Finance Management (County Government) Regulations states that the Accounting Officer of a project shall compile and maintain a record showing all receipts, disbursements and actual

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expenditure on a monthly basis in respect of every project and subproject and shall—

- (a) make monthly interim financial returns;
 - (b) make quarterly financial management returns; and
 - (c) submit a summary of the records for each quarter and year to the division responsible for external resources in the County Treasury not later than fifteen (15) days after the end of every quarter.
- iii) The Committee further observed that the Management had breached the provisions of regulation 168 of the public Procurement and Asset Disposal Regulations 2020 requires an accounting officer to ensure proper management and distribution of inventory by ensuring the they are received and taken on charge and they are consumed in the course of public business and a record of the same is maintained.

Committee Recommendations

The Committee recommends that—

1. **The Office of the County Governor undertakes administrative action against the responsible officer(s) who were responsible for the failure in record keeping and provides a status report to the Office of the Auditor General within ninety (90) days from the adoption of this report;**
2. **That the EACC undertakes investigations with a view to establishing if there was any loss of public funds and if so, determining the officers responsible for the loss of public funds for the purposes of criminal prosecution.**

12. Renovation of Cattle Dips for County Empowerment Fund (CEF) Projects

During the year under review, the County Executive awarded a contract to a local company at a contract sum of Kshs.2,915,954 for the renovation of two cattle dips at Maraka and Namwela Wards. However, the following anomalies were observed:

- i. The cattle dips were not functional for almost a year
- ii. The wood from the entry point to exit point were worn out and the structures were not strong enough to handle the animals
- iii. The surrounding fence was not existing, a possibility of vandalism of the wooden posts
- iv. The cemented floors were cracked and grass had grown on it.

In the circumstances, value for money was not achieved on these projects.

Management Response

- i. **Not functional for almost a year**
Management is currently preparing handing over the cattle dips to the local management

committee to ensure the dips are operational. A request to procure dip chemicals has been made.

ii. Dip Defects

Management has directed the contractor to make good all the defects, which had earlier been flagged out by the inspection team. Payment of retention fee has been withheld until the contractor addresses all the defects noted. The deposit withheld notification letter dated 10th September, 2025 is attached.

Committee Observations

The Committee noted that there was a potential risk of loss of public funds. The Committee further observed that section 149 of the Public Finance Management Act, Cap 412A provides that an accounting officer is accountable to the county assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is—

- (a) lawful and authorized; and
- (b) effective, efficient, economical and transparent.

Committee Recommendations

1. **The County Executive establishes a robust project management and monitoring system to ensure proper project conceptualization, planning, execution, and timely completion, in line with the requirements of Section 149 of the PFM Act, Cap 412A.**
2. **The Accounting Officer for each project ensures the completion of works within stipulated timeframes, rectifies all defects (e.g., the bending wall at the stadium), and ensures all project assets are taken on charge and properly recorded in the county asset register.**
3. **The Accounting Officer ensures all land for public projects is properly documented and title deeds are obtained and registered in the name of the County Government, in line with Chapter Five of the Constitution on land.**
4. **The Accounting Officer prepares and submits a progress and implementation report on these projects within ninety (90) days of the adoption of this report.**

13. Construction of Masinde Muliro Stadium

The County Executive awarded a contract for construction of Masinde Muliro Stadium to a local company on 26 April, 2019 at a contract sum of Kshs.679,386,376. This was later revised to Kshs.807,464,800. The initial completion date was 14 June, 2021 but was revised four times and the last revised completion date was 16 December, 2025. Review of payments records revealed that the Company was paid Ksh.39,711,882 as the final payment for Certificate Numbers 2,3,4,11, and 14 which had been partially paid.

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However, the current status of the project could not be established as Management did not provide information on site instructions, schedule of outstanding works, and the title deed for the land which the stadium is built.

Audit inspection conducted on 23 July, 2025 revealed the works had stalled for over a year and the contractor was not on site. The external fence that was built had structural defects. A section of the fence facing the VIP entrance is bending outwards thereby forming a huge crack on the floor between the fence and the adjacent ground. No explanation was given for this defect. Also, some offices had already moved in and occupied the office block even before completion of the project and hand over for occupation.

In the circumstances, value for money has not been achieved on this project

Management Response

i) Current status of the project

Management has provided the Project Status report dated 17th July, 2025. The report includes the schedule of outstanding works. The project is 95% complete as per the attached project status report. Management has further provided minutes of the site meeting held on 21st February 2025. In this meeting, site instructions were given to the Contractor who was in attendance. Instructions have been highlighted on page three of the attached site minutes under appendix 19b.

i) Title deed for the land

The stadium land is registered under the defunct Bungoma County Council as per the attached a copy land search.

Appendix 19c: Certificate of Official Search

ii) No work was ongoing for almost one year and the Contractor was not on site.

The contractor for this project expired on 16th December 2025. The County Government is engaging the National Government to complete the remaining works.

iii) External Fence

The wall referred is not bend but a slight curve on alignment to the existing boundary wall. The structural "crack" is an expansion joint between the columns and therefore not a structural defect. It is worth noting that the existing boundary wall is stand-alone element and not connected to the ground that is made up of debris deposit. There is no crack between the wall and the ground floor of the fence.

iv) Offices already occupied

The contractor partially handed over the project on 23rd April, 2025 after having been issued with a partial certificate of practical completion on 17th April, 2025. The County

Executive has been facing office space constraints with a limited budget for recurrent.

Committee Observations

The Committee observed that the stadium was incomplete. The Committee further observed that there was a potential breach of section 149 of the Public Finance Management Act, Cap 412A provides that an accounting officer is accountable to the county assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is—

- (a) lawful and authorized; and
- (b) effective, efficient, economical and transparent

Committee Recommendations

The Committee recommends that within ninety (90) days after the adoption of this report—

- i. The County Executive establishes a project management and monitoring System to help in proper project conceptualization of projects, planning, execution and timely completion of projects as well as realization of value for money;**
- ii. The Accounting Officer to ensure that the stadium is completed, and the bending wall is rectified as soon as possible;**
- iii. The title deed of the stadium should be transferred to the name of County Government; and**
- iv. The County Asset Register be updated.**

14. Proposed Construction of High-Altitude Training Centre

The County Executive awarded a contract for construction of a High-Altitude Training Centre local company on 16 November, 2023 at a Contract sum of Kshs.30,980,230. During the year under review, the company was paid Ksh.11,558,042 for Certificate number 2.

Although the project was completed and handed over to the Management, the centre has not been opened for use by the County Government for the intended purposes. Further, the land ownership documents were not provided for audit review.

In the circumstances, the public has not received value for money from the project.

Management Response

Management responded as follows—

i) Project had not been handed over

Management has deployed officers to the training centre with view to operationalise it. Attached are the letters of deployment. The facility is now served with water which also had delayed operationalization. The water drilling and equipping completion certificate is

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attached.

ii) Title deed for the land

Management has initiated a process to acquire a title deed for the land. The status report is attached.

Committee Observations

The Committee noted that there was a potential breach of section 149 of the Public Finance Management Act, Cap 412A provides that an accounting officer is accountable to the court assembly for ensuring that the resources of the entity for which the officer is designated are used a way that is—

- (a) lawful and authorized; and
- (b) effective, efficient, economical and transparent

The Committee observed that in failing to submit the required documentation for audit review, Management was in breach of section 62(1)(b) and (c) of the Public Audit Act, Cap 412B which provides that a person shall not without justification, fail to provide information required under the Act.

Committee Recommendations

The Committee recommends that the Accounting Officer operationalize the High-Altitude Training Centre and provide land ownership documents within ninety (90) days of the adoption of this report.

15. Proposed Erection and Completion of Chwele Vocational Training Centre

The County Executive through Department of Education awarded a contract for the erection and completion of Chwele Vocation Training Centre at a contract sum of Kshs.30,337,295 on 7 May 2020 for a project duration of 26 weeks or 6 months. The commencement date was 14 May, 2020 and the completion date was 14 October, 2020. During the year under review, the County Executive paid Kshs.5,000,000 for certificate number 4.

However, the audit verification revealed that the project had stalled. Management did not provide measurement sheets to ascertain the value of works done.

In addition, information provided revealed that the contract was terminated on 26 September, 2020 after the contractor abandoned the site for over 9 months. There was no evidence that due process was followed in the termination process. This was contrary to regulation 141 of the Public Procurement and Asset Disposal Regulations, 2020.

In the circumstances, the public has not received value for money from the project.

Management Response

Management wishes to respond as follows including action taken-

(i) Measurement sheets

Management has now provided the measurement sheets under appendix under appendix 21a.

(ii) Contract termination

Management issued a default notice to the contractor on 18th August 2023 following contract frustration. There was no response received from the contractor. The Accounting Officer on 26th September 2023 terminated the contract.

Management has issued an Advisory to guide to all Accounting Officers on the correct procedure of contract termination. The letter is attached.

(iii) Completion of Project

Management agrees that the project has stalled. A bill of quantities has been prepared to provide the actual cost of project completion. Attached is the copy of the quantities. The funds for completion will be provided in the budget for 2026/2027 Financial Year.

Committee Observations

The Committee observed that the Management had failed to ensure that the project was completed. It also observed that the Management had failed to ensure that there was value for money obtained from this project.

Committee Recommendations

The Committee recommends that the Accounting Officer is to ensure that the construction of Chwele Vocational Training Centre is completed without further delay and that a progress report on this matter is to be prepared and submitted within ninety (90) days of the adoption of this report.

16. Proposed Erection and Completion of Governor's Residence

The County Executive awarded a contract for construction of Governor's residence at a contract sum of Kshs.40,120,900 on 27 June, 2023. The contract period was fifty-two (52) weeks from 14 August, 2023 and expected completion date was 13 August, 2024. Payment amounting to Kshs.17,473,250 was paid during the year under review. Audit inspection was conducted on 15 July, 2025 and the following was observed; -

- (i)The project was not complete and the last project status report revealed that the project was 55% complete;
- (ii)Minimal work was ongoing;
- (iii)Substructure and superstructure works had been done;

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- (iv) Formwork for a staircase and suspended floor slab had been done; and
- (v) Hoarding works were indicated to have been done but during the site visit only the front side of the site had a temporary fence. This may increase possibility of unauthorized access, as well as potential theft of site materials.

There was no evidence provided to confirm whether the contractor had sought for extension of the contract period or a default notice issued to the contractor by the county executive for failure to comply with the contract.

In the circumstances, value for money has not been received from the project.

Management Response

i. Project was 55% complete with minimal work ongoing

The project is now at 60% and the contractor is actively on site. Attached is the status report of the project. The slow pace has been occasioned by budgetary constraints.

ii. Hoarding not completely done

The contractor has since done hoarding of the entire construction area. At the time of audit, management requested for further physical inspection to confirm the hoarding. The hoarding was done as per the attached photographs taken from the construction site.

iii. Contract extension

The contractor sought for contract extension on 14th July, 2025. Management approved contract extension for this project to a new completion date of 17th September, 2026. The request for contract extension and revised contract is attached.

Committee Observation

The Committee observed that the construction of the Governor’s residence was being beset by undue delay. This meant that there was a possibility of loss of public funds as key construction dates came up and no progress was made.

The Committee further noted that the Management was in breach of provisions of regulation 139 (1) of the Public Finance Management (County Government) which states that the Accounting Officer of a county government entity shall take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse.

Committee Recommendation

1. The Committee recommends that County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money.
2. The Committee further recommends that the Accounting Officer is to ensure

completion of this project within the stipulated time. The project work should be properly supervised to ensure it is done professionally and a progress report on this matter is to be prepared and submitted within ninety (90) days of the adoption of this report.

17. Stalled Construction of the Deputy Governor's Residence

The County Executive awarded a contract for the construction of the Deputy Governor's residence at a contract sum of Kshs.35,980,200. The contract was awarded on 27 June, 2023 for a contract period of fifty-two (52) weeks from 14 August, 2023 to 13 August, 2024. The period had since lapsed and no payment has been paid to date. Audit inspection was conducted on 15 July, 2025 and revealed the following;

- i. Only site clearance and excavation of foundation trenches and securing of the site through hoarding had been done;
- ii. No work was ongoing at the time of inspection and the contractor had abandoned the site.

Further, project implementation status report was not provided and there was no evidence provided to confirm whether the contractor had sought for extension of the contract period or a default notice issued to the contractor by the County Executive for breach of contract.

Additionally, the land ownership documents for the land housing the project were not provided for audit and therefore the ownership status of the land could not be confirmed. In the circumstances, value for money has not been received from the project.

Management Response

The Management responded as follows—

- i. **No work was going on and contractor had abandoned site**
The contractor is back on site and the project is ongoing. The project is now at 40% completion as per the attached project implementation status report.
- ii. **Contract extension**
The contractor sought for extension of the contract period. Management approved the request and set a new completion date to 2nd August, 2026. Attached are the request for contract extension and the revised contract.
- iii. **No land ownership documents**
A copy of land title has been provided for audit review. Management had provided the same title at the time of audit.

Committee Observation

The Committee observed that the construction of the Deputy Governor's residence was being beset by undue delay. This meant that there was a possibility of loss of public funds as key

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construction dates came up and no progress was made.

The Committee further noted that the Management was in breach of provisions of regulation 139 (1) of the Public Finance Management (County Government) which states that the Accounting Officer of a county government entity shall take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse.

Committee Recommendation

- 1. The Committee recommends that County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money.**
- 2. The Committee further recommends that the Accounting Officer is to ensure completion of this project within the stipulated time. The project work should be properly supervised to ensure it is done professionally and a progress report on this matter is to be prepared and submitted within ninety (90) days of the adoption of this report.**

18. Proposed Construction of County Aggregation and Industrial Park

The County Executive awarded a contract for the Proposed Construction of County Aggregation and Industrial Park at a contract sum of ksh.474,153,713.83 on 28 August, 2023 for a period of 24 months with an expected completion date of 28 September, 2025. The Scope of work include boundary fence, access road and parking, foot paths around the

building, storm water drainage, septic tank, borehole, ablution block, power and pump houses, office block, warehouses, cold storage rooms, civil works, electrical and Mechanical works. The Contractor was paid Ksh.37,430,000 and 40,000,000 for Certificate No. 2 and 3 respectively. The cumulative payments to date are Ksh.168,448,114. However, the audit could not establish the current status of the project since the management did not provide information on the project status/contract data, schedule of outstanding works and title deed for the land.

Audit Inspection conducted on 2 July, 2025 revealed that the Contractor was not on site and no work was ongoing. Further, the works on the warehousing had been done up to basement level only and the walling of the Offices were done up to the first floor.

In the circumstances, the public has not realized value for money from the project.

Management Response

- i. Current status of the Project**

Management has provided the current status of the project that includes the schedule of outstanding works. Attached is a status report. The project is 59% complete.

ii. Title deed for the land

The land on which the land for County Aggregation and Industrial Park is part of Bungoma National Polytechnic land. The county lands office and trade department are in the process of adjudicating and demarcating the portion set aside for the park. Attached are also the copies of land search.

iii. Contractor was not on site

Management through the project manager has issued a contract default notice to the contractor for breach of contract. The contractor has since resumed site and the works are ongoing.

Committee Observation

The Committee noted that the Management was in breach of provisions of regulation 139 (1) of the Public Finance Management (County Government) which states that the Accounting Officer of a county government entity shall take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse.

Committee Recommendation

- 1. The Committee recommends that, to achieve the primary objective of the County Aggregation Industrial Project (CAIP), which is to foster growth in manufacturing and investments through agro-industries while sustainably enhancing the productivity of the agriculture sector, the National Government should actively engage with County Governments. This engagement should empower Counties to identify and prioritize initiatives that promote inclusive and decent job creation, as well as increase farmers' incomes through participatory approaches. Consequently, this will establish a collaborative platform enabling farmers, processors, exporters, research institutions, industrial bodies, and Government entities to engage effectively in agro-industrial development.**
- 2. The Committee recommends that County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money.**
- 3. The Committee further recommends that the Accounting Officer is to ensure completion of this project within the stipulated time. The project work should be properly supervised to ensure it is done professionally and a progress report on this matter is to be prepared and submitted within ninety (90) days of the adoption of this report.**

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19. Construction of Kanduyi - Sang'alo Junction to Dual Carriage

The County Executive entered into a contract for construction of Kanduyi- Sang'alo Junction Road to Dual Carriage (C33) on 27 December, 2018 at a Contract sum of Ksh.1,382,442,975. The road has a length of 6.7 Kilometers. The contract period recorded is for 24 months and was expected to be completed on 22 October, 2021. The objective of the Contract was to construct and expand the road to Dual Carriage way. The scope of the works included preliminaries and general works, site clearance, earth works, excavation and filling of structures, culverts and drainage works, passage of traffic, natural material subbase and base, graded crushed – subbase and base, bituminous service treatment and surface dressings, bituminous mix bases, binder courses and wearing courses, concrete works (Box Culvert and closed lined drain), road furniture, sexually transmitted diseases and HIV/AIDS prevention, awareness and education and street lighting.

The contract was revised through an addendum dated 3 June, 2022 revising the contract sum by Kshs.191,285,204 raising the contract sum to ksh.1,573,728,108. The revised completion date was 21 July, 2022 and there is no evidence of any further extension of the contract period. As at the time of audit in the month of July, 2025, the Contractor had been paid a total Ksh.1,371,481,891. The status report dated June, 2025 from the Resident Engineer shows the project is 94% percent complete. However, the following major works were noted to be outstanding—

- (i) Under Bill NO. 16 – Bituminous mix bases, a 50mm Asphalt concrete wearing course had not been done;
- (ii) Under Bill No. 17 – Concrete works, a Foot Bridge costing Kshs.50,000,000 had not been done;
- (iii) Under Bill No. 20 - Road Furniture works are still outstanding; Road marking was done temporarily on incomplete road; and Bill No. 26 – Street lighting. This was done by another State Agency during the Madaraka Day celebrations on June, 2024. However, this item which had been planned to cost Kshs.24,286,000 has not been removed from the Bills of Quantities. Further, the street lighting done appear not to comply with the provisions of the BQ as the lighting was done using concrete posts instead of Steel Street lighting round posts as provided for in the Bills of Quantities.

Audit inspection conducted on 21 July, 2025 revealed the following:

- i. The road project is not complete and no work is ongoing and the Contractor was not on site.

- ii. The road although not complete is open to motorists and pedestrians which is a risk as it has no speed bumps or rumbles and no foot bridges.
- iii. The road is one carriageway and does not have shoulders although the Bills of Quantities had provided for 1.7 metres wide shoulders on each side of the road. Shoulders were marked by road marking but they are not safe for pedestrians since there is nothing in place to deter motor vehicles from using them.
- iv. The road is not properly drained. Some sections of the road are retaining flood water at the middle of the road which has already shortened the life of the road.
- v. The road was not raised enough to properly drain storm/rain water to the drainage system. When it rains, the silt covers the walking area thereby covering almost the entire one lane at the place within the town centre especially near the bus park.
- vi. The road has already started to develop potholes.
- vii. The exit roads at the town centre were not served with culverts and therefore they empty all the water to the surface of the dual carriage way instead of the drainage system thereby increasing the damage to the road.

In the circumstances, the value for money has not been realized from this project.

Management Response

Management acknowledges the auditor's findings. Management wish to state that the overall project implementation stood at 97.98% completion as per the attached status report dated 14th November 2023. The project has been handed over to the client as per the attached appendix 25a.

i. Bill No. 16 – Bituminous Mix Bases (50mm Asphalt Concrete Wearing Course)

Management acknowledges that the works billed under Item No. 16 (Bituminous mix bases, 50mm Asphalt concrete wearing course) were not executed. This omission resulted from adverse Variation of Prices (VOP) that increased by 110% since the contract award in 2018. The procurement time in 2018, construction material prices were as follows: fuel at Ksh 90.00 per liter, cement at Ksh 600.00 per 50kg bag, and bitumen at Ksh 98.00 per liter. By 2022, these prices had escalated significantly: fuel to Ksh 200.00 per liter, cement to Ksh 850.00 per 50kg bag, and bitumen to Ksh 200.00 per litre.

Due to these substantial price fluctuations, the Variation of Price component of the project increased significantly. To enable project continuation within the available budget, the client advised implementing an internal variation of quantities, which necessitated reducing the asphalt concrete thickness by 50mm to accommodate the increased material costs.

ii. Bill No. 17 – Concrete Works (Footbridge)

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Management acknowledges the auditor's observation that Item Bill No. 17 (Concrete works) designated for a footbridge costing Kshs 50M was not implemented. The footbridge was intended to facilitate safe pedestrian crossing at the high-density Chepkube market area, which had previously experienced numerous traffic accidents during peak hours.

While the initial contract period was set at 24 months, the COVID-19 pandemic, which was not anticipated during initial project planning, significantly impacted project completion. Working hours were reduced to 6 hours per day due to health protocols, and delayed payments by the client further contributed to project delays, necessitating a 9-month contract extension.

The contract extension resulted in increased administrative costs, including supervision vehicle expenses, supervision allowances, laboratory costs, licensing fees (such as NEMA permits), insurance premiums, and other related expenses. To manage these increased costs within the available budget, the client advised varying the contract by eliminating the footbridge from the design.

As a mitigation measure, management implemented alternative safety solutions including the installation of speed control bumps and appropriate road signage to substitute for the bridge function. The allocated quantities were redirected toward other priority items as detailed in the project variation schedule.

iii. Bill No. 20 – Road Furniture Works

Management respectfully disagrees with the auditor's observation that Road Furniture works remain outstanding. The contractor has successfully completed road markings, installation of road signs, zebra crossings, and road kerbs as specified in the contract documents. Management welcomes the opportunity to provide a guided site inspection to demonstrate the completed road furniture installations.

iv. Bill No. 26 – Street Lighting

Management acknowledges the auditor's findings regarding Bill Item No. 26 on street lighting. We confirm that while street lighting was installed by another state agency during the Madaraka Day celebrations, the corresponding item valued at KSH 24,286,000 has not been removed from the Bills of Quantities.

Additionally, management concedes that the street lighting installation deviated from the contract specifications, which called for round steel posts rather than the concrete posts that were actually installed.

However, it is important to clarify that the contract amount has not been reduced because the contract had already expired at the time of audit, and management could

not vary an expired contract. Furthermore, Bill Item No. 26 for street lighting has not been included in any payment certificates issued to the contractor. Therefore, while the amount remains in the contract documentation, the County Government will not incur any financial liability for this item under the stated conditions.

Regarding the deviation in materials, management notes that the primary objective of including street lighting in the Bill of Quantities was to ensure road user safety during both day and night hours. This objective may have differed from the short-term goals of the Madaraka Day celebration organizers. Since the County Government was not involved in the implementation of these works, which were entirely executed by the National Government through Kenya Power, management had no input on the materials utilized.

v. Project Completion Status and Contractor Presence

Management concurs with the auditor's observation that the contractor was not present on site during the audit inspection. As previously explained, prior to contract expiry, the contractor received site instructions to proceed with and complete the outstanding works within the extended contract period and the defects liability period. However, due to budgetary constraints, the County Government was unable to settle the pending work certified in certificates Numbers 8, 9, and 10 within the contract period, resulting in the contractor's inability to complete the remaining works.

vi. Road Safety Concerns

Management acknowledges with serious concern the auditor's observation that the road is currently open to motorists and pedestrians in its incomplete state, thereby posing safety risks due to the absence of speed bumps, road markings, and the planned footbridge. Management has no alternative routes within the area to divert traffic. Additionally, due to budgetary constraints, management has been unable to settle the contractor's pending certificates, which would enable the execution of outstanding works necessary to make the road safe for both motorists and pedestrians. As part of interim mitigation measures, the department has:

- Erected temporary speed bumps at critical crossing points, including areas near KMTC and Marell Primary School.
- Deployed County Enforcement Officers to manage traffic during peak hours to minimize risk exposure.

vii. Road Shoulders

Management acknowledges the auditor's observation that the carriageway lacks the 1.7m wide shoulders specified in the Bills of Quantities. The total road width from

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the median (raised island) to the drain measures 8.7m. For a dual carriageway, the required traffic lanes total 7m (3.5m per lane). When subtracting 7m from the total 8.7m width, the remaining 1.7m constitutes the shoulders on each side of the road, which have been properly separated from the carriageway by road markings. Please refer to attached technical drawings.

viii. Drainage Issues

Management acknowledges the auditor's observation regarding inadequate road drainage, particularly at super-elevated sections where water accumulates in the middle of the road, potentially compromising the road's structural integrity and lifespan.

The original road design specified 100mm Asphalt Concrete (AC) thickness. However, as explained in response to Bill No. 16, only 50mm of asphalt concrete was applied due to adverse price variations. A second layer of 50mm asphalt concrete is required to achieve the proper elevation for effective water flow across the median island.

This additional layer will be implemented by the Kenya National Highways Authority (KeNHA) since the project has been handed over to KeNHA, as per the agreed arrangement.

ix. Workmanship Quality and Maintenance

Management acknowledges the auditor's observation regarding road deterioration near Bungoma Bus Park and the silt accumulation on walkways. However, it is important to clarify that the observed road failure is not attributable to substandard workmanship but rather to structural limitations arising from the reduced asphalt thickness.

The road was designed to accommodate current and future traffic loading with 100mm thickness of asphalt concrete. However, only 50mm has been applied, which reduces the design life of the pavement structure and explains the observed premature failure.

Regarding the silt-covered walkways, management commits to address road drainage issues through the Department of Water and Environment.

Committee Observations

The Committee noted that the Management was in breach of provisions of regulation 139 (1) of the Public Finance Management (County Government) which states that the Accounting Officer of a county government entity shall take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate

theft, security threats, losses, wastage and misuse.

Committee Recommendation

The Committee recommends that—

- i. The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money;**
- ii. The Accounting Officer should ensure completion of the road as soon as possible and further that Bills of quantities should be revised to remove all the works done by other Government;**
- iii. The Management should prepare and submit a progress & implementation report on these recommendations within ninety (90) days of the adoption of this report.**

20. Rehabilitation of Sio/Mayanja/Sihilila and Nandingwa Rivers

The County Executive entered into a contract for rehabilitation of Sio/Mayanja and Nandingwa Rivers in South Bukusu, Kimaeti and Bumula wards on 6 September, 2024 at a Contract sum of Ksh.5,917,200. The rehabilitation involved the supply of indigenous tree seedlings, bamboo, grass planting, site preparation, protection and maintenance of the seedlings and was expected to be completed on 6 December, 2024. The Management paid a total of Kshs.2,957,944 on 14 March, 2025.

Audit inspection was conducted on 8 July, 2025 and the following was observed: -

- i. There were incidences of sand harvesting which contributed to uprooting of the tree seedlings;
- ii. There was extensive encroachment and cultivation of maize crop in the areas where tree seedlings had been planted hence damaging the trees.
- iii. There were cattle grazing along the rivers which have contributed to reduced numbers of surviving seedlings.
- iv. There is no proper maintenance of the surviving tree seedlings.

In the circumstances, the value for money has not been realized from this project.

Management Response

Management wishes to state as follows including action taken,

i. Climate Change Fund is a self-reporting entity

This project was implemented under Climate Change Fund which is a self-reporting entity. Payment for this project was reported under Climate Change Fund. Attached is a copy of the payment voucher. A ledger submitted for audit erroneously included this transaction.

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ii. Incidences of sand harvesting and encroachment of river banks

Climate change Fund has incorporated in its programme capacity building of the local community on climate change actions through the County Climate Change Unit and Ward Climate Change Planning Committees. Meetings have been held as per the attached report in appendix 26b.

iii. Encroachment and cultivation of maize crop and cattle grazing

The department is engaging local communities on awareness of environmental conservation and risks associated with encroachment of riparian land. Additionally, management has engaged the National Government through National Environment Management Authority (NEMA) and Kenya Forestry Service on enforcement of protection of river banks and the growing tree seedlings.

Committee Observations

The Committee observed that the County Executive failed to properly ensure that it adhered to the standards of environmental sustainability as prescribed in section 117(2)(d) of the County Governments Act, Cap 265.

Committee Recommendation

The Committee recommends that the Accounting Officer to take action to protect the trees and the environment around the two rivers and that the Management should prepare and submit a progress & implementation report on these recommendations within ninety(90) days of the adoption of this report.

21. Proposed Erection and Completion of County Public Service Board Offices

Review of projects records revealed that Bungoma County Executive awarded a tender to a construction company for a proposed erection and completion of County Public Service Board Offices at a contract sum of Kshs.52,497,282.94 on 13 April, 2023 and was to be completed after 52 weeks on 12 April, 2024. However, a review of the project files revealed that the requisitioner of the proposed building, County Public Service Board had requested for a change of site for construction of the office from Ndengelewa Market to plot number 388 and 389 situated between Ngarisha Sacco and Bungoma Law Courts nine (9) months after the contract was signed.

As at the time of the audit, the contract had lapsed and there was no evidence of extension

of the contract duration. Audit inspection conducted on 14 July, 2025 revealed that the office block was at first floor slab work, the site lacked enough space for storage of materials and the project implementation committee had not issued any monthly progress reports. This was contrary to Regulation 140 (1) of the Public Procurement and Asset Disposal Regulations, 2020 which requires the head of procurement function to prepare a monthly progress report of all procurement contracts and submit the same to the accounting officer in accordance with section 152 of the Act.

In the circumstances, the value for money has not been realized from this project.

Management Response

Management wishes to respond as follows including actions that have been taken in regard to this project.

i. Change of site for construction of the office

The stretch between Ndengelwa Market and Sikata bridge has been marked by KENHA as a black spot considering the many fatal road accidents. To ensure safety of 7,000 county staff and other citizens seeking service, relocation to Bungoma town was necessary. Management through the county lands office identified a new parcel of land to construct the board offices. Attached is a letter from County Lands Office.

ii. The contract duration had lapsed with was no evidence of extension

The contractor has submitted a request for contract extension. The process to extend is ongoing. Management has appointed an accounting Officer to fast-track contract renewal after the tenure of the Accounting Officer who was the Board Secretary lapsed.

iii. The office block was at first floor slab work

Management was in receipt of the certificate of Ksh 11,756,147.60 dated 24/5/2024. The payment was processed but in the subsequent Financial Year 2024/2025. This was caused by the late exchequer receipt for 2023/2024. Non-payment of this certificate no. 1 made it difficult for the contractor to resume site on time. The contractor gave notice of suspension of work through a letter dated 3rd October, 2024, to the project manager. The contractor however has resumed site. The project is currently at 37% of completion as per the attached Monthly Progress report.

iv. The site lacked enough space for storage of materials.

Due to space constraints the contractor supplies materials that are used optimally.

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As a mitigation measure, the contractor has completed the structural works on ground floor where some materials are stored.

v. Monthly progress reports

Management has provided the monthly progress reports for audit verification.

Committee Observations

The Committee noted that the Management was at risk of breaching regulation 139 (1) of the Public Finance Management (County Government) which states that the Accounting Officer of a county government entity shall take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse.

Committee Recommendations

The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money. Accounting Officer to ensure the projected is done and completed without further delay.

22. Construction of One ECDE Classroom and Two Door Pit Latrines in 3 ECDE Centres

The County Executive through Department of Education awarded a contract for the construction of 1no. ECDE classroom and two (2). door pit latrines at Lwanda Pefa, Luuya, Maanga and Kiboochi Primary Schools in Luuya Bwake Ward at a contact sum of Kshs.6,077,470 on 29 June, 2022. The project was to take twenty-four (24) weeks commencing on 30 June, 2022. Verification of documents provided for audit revealed that the contractor was paid Kshs.865,640 for certificate number 1. It was further observed that the contract was terminated on 15 December, 2023 for breach of contract after abandoning the site for one month without authority of the Project Manager. However, there was no evidence that due process was followed in the termination process as per the provisions of Regulation 141 of the Public Procurement and Asset Disposal Regulations, 2020.

Audit inspection conducted in the month of July, 2025 at Lwanda PEFA primary school revealed the following; -

- i. No work was ongoing as the contractor had abandoned the site.
- ii. The ECDE classroom construction had the substructure and walling done up to lintel
- iii. The Contractor did not construct a wall on the right side but relied on the existing wall of the adjacent classroom and the Contractor was contracted to construct an independent

classroom and to leave a space between the old and new classroom.

- iv. The abandoned construction has caused accumulation of water that is flowing to the existing classroom.
- v. The walling thickness done is 150mm instead of 200mm specified in the bills of quantities.
- vi. Construction of the 2-door pit latrine was not done.
- vii. No work had started in the other two ECDE Centres.

In the circumstances, the value for money have not been realized from this project.

Management Response

Management wishes to respond as follows including action taken,

i. Contract termination

Management issued a default notice to the contractor on 9th September 2023 following contract frustration. The contractor did not respond to the notice. The Accounting Officer on 15th December, 2023 terminated the contract.

Management has issued an Advisory to guide to all Accounting Officers on the correct procedure of contract termination. The letter is attached under appendix 21b.

ii. Contractor did not construct a wall on the right side

The school had limited space for the building. The works officer on site recommended the use of adjacent wall.

Additionally, the omitted wall was not paid to the contractor as per the attached certificate No. 1 and measurement sheets attached.

iii. Walling thickness done was 150mm instead of 200mm

Management did not pay walling thickness of 200mm to the contractor as per the attached certificate No. 1 and measurement sheets attached. Failure to comply with works instructions formed one of the grounds for contract termination. Management has withheld retention due to the contractor.

iv. Construction of the 2-door pit latrine was not done.

Management terminated the contract and the contractor vacated site.

v. No work had started in the other two ECDE Centres

Management terminated the contract and the contractor vacated site. Management has set will make a budgetary provision in the coming Financial Year to ensure the project is complete for use by those children.

Committee Observations

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The Committee observed that there was a need to ensure that section 149(1) of the Public Finance Management Act, Cap 412A were adhered to. This provision of law states that an accounting officer is accountable to the county assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is—

- (a) lawful and authorized; and
- (b) effective, efficient, economical and transparent

Committee Recommendations

The Committee recommends that—

1. the County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, Cap 412A and the Public Finance Management (County Government) Regulations, 2015;
2. the Management ensures that there was no loss of funds through the termination of the contract and that damages are recovered for termination where possible; and
3. the Management should prepare and submit a progress & implementation report on these recommendations and the project within ninety (90) days of the adoption of this report.

23. Erection and Completion of 1 No. ECDE Classroom and Two (2) Door Pit Latrine at Lukhome Baptist Primary School

The County Executive through Department of Education awarded a contract for erection and completion works for 1 No. ECDE classroom and two (2) door pit latrine at Lukhome Baptist Primary School for a contact sum of Kshs.1,495,570. The contractor was paid Kshs.1,238,403.94 for certificate number 1. Audit inspection conducted in the month of July, 2025 revealed the following; -

- i. The ECDE classroom was complete and in use.
- ii. The floor was already peeling off an indication that it was not done as per the proper cement mixing standards.
- iii. The pit Latrine was abandoned after excavation was done.
- iv. The excavated pit is filled with rain water and is not properly covered thereby posing great danger to the pupils learning at the school. Further, as a result of the stalled latrine construction, the learners in the school with a population of about 600 pupils have been greatly disadvantaged and forced to share the existing 6 door pit latrine available which is currently in a deplorable state.

Management Response

i. The floor was peeling off and stalled pit latrine

Management directed the contractor to make good the defects and complete construction of the stalled pit latrine which was not done. Management had omitted payment of Ksh. 257,166 of the pit latrines in the payment certificate as per the attached measurement sheets. The contractor has been directed to resume site with immediate effect.

ii. Excavated pit

Management has provided measures to ensure children as safe and protected from the excavated pit.

In the circumstances, the value for money has not been realized from this project.

Committee Observations

The Committee observed that there was a need to ensure that section 149(1) of the Public Finance Management Act, Cap 412A were adhered to. This provision of law states that an accounting officer is accountable to the county assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is—

- (a) lawful and authorized; and
- (b) effective, efficient, economical and transparent

Committee Recommendations

The Committee recommends that—

- 1. the County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, Cap 412A and the Public Finance Management (County Government) Regulations, 2015;**
- 2. the Management should prepare and submit a progress & implementation report on these recommendations and the project within ninety (90) days of the adoption of this report.**

24. Lack of Ownership Documents for Construction of Vocational Training Centres

The Department of Education of Bungoma County Executive contracted various contractors for the construction of several Vocational Training Centres (VTCs) and Early Childhood Development Education (ECDE) centres at a total cost of Kshs.6,462,916 as follows; -

- i. Construction of Komosong Model ECDE Centre at Cheptais – Kshs.4,688,716

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- ii. Fencing and Construction of 1 No. classroom at Ngoli VTC. (Craft Centre) at West Bukusu – Kshs.1,774,200

However, management did not provide ownership documents for the land on which the centres are being constructed, including title deeds, leases, or memoranda of understanding for use of the parcels of land.

In the circumstances, the land ownership status of the land where the ECDE centres and VTC centres are situated could not be confirmed.

Management Response

Management has provided a copy of the land title deed for Komosong Model ECDE Centre. The agreement with Ngoli VTC at West Bukusu has been attached.

Committee Observations

The Committee observed that in failing to submit the required title documents at the time of audit the Management was in breach of section 62(1)(b) and (c) of the Public Audit Act, Cap 417 which provides that a person shall not without justification, fail to provide information required under the Act.

Committee Recommendations

The Committee recommends that the Management undertake administrative action against the county officers responsible for the breach of section 62(1)(b) and (c) of the Public Audit Act, Cap 412B and issue a written update on this matter within ninety (90) days of the adoption of this report.

25. Failure to Transfer Funds to Kimilili and Bungoma Municipalities

During the year under review, the County Executive of Bungoma did not transfer funds that were budgeted for Bungoma and Kimilili Municipalities but the funds were spent by the County Executive on behalf of the two Municipalities. Further, the operations were carried out by the County Executive through the Departments of Lands, Housing, Urban Areas Development and Physical Planning, and Road and Public Works. This was contrary to Section 21(1)(a) of the Urban Areas and Cities Act, 2011 which gives Municipalities executive authority as delegated by County Executives.

Management Response

Management agrees with the audit observation. Management has opened the two Municipality Special Purpose Account for recurrent. County Treasury has transferred funds for operations to the new accounts. Attached are Municipality Bank statement extracts showing transfers

from the County Revenue Fund.

Meanwhile, a request has been received from the two Municipalities to open Special Purpose Accounts for Development. The request has been approved awaiting account opening by Central Bank of Kenya. Attached are the approved requests.

Committee Observations

The Committee observed that the County Executive's failure to transfer funds and functions to the municipalities undermines their legal autonomy and is a violation of the constitutional principles of devolution.

This is a breach of:

1. Section 21(1)(a) of the Urban Areas and Cities Act, Cap 275, which gives municipalities executive authority as delegated by County Executives.
2. Article 174 of the Constitution, which outlines the objects of devolution, including giving powers of self-governance to the people and recognizing the right of communities to manage their own affairs.
3. Article 6(2) of the Constitution, which states that governments at the national and county levels are distinct and inter-dependent and shall conduct their mutual relations on the basis of consultation and cooperation (this principle applies by analogy to county-municipality relations).

Committee Recommendations

The Committee recommends that the Governor transfers the roles, functions, and funds to the municipalities as specified in the Urban Areas and Cities Act, Cap 275, to grant them the operational autonomy needed to manage their responsibilities effectively.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

1. Incomplete Fixed Assets Register

The statement of financial position reflects Property, Plant and equipment balance of Kshs.1,832,761,089 as disclosed in Note 15 to the financial statements. The amount relates to land motor vehicles, equipment and other machinery, furniture and fittings, computers and ICT equipment and work in progress. However, the Management did not maintain a proper fixed asset register showing the date of acquisition, name of supplier, details of the asset, cost/valuation amount, depreciation amount for the year, accumulated depreciation and net book value.

In the circumstances, control over the assets is not effective, efficient, economical and transparent.

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Management Response

i. Non-Current Asset Register.

Management is still updating the asset register of opening balance of non-current assets as indicated in the draft asset register in appendix 1a. IPSAS 45 on Property, Plant and Equipment allows a first-time adopter a period of up to three years from the date of adoption of IPSASs to fully comply with non-current asset reporting and disclosure. The attached accrual transitional guidelines issued by National Treasury have further allowed entities a period of three years to fully report and account for non-current assets.

ii. Asset Management Unit

To strengthen the institutional capacity in asset management, an Assets Management Committee and a Unit has been established. The committee has been mandated to ensure a complete asset register is in place by 30th June, 2026. Attached is a letter appointing the committee and Head of Assets Unit.

iii. Inter-Governmental Relations Technical Committee

Management is also waiting for the Inter-Governmental Relations Technical Committee Report and gazette of specific asset classes to be transferred to the County Government. This will enable preparation of a full assets register and comply with the National Treasury deadline of 30th June 2027.

Committee Observation

The Committee observed that the fixed assets register provided by the management lacks proper descriptions of various assets, thus failing to meet the legal standard for maintaining such a register.

This is a breach of:

1. Regulation 22 (1)(c) of the Public Finance Management (County Governments) Regulations, 2015, which requires the accounting officer to prepare financial reports that reflect a true and fair view of the financial position of the entity. An incomplete asset register prevents this.
2. Regulation 136 of the PFM (County Governments) Regulations, 2015, on the responsibility for maintaining a register of assets.

Committee Recommendation

The Committee recommends that the County Executive ensures the asset register is proper and detailed, in accordance with Regulation 22 (1)(c) of the Public Finance Management (County Governments) Regulations, 2015, within 90 days after the adoption of this report.

2.Repairs and Maintenance of Server Room

The County Executive through the Department of Public Service Management, paid Kshs.620,000 for the maintenance of server, server room and LAN at the headquarters. The audit of the payment voucher and supporting documentation revealed the following unsatisfactory matters: -

- i. The payment of Kshs.620,000 was a pending bill of the works which was completed for the upgraded server room;
- ii. The County Executive did not budget for continuous repairs and maintenance of the server room which was last done on 19 June, 2023;
- iii. There is no BMS-Server Building Management system installed in the facility to warn on possible fire outbreak, and
- iv. The fire extinguishers in the building were last serviced in the year 2011.

In the circumstances, there are no proper risk management measures put in place to ensure safety of staff and property by the county government.

Management Response

Management agrees with the audit finding. The work specification of the contract did not provide for BMS-Server Building Management system and servicing of fire extinguishers. Management will make a budgetary provision for repairs and maintenance of the server room and servicing of fire extinguishers in the Financial Year 2026/2027.

Committee Observation

The Committee observed that the County Executive's payment of Kshs.620,000 for server and LAN maintenance lacked prior budgeting and proper planning. Furthermore, the absence of functional fire safety equipment and a Building Management System exposes county staff and property to significant safety hazards. This represents a serious failure in risk management.

This is a breach of:

1. Regulation 139 (1) of the Public Finance Management (County Government) Regulations, 2015, which requires the Accounting Officer to take full responsibility and ensure preventative mechanisms are in place to eliminate security threats, losses, and wastage.
2. Paragraph 12 of Part II of the Fourth Schedule of the Constitution, which lists "Fire fighting services and disaster management" as a function of county governments.
3. Article 201(d) of the Constitution, on the prudent and responsible use of public money (paying a pending bill for unbudgeted, completed works is not prudent).
4. Section 68 (2) (a) of the PFM Act, Cap 412A, on ensuring all expenditure is lawful and

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authorized (i.e., budgeted for).;

Committee Recommendation

1. The County Executive ensures all buildings have adequate and properly serviced fire-fighting equipment, in discharge of its constitutional mandate under Paragraph 12 of Part II of the Fourth Schedule of the Constitution.
2. The Accounting Officer ensures that all risk management measures, including the establishment of fire assembly points and installation of alarm systems, are in place and that an implementation report is submitted within ninety (90) days of the adoption of this report.

3. Lack of Departmental Training Committee and Training Needs Assessments

Audit review of the training documents provided under the various departments revealed the Departments had not established departmental training committees to manage the training function through the County Public Service Board. Further, the County Executive had not designed a training needs assessment manual to help in training projections, needs and nomination of officers on areas of importance.

In the circumstances, the objective of achieving a competent work force could not be achieved.

Management Response

i. Lack of Departmental Training Committee

Clause A13 of the County Human Resource Management Policy establishes the County Human Resource Management Advisory Committee and Departmental Human Resource Management Advisory Committee. Meetings of these committee are convened monthly to deliberate on all human functions including training. Attached are meeting invitation notices and minutes of the committee.

ii. Training Needs Assessments

Management has directed all authorized officers to prepare and submit training needs assessments in the approved format for further action by the Committee. Submissions from some departments have been submitted as attached.

Committee Observation

The Committee observed that the County Executive lacks several critical governance and operational frameworks, including functional training committees, a skills inventory, an approved ICT policy, and a business continuity plan. This significantly hampers the development of a competent workforce and exposes the county to operational and data

security risks.

This is a breach of:

1. Public Service Commission Human Resource Policy and Procedures, paragraph 12, Part H.14 (1), which requires authorized officers to develop, update, and maintain a skills inventory.
2. Regulation 158 of the PFM (County Governments) Regulations, 2015, which requires the Accounting Officer to ensure the entity, develops a system of risk management and internal control. The absence of an ICT policy, business continuity, and disaster recovery plans is a failure in this regard.
3. Section 62(1)(b) and (c) of the Public Audit Act, Cap 412B, for failing to provide the required information at the time of audit.

Committee Recommendation

1. **The County Governor takes administrative action against the county officers who failed to provide the required information at the time of the audit, in line with section 156 of the PFM Act, Cap 412A.**
2. **The County Executive fast-tracks the approval and implementation of the ICT Policy, Business Continuity Plan, and Disaster Recovery Plan to ensure robust risk management, as required by Regulation 158 of the PFM (County Governments) Regulations, 2015.**

4. Lack of County Human Resource Skills Inventory

The audit review revealed that the County Executive has not developed, implemented or maintained any skills inventory for officers. This is to ensure that the performance of all officers is evaluated and feedback on performance is relayed in writing at the end of the year, develop and implement the internal monitoring, evaluation and reporting system in accordance with the Public Service Commission Human Resource policy and procedures, paragraph 12, Part H.14(1) which states that Authorized Officers are expected to develop, update and maintain a skills inventory for all officers in their respective Departments for purposes of identifying the available, and the required skills.

In the circumstances, the objective of achieving a competent work force could not be achieved.

Management Response

i. Skills Assessment Audit

Management in October 2025 conducted a skills audit developed a link to capture skills inventory for all officer in county public service. A circular was issued to all officers to submit their skills. A reminder was done to staff on. Manual collection of staff inventory in October

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2025. The officers submitted the information required to develop and update a skills inventory. The skills inventory is now in place.

ii. Performance Management

Additionally, management introduced performance management on 1st July 2024. Performance contract for the current Financial Year is on. Appraisals for previous financial year 2024/2025 was concluded as per the attached selected filled appraisal forms.

Committee Observations

The Committee observed that the Management had failed to adhere to the guidelines set out in the Public Service Commission Human Resource Policy and Procedures, paragraph 12, Part H.14(1) and noted with concern that the County Executive ran the risk of inefficiency as untrained and undeveloped county officers were unlikely to serve the residents of Bungoma County with the statutorily expected level of diligence and professionalism. The Committee further queried why the Management failed to provide the Auditor-General with the required information on skills inventory at the time of the Audit.

Committee Recommendations

1. The Committee recommended that administrative action be undertaken against the county officers who failed to provide the required officers at the time of the audit.
2. The Committee further recommended that the County Public Service Board develop a skills audit for all officers within the county executive and submit an implementation report within ninety (90) days of the adoption of this report.

5. Lack of Serviced Fire Equipment, Fire Assembly Points and Fire Safety Alarm System

Audit verification at the time of audit on 9 July, 2025 revealed that the firefighting equipment and facilities including fire extinguishers and fire hose pipe were not serviced, the assembly points had not been marked and fire alarm safety system had not been installed. Further, the firefighting equipment were last serviced on 19 November, 2011 casting doubt whether the fire equipment was still effective.

In the circumstances, the Management may not be able to mitigate risks including loss of financial records, and lives in case of fire outbreak.

Management Response

Management agrees with the audit finding. Management will make a budgetary provision to service the fire equipment and fire alarm safety system. However, making of Fire Assembly has been made as per the attached photographs.

Committee Observations

The Committee noted that the County Executive had failed to properly discharge its duties as regards disaster management and firefighting services as outlined in paragraph 12 of Part II of the Fourth Schedule of the Constitution. The Committee also observed that the responsible accounting officer failed to adhere to regulation 132 of the Public Finance Management (County Government) Regulations which requires an accounting officer to take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse.

Committee Recommendations

The Committee recommends that—

- a) **The County Executive to ensure all the buildings have adequate and properly service firefighting equipment and train staff on how to use them and further that enough spaces for fire assembly points should be provided and be clearly marked;**
- b) **The Accounting Officer to submit an implementation report within ninety (90) days of the adoption of this report.**

6. Lack of an Approved Information Communication Technology (ICT) Policy, Business Continuity Plans and Disaster Recovery Plan

Review of Information Communication Technology (ICT) governance documents, field verifications and interviews with management revealed that the County Executive did not have an approved ICT policy. Whereas the draft policy document had been tabled before the County Executive Committee, the management did not provide timelines indicating the action plans which would lead to the approval of the ICT policy and subsequent submission to the County Assembly for approval. Further, ICT equipment were not tagged for identification. Additionally, the County Executive did not have business continuity plan and disaster recovery plans in place.

In the circumstances, the County Executive could lose vital data and information in case of occurrence of any disaster.

Management Response

The Management responded as follows—

- i. **ICT Policy**

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Management has carried out further reviews of the Draft ICT Policy. The final reviewed copy has been submitted to the cabinet for approval as per attached cabinet memorandum. Below is timeline for approval of the ICT Policy and Business Continuity and Disaster Recovery Plan 2025.

However, Management would like to state that there is no gap in Strategy and Policy direction as the County Government applies the National Government ICT Policy and ICT Standards issued by ICT Authority.

ii. Asset Tagging

Management has established an Asset Management and Liability committee to ensure all assets are identified and tagged. The committee has been given a time frame until 30th June 2026 to complete asset tagging. Attached is a letter of appointment.

iii. Business Continuity IT Disaster Recovery Plan

Management had developed Business Continuity and IT Disaster Recovery Strategy under the ICT Policy. This has however been separated as guided by audit to make it a stand- alone plan. The plan has been submitted to the cabinet for approval. Attached is a cabinet memorandum.

Committee Observations

The Committee observed that the Information System Audit and Control Association (ISACA) has developed a Control Objectives for Information and Related Technology (COBIT) framework which helps organizations implement sound governance practices for the ICT domain and offers the best practices and standards to support ICT governance.

Committee Recommendations

The County Executive fast-tracks the approval and implementation of the ICT Policy, Business Continuity Plan, and Disaster Recovery Plan to ensure robust risk management, as required by Regulation 158 of the PFM (County Governments) Regulations, 2015.

7.Failure to take Action on Issues Raised by the Internal and External Auditor by the Audit Committee

During the year under review, the internal audit department of County Executive conducted audit assignments and reported on their findings. However, there was no evidence that the issues raised were acted upon by the Management. Further, it was noted that a number of issues raised in the previous years' external audit remained unresolved.

In the circumstances, oversight over Management actions could not be established.

Management Response

Management is progressively addressing audit issues raised by both Internal and External audit as per attached action plan and the progress report of prior year audit matters. Additionally, management has directed all Accounting Officers to immediately address outstanding external and internal audit recommendations.

Committee Observation

The Committee observed that although a Business Continuity and IT Disaster Recovery Strategy has been developed and submitted for approval, management failed to act on issues raised by internal and external auditors, including unresolved findings from previous audits, indicating weak follow-up, accountability, and risk management practices.

Committee Recommendation

The Committee recommends that the Accounting Officers take immediate action to implement the recommendations made in the internal and external audit reports. A response and action plan must be developed and submitted to the chairperson of the audit committee, in compliance with Regulation 165 of the PFM (County Governments) Regulations, 2015, within 90 days after the adoption of this report.

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF BUNGOMA COUNTY REVENUE FUND FOR THE FINANCIAL YEAR 2024/2025

The Governor of Bungoma County, H.E Kenneth Makelo Lusaka, EGH appeared before the Committee on Wednesday 2nd February 2026, to respond (under oath) to audit queries raised in the Report of the Auditor General on County Revenue Fund Statement for Bungoma County Executive for the Financial Year 2024/25.

UNQUALIFIED OPINION

I. Budgetary Control and Performance

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The statement of comparison of budget and actual amounts reflects final budget and actual on comparable basis amounts of Kshs.15,922,036,803 and Kshs.12,754,197,459, respectively resulting to underfunding of Kshs.3,167,839,345 or 20% of the budget.

Similarly, the statement reflects total actual payments of Kshs.12,069,179,489 against approved budget of Kshs.15,922,036,803 resulting to under-performance of Kshs.3,852,857,314 or 24% of the budget.

Management Response

The Management responded as follows—

i. Under-Funding

The under-funding was caused by:

- a) Under collection of Own Source Revenue by Ksh. 627,905,314
- b) Non receipt of all the budgeted donor funds of Ksh. 2,539,933,194

Management however reports that some funds were send from Donors after closure of the Finan Year as indicated in the full response.

Committee Observation

The Committee observed that;

- 1) the county entities did not receive exchequer releases from the National Treasury on time.
- 2) the Committee noted that the county executives did not meet their own source revenue collection targets. This challenge hampered budget implementation in the affected county entities.
- 3) Most Counties fail to undertake public participation on supplementary budgets that exceed 10% of the budget contrary to Section 135 (7) of the PFM Act, 2012 and regulation 39(9) of the PFM (County Government) Regulations, 2015.

Committee Recommendation

The Committee recommends that; -

- 1) The National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate.
- 2) the County Executive should put in place measures to enhance its own generated revenue in order to meet its revenue target and address revenue shortfalls.
- 3) County Assemblies to exercise their powers as outlined in Article 201 of the Constitution to ensure budgets are realistic and espouse people's aspirations.

2. Under Collection of Own Source Revenue

The statement of comparison of budget and actual amounts indicates that the County Government collected own source revenue amounting to Kshs.414,556,229 against approved budget of Kshs.1,042,461,543 resulting to under-collection of Kshs.627,905,314 or 60% of the budget.

Management Response

The Management responded as follows—

The reasons for under-collection of revenue were as follows:

- a) Unrealistic own source revenue projection;
- b) Weak revenue management team that has since been addressed;
- c) Existing gaps in legal framework; and
- d) Resistance to pay fees and charged from local business persons and citizens.

Management has put in place more aggressive strategies to enhance revenue collection as highlighted above. The current year revenue projection has been based on historical performance and verifiable parameters including number of businesses, Public Service Vehicles among others

Committee Observation

The Committee observed that there was under collection of revenues by the County Executive. This represented a laxity in the execution of the County Executive's mandate and potential shortfalls in the near future.

Committee Recommendation

The Committee recommended that the Management reform its revenue collection and present a progress and implementation report within ninety (90) days.

3. Unresolved Prior Year Matters

In the previous year audit, three issues were raised under Report on the Financial Statement and Report on Lawfulness and Effectiveness in the Use of Public Resources. The issues were on receipts in cash book not in bank statements, budgetary control and performance and late disbursement of funds.

However, no supporting documents were provided for audit review to show how the resolved issues were resolved and no explanation was given on the delay in resolving one issue.

Management Response

Management has provided the current action plan on the Auditors recommendations.

Committee Observation

The Committee observed that issues from previous financial years had not been

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resolved

Committee Recommendations

The Committee Recommends that—

1. the County Executive implements the recommendations of the Committee in its report on the Report of the Auditor General on Financial Statements for for the Financial Year 2023/2024 as adopted by the Senate and reports to the committee within sixty (60) days of the adoption of this report;
2. the account officer complies with section 53 of the Public Audit Act by taking the relevant steps to implement the recommendations of the Senate on the report of the Auditor-General and submits a report to the Senate within ninety (90) days of the adoption of this report;
3. the County Executive engages with the Office of the Auditor General to address and resolve any outstanding matters; and
4. the Auditor General lists any unresolved audit issues in the report of the subsequent financial year.

4. Lack of Internal Audit Reports

Audit review revealed that during the year under review, internal audit department did not carry out any audit on County Revenue Fund.

Management Response

The management has taken note of the audit finding. An audit has been carried out and draft audit report has been attached for audit review.

Committee Observation

The Committee observed that the Management failed to ensure that the internal audit department carried out its mandate as per the provisions of regulation 153 of the Public Finance Management (County Government) Regulations.

Committee Recommendation

The Committee recommends that the Management ensure that the independence of the Internal Auditor as outlined in regulation 155 of the Public Finance Management (County Government) Regulations is maintained.

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF BUNGOMA COUNTY RECEIVER OF REVENUE FOR THE FINANCIAL YEAR 2024/2025

The Governor of Bungoma County, H.E Kenneth Makelo Lusaka, EGH appeared before the Committee on Wednesday 2nd February 2026, to respond (under oath) to audit queries raised in the Report of the Auditor General on Receiver of Revenue Statement for Bungoma County Executive for the Financial Year 2024/25.

I. Unconfirmed Revenue from County Housing, Stalls and Kiosks Rent

The statement of revenue and disbursements reflects property rent amounting to Kshs.17,594,187. Included in this amount is Kshs.12,588,168 and Kshs.1,196,450 for County Housing and Stalls/Kiosks rent respectively. The tenants' agreements and the list of all the County houses, stalls and kiosks in respect of rent chargeable and charged were not provided for audit review. The stalls at the bus park were not numbered for identification. Some stalls had been sub-rented to third parties who paid rent to their "Landlords. The identified third party could not confirm that they had paid the rent due for the stalls to Bungoma County Receiver of Revenue.

Management Response:

- i. Tenancy agreements and the list of all the County houses.
Tenancy agreements and the list of all the County houses has been provided for audit review.
- ii. BARMS lacked configuration
At time of audit, it had not been activated.
- iii. Sub-letting Management prohibits sub-letting as per the attached tenancy agreement and letter of offer.

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Management has directed the county enforcement unit to investigate this matter of sub-letting and provide a report within sixty days.

Committee Observation

The Committee observed that the documents submitted were incomplete.

Committee Recommendation

The Committee recommends that the County Executive submit the report of the County Enforcement within sixty (60) days of the adoption of this report.

The Committee also recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.

The Committee further recommends that the Directorate of Criminal Investigations investigates breach of section 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.

2. Unreconciled Variances Between Amounts Reflected in the Statement of Cash Flows and System Generated Receipts

The statement of cash flows reflects amounts of Kshs.335,950,623 for various revenue streams which differ with the amounts as per Bungoma Automated Revenue Management System (BARMS) generated receipts of Kshs.323,723,691, resulting to an unexplained variance of Kshs.12,226,932.

Management Response:

The variance was caused by revenue collection of Ksh. 12,226,932 from housing and stalls which had not been captured in the system. At the time of audit, the housing and stalls module had not been activated in the system. The module is now active and variances of this nature will not occur.

Committee Observation

The Committee observed that the management did not provide supporting documents to respond to the query.

Committee Recommendation

The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.

The Committee further recommends that the Directorate of Criminal Investigations investigates breach of section 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where any offences are established, refer the matter to the Director of Public Prosecutions for prosecution.

3. Unsupported Waivers and Exemptions on Level 4 and 5 Hospitals

The statement of revenue and disbursements and as disclosed in Note 24 to the revenue statements reflects waivers and exemptions amount of Kshs.39,295,241 which includes Level 4 and 5 hospitals waivers amount of Kshs.31,919,837. The supporting document provided did not have all the names of beneficiary patients, not all patients listed had reasons for waivers and amount waived per patient. The minutes provided indicated a list of patients who were not in the schedule of waivers provided for audit.

Management Response:

- i. Unsupported Waivers and Exemptions on Level 4 and 5 Hospitals Management has provided for audit review the names of beneficiary patients, dates of the waivers, reason for waivers, amount waived per patient and minutes for audit verification.

Committee Observation

The Committee observed that the supporting ledgers provided did not have all the names of the beneficiaries. Further, reason for waiver not listed for some patients and the supporting ledgers provided did not have all the names of the beneficiaries. Further, reason for waiver not listed for some patients.

This was in violation of regulation 64 of the Public Finance Management (County Governments) Regulations which states that the accounting officer or receiver of revenue or collector of revenue shall include the following details in the report—

- (a) The full name of each person benefiting from the waiver or variation;
- (b) the reasons for the waiver or variation; and
- (c) the law in terms of which the waiver or variation was granted.

Committee Recommendation

The Committee recommends—

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- (a) That the Management undertakes administrative action against the officers found in violation of regulation 64 of the Public Finance Management (County Government) Regulations; and
- (b) that the Management ensures constant compliance with the provisions of regulation 64 of the Public Finance Management (County Government) Regulations.

4. Unconfirmed Cash and Cash Equivalents Balance

The statement of financial position reflects a balance of Kshs.106,841,678 for cash and cash equivalents. Included in this, is Kshs.5,433,621 for the four accounts whose bank reconciliation statements and cashbooks were not provided for audit to review. The reported balances were bank statements balances and not cash book balances as required by the reporting template prescribed by the Public Sector Accounting Standards Board.

Management Response:

Bank reconciliation statements and cashbooks were not provided for audit to review. Management provided cashbooks and bank reconciliation statements which according to audit were not in the format expected. The auditors have guided on the format prescribed by Public Sector Accounting Standards Board. Management has configured the new format in the revenue system. Attached is the new sample report generated from the revenue system.

Committee Observation

The Committee observed that the Management had failed to maintain cashbooks and monthly bank reconciliation statements during the year under review. This was in violation of regulation 22 (1)(c) of the Public Finance Management (County Governments) Regulations, 2015, states that the Accounting Officer shall in accordance with Article 226(2) of the Constitution and in accordance with Section 149 (1) of the Public Finance Management Act, 2012, be accountable to the County Assembly for measures taken to prepare financial reports that reflect a true and fair view of the financial position of the entity.

Committee Recommendation

The Committee recommends that the County Executive ensures that all relevant accounting officers are adequately trained

5. Unconfirmed Receivables from Non-Exchange Transactions

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.268,398,383 which includes cess and land rates of Kshs.84,641,795 and Kshs.183,756,587 respectively. In the ageing analysis provided, receivables amounting to

Kshs.206,195,223 were aged over 3 years, and no documentary evidence was provided for audit indicating efforts made by Management to recover the debts.

Management Response:

Management has made several attempts including visiting the clients and issuing the demand notices requesting for payment of the debts. Additionally, management has initiated legal action against defaulters as per the attached letter to the County Attorney.

Committee Observation

The Committee observed that while the management has made steps to reconcile the debts owed to them, there is no evidence of recovery. The Committee observed that the accuracy and recoverability of the longstanding receivables cannot be confirmed and therefore considered the issue as unaddressed.

Committee Recommendation

The Committee recommended that the accounting officer should take stricter measures to ensure recovery of outstanding debts and provide a progress report within ninety (90) days of the adoption of this report.

6. Unsupported Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.358,551,600 which includes Level 4 and 5 Hospitals receivables amount of Kshs.231,192,217. The amount includes Kshs.73,903,076 for Bumula, Kimilili, Naitiri, Bokoli, Cheptais, Chwele and Mt. Elgon hospitals.

Management Response:

Management has provided the ledgers indicating invoice date, invoice number, name of the debtor, details of the debt and amounts for audit verification. Management acknowledges that there are still some gaps which was caused by data migration from the old to new system.

Committee Observation

The Committee observed that the Management did not provide supporting documents to respond to the query.

Committee Recommendation

The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap.

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412A) and provide a status report to the Auditor-General within sixty (60) days of the adoption of this report.

The Committee further recommends that the Directorate of Criminal Investigations investigates breach of section 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers, and where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.

7. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects revenue final budget and actual on comparable basis amounts of Kshs.1,777,933,189 and Kshs.1,394,958,013 respectively, resulting to under-collection of revenue by Kshs.382,975,176 or 22% of the budget.

Management Response:

Management agrees to the audit finding. Adequate measures have been put in place to enhance revenue. Key among the measures as indicated in the response.

Committee Observation

The Committee observed that;

- 1) the county entities did not receive exchequer releases from the National Treasury on time.
- 2) the Committee noted that the county executives did not meet their own source revenue collection targets. This challenge hampered budget implementation in the affected county entities.
- 3) Most Counties fail to undertake public participation on supplementary budgets that exceed 10% of the budget contrary to Section 135 (7) of the PFM Act, 2012 and Regulation 39(9) of the PFM (County Government) Regulations, 2015.

Committee Recommendation

The Committee recommends that; -

- 1) The National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate.
- 2) the County Executive puts in place measures to enhance its own generated revenue in order to meet its revenue target and address revenue shortfalls.

The Committee further recommends that the County Assemblies should exercise their powers as outlined in Article 201 of the Constitution to ensure budgets are realistic and espouse people's aspirations.

8. Unresolved Prior Year Matters

The audit report of the previous year, several issues were raised under Report on the Revenue Statements, Report on Lawfulness and Effectiveness in the Use of Public Resources and Report of Effectiveness of Internal Controls, Risk Management and Governance as indicated in Appendix I. No documentary evidence was provided indicating how the issues were resolved and the delay in resolving the other issues.

Management Response:

Management has resolved some audit recommendations and attached appendixes.

Committee Observation

The Committee observed that issues from previous financial years had not been resolved.

Committee Recommendation

The Committee recommends that the County executive complies with section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor General and submits a report to the Auditor General within 60 days of the adopting this report

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

I. Payables due to County Revenue Fund

The statement of financial position and as disclosed in Note 28 to the revenue statements reflects payables due to the County Revenue Fund (CRF) balance of Kshs.733,791,661. The balance includes amount collected and not disbursed to CRF of Kshs.5,433,621 and amount collected but retained in the operation account of Kshs.101,408,057. Management did not provide explanation for not remitting the amounts to the County Revenue Fund. Revenue totaling Kshs.4,070,713 deposited in a local bank is yet to be remitted to County Revenue Fund.

Management Response:

Unremitted Revenue of Kshs. 101,408,057 This amount relates to collections from county health facilities. The collections were retained in compliance with Section 5(1) Facilities Improvement Financing Act, 2023 approved by the Senate. ii. Unremitted Revenue of Kshs. 5,433,621 This amount was revenue collected on 30th June 2025 and subsequently transferred to the County Revenue Fund on 2nd July, 2025.

Committee Observations

The Committee observed that there was a breach of regulation 81(2) of the Public Finance Management (County Governments) Regulations, 2015 states that, the receivers of revenue shall promptly pay the revenue received into the County Revenue Fund, as soon as possible and in

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any case not later than five (5) working days after receipt thereof.

Committee Recommendation

The Committee recommends that the accounting Officer to address the issue and ensure prompt remittance of funds to CRF and provide supporting documents to the office of the Auditor General for verification within ninety (90) days of the adoption of this report.

The Committee further recommends that administrative action be taken against officers who breached regulation 81(2) of the Public Finance Management (County Governments) Regulations.

2. Revenue from Hire of County Halls and Stadium

The statement of revenue and disbursements reflects an amount of Kshs.23,140,955 for hire of county assets This amount is Agricultural Mechanization Services revenue of Kshs.1,169,250, hire of county halls/stadium of Kshs.79,500 and conference facilities Agricultural Training Centres of Kshs.21,892,204 The revenue was not remitted to the Receiver of Revenue for subsequent transfer to the County Revenue Fund but was spent at source within the various institutions.

Management Response:

Mabanga Agricultural Training Centre is an institution inherited from the National Government in relation to devolved functions. The institution currently uses the National Governments Demonstration Farm Fund (DFF) Operations manual for Agricultural Training Centers-2011 in accordance to Section 8(2) of the County Governments Act, 2012.

Committee Observations

The Committee observed that there was a breach of regulation 81(2) of the Public Finance Management (County Governments) Regulations, 2015 states that, the receivers of revenue shall promptly pay the revenue received into the County Revenue Fund, as soon as possible and in any case not later than five (5) working days after receipt thereof.

Committee Recommendation

The Committee recommends that the accounting officer to address the issue and ensure prompt remittance of funds to CRF and provide supporting documents to the office of the Auditor General for verification within ninety (90) days of the adoption of this report.

The Committee further recommends that administrative action be taken against officers who breached regulation 81(2) of the Public Finance Management (County Governments) Regulations.

3. Loss of Revenue due to Unoccupied Market Stalls - Chebkube Market

The statement of revenue and disbursements reflects property rent amounting to Kshs.17,594,187. An amount of Kshs.1,196,450 relates to stalls/kiosks rent. Audit inspection revealed that the Department of Trade constructed Chebkube Market including twenty-one (21) kiosks/stalls that had not been occupied since the launch of the market in April 2024.

Management Response:

These stalls were allocated in April 2024. At the time of audit, the successful tenants had not occupied the stalls. Management attached the letters of allocation issued to tenants.

Committee Observations

The Committee observed the provisions of regulation 63 (1) of Public Finance Management (County Governments) Regulations, 2015 which stipulates that an accounting officer and a receiver of revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for, all county government revenue and other public moneys relating

Committee Recommendation

The Committee recommends that Accounting Officer to ensure the stalls are properly rented to improve revenue collection.

4. Failure to Comply with the Law on Issuance of Liquor Licenses

The statement of revenue and disbursements reflects administration control fees and charges amounting to Kshs.32,339,067. Included in this amount is Kshs.9,920,250 for liquor licenses. Audit review of the vetting process revealed that there was no Sub-County Alcoholic Drinks Regulation Committees formed for that purpose. There was no enforcement committee to coordinate the enforcement of the Act.

Management Response:

The Sub-County Alcoholic Drinks Regulation Committees was appointed. Management has developed Alcoholic Drinks Control Regulations to operationalize the Act.

Committee Observations

The Committee observed that section 6 of Bungoma County Alcoholic Drinks Control Act, 2015 which provides that there is established a Fund to be known as Alcoholic Drinks Control Fund

The Committee further observed that section 30(1) of National Rating Act, 2024 which provides that a county government shall cause preparation of a valuation roll to be undertaken in every five years on the ratable properties within the county.

Committee Recommendation

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The Committee recommends that the accounting officer is to ensure stricter compliance with the law.

5. Failure to Establish Alcoholic Drinks Control Fund

Receiver of Revenue records revealed that Management had not established Alcoholic Drinks Control Fund.

Management Response

Management has developed Alcoholic Drinks Control Regulations which establishes the Fund.

Committee Observations

The Committee observed the provisions of section 6 of the Bungoma County Alcoholic Drinks Control Act, 2015 which provides that there is established a Fund to be known as Alcoholic Drinks Control Fund had not been complied with at the time of the audit.

Committee Recommendations

The Committee recommends that the County Executive ensures the establishment of the fund and provide evidence to the Office of the Auditor General within ninety(90) days of the adoption of this report.

6. Use of Outdated Valuation Roll

The statement of revenue and disbursements reflects land rates revenue amounting to Kshs.52,219,237. Review of the revenue collection process revealed that the Receiver of Revenue used a valuation roll for the year 2006. Further, the roll did not disclose details of all the land parcels within the County, the value of land, use of property, the assessment for the improvements, size, name and address of the ratable owner.

Management Response:

Management submitted the Valuation Rolls for Bungoma, Webuye and Kimilili to the County Assembly for approval. This was awaiting the Bungoma County Valuation and Rating Act 2025 which has since been approved and assented to.

Committee Recommendations

The Committee observed that the provisions of section 30(1) of National Rating Act, 2024 which provides that a county government shall cause preparation of a valuation roll to be undertaken in every five years on the ratable properties within the county had not been adhered to at the time of the audit.

Committee Observations

The Committee recommends that the County Executive ensures that the preparation of a valuation roll is undertaken and that it provides evidence to the Office of the Auditor General within ninety (90) days of the adoption of this report.

7. Failure to Submit Waivers and Exemptions Report to the County Assembly

Note 24 to the revenue statements reflects waivers and exemptions amount of Kshs.39,295,242 which includes Level 4 and 5 hospitals waivers amount of Kshs.31,919,837 and land rates waivers of Kshs.7,375,404. Management did not provide evidence to show that the waivers and exemptions reports were submitted to the County Assembly.

Management Response:

Management takes note of the observation and is now forwarding all waivers to the County Assembly in compliance with Section 165 (4) of the Public Finance Management Act, 2012.

Committee Observation

The Committee observed that there was no compliance with section 165 (4) of the Public Finance Management Act, Cap 412A which provides that not later than two months after the end of each financial year, a receiver of revenue for the county government shall submit to a county assembly a report with respect to all waivers and variations of taxes, fees or charges granted by the receiver of revenue during that year

Committee Recommendation

The Committee recommends that—

- a) **The County Executive ensures that administrative action is taken against the officer(s) who failed to comply with section 165 of the Public Finance Management, Cap 412A; and**
- b) **Management to ensure future waivers are submitted to the County Assembly.**

8. Unexplained Transfer of Funds

Analysis of bank statements of a revenue collection bank account revealed two instances where revenue collected amounting to Kshs.1,817,977 was not remitted to the County Revenue Fund. The narration in the bank statements indicates that an amount of Kshs.1,600,000 was paid into a Bungoma County Government imprest account and Kshs.217,977 was paid into a loan settlement account.

Management Response:

The transfers related to loan recovery by the bank on overdue interest on salary loan advanced to pay County Government workers. Management had sought for the loan facility to caution staff against delayed salary arising from late exchequer release. Management has since regularized the transfers.

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Committee Observation

The Committee observed that there was a failure to comply with regulation 63(1)(a) of the Public Finance Management (County Government) Regulations, 2015 provides that an accounting officer and a receiver of revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for, all county government revenue and other public moneys relating to their county departments and agencies.

Committee Recommendation

The Committee recommends that—

1. **The County Executive ensures that administrative action is taken against the officer(s) who failed to comply with regulation 63(1)(a) of the Public Finance Management (County Government) Regulations;**
2. **The Accounting Officer to ensure the funds are refunded to the Receiver of Revenue bank account and submit supporting documents to the office of the Auditor General for verification.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Reliability of Data Maintained in Bungoma Automated Revenue Management System

Analysis of system-generated receipts from BARMS system revealed 307 instances where receipts for the several streams of revenue were issued with zero amounts. The receipts were expected to reflect actual total revenue amount of Kshs.620,300. The issuance of zero-value receipts without supporting documentation raises concerns about the integrity of the revenue collection process. Further one hundred and twenty-two (122) instances where receipts were generated for amounts below Kshs.30. However, the County Finance Act did not have provisions for services or charges below this threshold.

Management Response:

Management took note of the findings. The zero value receipts are for the cancelled receipts which were posted erroneously. The Bungoma County Finance Act of 2023 has fees and charges below ksh.30.

Committee Observation

The Committee observed that there was a laxity in reliability of information expected of the accounting officers. The Committee further observed the provisions of regulations 63 (1) of Public Finance Management (County Governments) Regulations, 2015 stipulates that: An -

accounting officer and a receiver of revenue are personally responsible for ensuring that-(a) adequate safeguards exist and are applied for the prompt collection and proper accounting for, all county government revenue and other public moneys relating to their county departments or agencies.

Committee Recommendation

The Committee recommends that—

- 1. The County Executive ensures that administrative action is taken against the officer(s) who failed to comply with regulation 63(1)(a) of the Public Finance Management (County Government) Regulations;**
- 2. The Accounting Officer to ensure the funds are refunded to the Receiver of Revenue bank account and submit supporting documents to the office of the Auditor General for verification.**

2. Over Reliance on the System Vendor

The County relies heavily on the vendor to generate revenue reports. The revenue management system is fully controlled by the vendor. At the database level, it was noted that the Receiver of Revenue had not implemented adequate controls to monitor and review activities performed by the vendor. The critical functions such as access to logs, changes made to the database, and other vendor-related activities were not independently reviewed by County ICT staff.

Management Response:

Management has noted the gaps as highlighted in the audit finding. A job indent for recruitment of a qualified system Administrator has been submitted to the County public service board for recruitment.

Committee Observation

The Committee observed that there were poor risk management controls exercised by the County Executive due to their overreliance on the vendor for revenue management.

Committee Recommendation

The Committee recommends that the accounting officer complies with regulation 158 of the Public Finance Management (County Government) Regulations by ensuring that the Receiver of Revenue staff are properly trained to be able to fully operate the system and rights be given to the authorized officers for access to the system.

3. Deficiency in ICT Policy Framework

Review of information system management revealed that the Receiver of Revenue has not developed and implemented the critical policies on ICT including Security Policy, Backup Policy, Data Classification Policy and Change Management Policy.

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Management Response:

Management has developed Draft ICT Policy. However, Management would like to state that there is no gap in Strategy and Policy direction as the County Government applies the National Government ICT Policy and ICT Standards issued by ICT Authority.

Committee Observation

The Committee observed that there were poor risk management controls exercised by the County Executive due to the lack of an active ICT policy.

Committee Recommendation

The Committee recommends that the accounting officer complies with regulation 158 of the Public Finance Management (County Government) Regulations by ensuring the development and implementation of an ICT Policy framework and submit evidence to the office of the Auditor General for verification within ninety(90) days of the adoption of this report.

4. Lack of On-Premise Data Centre

The County Government does not have an on-premise Data Centre as indicated in its contract agreement with vendor, the County relies entirely on the vendor's infrastructure to host and manage revenue systems.

Management Response:

The management states that there is a shared Data Centre at the County Headquarter.

Committee Observations

The Committee observed that there were poor risk management controls exercised by the County Executive due to their overreliance on the vendor.

Committee Recommendations

The Committee recommends that the accounting officer complies with regulation 158 of the Public Finance Management (County Government) Regulations by ensuring the establishment of an on-premise Data Centre as indicated in its contract agreement and submit evidence to the office of the Auditor General for verification.

The Committee further recommends that the Management submits an implementation report within ninety (90) days of the adoption of this report.

5. Inadequate Management of User Accounts

The audit established that user accounts in BARMS were created without documented approval from the respective Heads of Departments. The ICT department/Systems Administrator

processed user creation requests directly without evidence of authorization or formal verification of the users' roles and responsibilities.

Management Response:

Management has developed the user request forms to guide system user management. This will ensure all new users and user roles are authorized.

Committee Observation

The Committee observed that there was non-compliance with regulation 158(b) of the Public Finance Management (County Government) Regulations that posed a risk to the efficiency of revenue collection.

Committee Recommendation

The Committee recommends that the accounting officer complies with regulation 158 of the Public Finance Management (County Government) Regulations by ensuring that the accounting officer to ensure there is formal verification of the users' roles and responsibilities when creating user accounts and submit evidence to the office of the Auditor General.

The Committee further recommends that the Management submits an implementation report within ninety (90) days of the adoption of this report.

6. Lack of Change Management Policy

There were no formal procedures for the receiver of revenue to follow in effecting any changes to the systems in place. The mechanisms include change management forms, review and approval of changes, testing of changes, implementing changes, periodic reporting of changes and post implementation review of changes done to critical systems. The absence of ICT policy exposes the receiver of revenue to various risks like security vulnerabilities, data loss, and non-compliance with regulations.

Management Response:

Management has developed a Draft ICT policy that has a component on change management. Attached is a copy of the policy.

Committee Observation

The Committee observed that the lack of change management policy posed a risk to the efficiency of the revenue collection operations of the county. This was in violation of regulation 158 (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the accounting officer develops a system of risk management and internal control that builds robust business operations.

Committee Recommendation

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The Committee recommends that the accounting officer ensures the implementation of a change management policy and further that the Management submits an implementation report within ninety (90) days of the adoption of this report.

7. Lack of Business Continuity Plan

Audit review revealed that the Receiver of Revenue did not have in place ICT continuity plan and disaster recovery plan during the year under audit review. No documentary evidence to confirm that the Receiver of Revenue had a strategic plan and an operational plan in place. In addition, the Receiver of Revenue Directorate did not have alternative power supply hence hindering revenue collection and daily operations of the entity.

Management Response:

Management had developed Business Continuity Plan. The plan has been submitted to the cabinet for approval. Attached is a cabinet memorandum.

Committee Observation

The Committee observed that there was a serious risk posed to the county revenue operations due to the lack of an ICT continuity plan and disaster recovery plan. The absence of alternative power supply further posed a risk to the collection and daily operations of the entity and thus a serious financial risk remained unaddressed.

Committee Recommendation

The Committee recommends that the accounting officer complies with regulation 158 of the Public Finance Management (County Government) Regulations by ensuring that an ICT continuity plan and disaster recovery plan are implemented. The Committee further recommends that the accounting Officer ensures that a standby generator is installed to cater for the times of blackout so that collection of revenue is not interrupted by lack of internet. The County Executive is to submit an implementation report within ninety (90) days of the adoption of this report

8. Poor Management of Parking Areas

Management did not provide a list of all the gazette areas for purposes of revenue collection from parking within Bungoma County. No proper controls put in place to ensure all parked vehicles pay the parking fees promptly to the County. Audit inspection done within Bungoma town revealed that parking areas are not marked leading to haphazard parking in the streets of Bungoma town.

Management Response

Management had installed a Parking Management System at Bungoma Bus Park but it was lost due to vandalism. Additionally, Management takes note of this and the implementation of the

Bungoma County Revenue Enhancement Action Plans 2025 factors in gazettelement and marking of the Parking areas in the Current Financial year 2025-2026

Committee Observation

The Committee observed that there was a failure to properly manage parking areas by the County Executive which was contrary to the provisions of regulation 63(1)(a) of the Public Finance Management (County Government) Regulations, 2015 provides that an accounting officer and a receiver of revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for, all county government revenue and other public moneys relating to their county departments and agencies.

Committee Recommendation

The Committee recommends that the County Executive ensure strict compliance with regulation 63(1)(a) of the Public Finance Management (County Government) Regulations by ensuring —

1. That the Accounting Officer ensures that all the parking places are mapped and gazetted;
2. That proper controls are put in place to ensure all vehicles eligible for paying parking fees pay promptly with proper documentation maintained; and
3. That parking slots are properly marked in the various towns in Bungoma County.

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CHAPTER FOURTEEN

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF LAIKIPIA COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2024/2025

The Governor of Laikipia County, H.E. Joshua Wakahora Irungu, EGH, appeared before the Committee on Wednesday, 28th February 2026 to respond, under oath, to audit queries raised in the Auditor-General’s Report on the Financial Statements of the Laikipia County Executive for the Financial Year 2024/2025

THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF LAIKIPIA COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2024/2025

Basis for Qualified Opinion

1.0 Variances in Transfer to Other Government Entities

The statement of financial performance and Note 9 to the financial statements reflect Kshs.418,357,458 in respect of transfer to other Government entities. Included in the amount are transfers totaling Kshs. 20,010,951 to three (3) county government entities but which differed from the amounts disclosed in the entities’ respective financial statements submitted for audit. The variances as shown in the table below were not explained or reconciled:

County Entity	County Financial (Kshs)	Executive’s Entity’ Statements (Kshs)	Financial Variance (Kshs)
Rumuruti Municipality	7,000,000	9,500,000	(2,500,000)
Nanyuki Municipality	7,100,000	7,000,000	100,000

Laikipia County Development Authority	5,910,951	5,900,000	10,951
Total	20,010,951		

In the circumstances, the accuracy and completeness of financial statements could not be confirmed.

Management Response

Reconciliation of variances between the County Executive Transfers Expenses and County Entities Reported receipts from the County Executive is explained in the below tables.

Laikipia County Development Authority (LCDA)

Amount reported as transferred in the County Executive FS	Amount Reported as received in the recipient FS (Amended FS)	Variance Noted	Remarks
5,910,951	5,910,951	-	The Audited Financial Statements for Laikipia County Development Authority (Statement of Cash flows) for the FY 2024/25 indicate an actual total receipt from the County Executive of Kshs 5,910,951. There is therefore no variance between the County Executive & LCDA financial statements. See appendix 1.1 (Extract of LCDA's Audited Financial Statements for FY 2024/25) The variance noted of Kshs 10,951 had originally appeared but resolved through an amendment of the LCDA's financial statements

Rumuruti Municipality

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The variance noted of Kshs 2,500,000 relates to a transfer done on 1st July 2024 (FY 2023/24) from the County Executive to Rumuruti Municipality Board. While the transfer was recognized by the County Executive in its financial statements in the FY 2023/24, the same transfer has on the other hand been recognized (as a revenue) by the Board in the FY 2024/25.

The timing difference in recognizing the transaction between the County Executive and Rumuruti Municipality Board is due to the cut-off date issue that affects the County Executive (but doesn't usually extend to entities). Due to exchequer release delays public entities operating in IFMIS are given an extension to finalize their exchequer withdrawals and payments usually within the month of July every financial year.

Date	Transaction Ref No	Voucher No	Amount	Remarks
01/07/2024	FT24183Q750W	4523-D-3RMT (A)	2,500,000	The figure transferred on 1st July 2024 has been treated differently by the reporting entities. The County Executive has recognized the transaction within Financial Year 2023/2024, whereas Rumuruti Municipality has classified the same transaction as pertaining to Financial Year 2024/2025.
		Total transfers done in July 2024 (A)	2,500,000	
28/10/2024	FT24302SBF CZ	RMT-REC-01	1,000,000	Transferred in FY 2024/25
03/12/2024	FT24338PQNH5	RMT-REC-02	1,000,000	Transferred in FY 2024/25

06/12/2024	FT243417JT24	RMT-DEV-01	2,500,000	Transferred in FY 2024/25
15/05/2025	FT25135YWH7G	RMT-DEV-02	2,500,000	Transferred in FY 2024/25
		Total transfers from County Executive to Rumuruti Municipality in FY 2024/25 (B)	7,000,000	
		Total transfers reported as revenue by Rumuruti Municipality in FY 2024/25 (C=A+B)	9,500,000	

Nanyuki Municipality

Description	Amount	Remarks
Transfers made before 30th June 2025 (A)	4,600,000	mutually reported by both the County Executive & Nanyuki Municipality
Transfers made on 8th July 2025 (B)	2,500,000	Transfer made during the extension period of FY 2024/25 also reported by the Municipality board as a receivable since its cutoff date is 30th June 2025
Total transfers made from the County Executive (C= A+B)	7,100,000	

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Amount reported as total receipts by Nanyuki Municipality Board (D)	7,150,000	The Total revenues reported in the Annual Financial statements for Nanyuki Municipality for FY 2024/25 was Kshs 7,150,000 and not kshs 7,000,000 as mentioned in the Audit Report. see Appendix 1.3 for Extract of Audited Financial Statements (Financial performance) &
Variance (E= C-D)	50,000	Receipt received by Nanyuki Municipality from Rumuruti Municipality. See Appendix 1.4 for extracts of Nanyuki Municipality cash book & bank statements showing the receipt of Kshs 50,000)

Committee Observation

The Office of the Auditor General informed the Committee that the matter was satisfactorily addressed.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

2.0 Trade and Other Payables

2.1 Unsupported Trade Payables

The statement of financial position and Note 15 to the financial statements reflect trade and other payables opening and closing balances of Kshs. 2,072,569,736 and Kshs. 1,935,664,585, respectively. The closing balance includes trade payables of Kshs. 1,671,529,901. However, included in the balance are payables totaling Kshs. 1,154,508,149, which were not supported by requisitions, local purchase/service orders, invoices, delivery notes, signed contract agreements and description of the project and/or project locations.

Further, the County Executive did not undertake the mandatory supplier circularization and reconciliation exercise as guided under Paragraph 2.3.1 of The National Treasury and Economic Planning Circular No. 03/2025 of 14 April, 2025, which provided guidelines on transition from

cash to accrual accounting. In addition, supplier confirmations, reconciliations, and supporting documentation were not provided for audit.

In the circumstances, the accuracy and completeness of the opening and closing trade and other payable balances of Kshs. 2,072,569,736 and Kshs. 1,935,664,585, respectively could not be confirmed.

Management Response

The validation exercise of the trade payables is still ongoing. The settlement of the payables is strictly subject to meeting the required standards of being supported. The purpose of maintaining all payables in a single register is for the purpose of recognizing them in our 1st set of Accrual Basis of Accounting

Annual financial statements. PSASB guidelines (supported by IPSAS 33) advocates for entities adopting IPSAS Accrual for the 1st Time to recognize all their financial liabilities (alongside financial Assets) in their 1st year of adoption. This approach is meant to ensure that the County Treasury discloses and gets visibility of its financial obligations.

Below is summary tables on the progress made on the trade payables validation exercise

Laikipia County Pending Bills FY 2025.2026 Analysis						
Missing Vouchers Pending Bills FY 2025.2026 Analysis						
Departments	Cumulative years from FY 2012/13 to 2020/21	2021/2022	2022/2023	2023/2024	2024/2025	TOTALS
Administration	39,958,646	76,661,101	22,146,892	30,716,478	-	169,483,117
Finance	8,892,597	8,087,320	3,124,060	2,014,505	13,677,000	35,795,482
Health	76,877,783	204,348,372	32,914,051	3,848,000	-	317,988,206
Agriculture	12,858,805	36,000	-	927,755	-	13,822,560
Infrastructure	140,159,067	13,432,336	1,784,800	12,718,060	-	168,094,264
Education	61,286,529	4,172,837	5,670,376	-	-	71,129,742

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Trade	31,671,993	35,000	260,800	-	-	31,967,793
Water	141,362,215	15,786,895	2,568,771	-	-	159,717,881
Totals	513,067,635	322,559,861	68,469,750	50,224,798	13,677,000	967,999,044

LAIKIPIA COUNTY PENDING BILLS FY 2025.2026 ANALYSIS

AVAILABLE PENDING BILLS FY 2025.2026 ANALYSIS

Departments	Cumulative From FY 2014/15 - FY 2020/21	2021/2022	2022/2023	2023/2024	2024/2025	Totals
Administration	66,767,539	34,495,867	8,123,282	240,500	-	109,627,188
Finance	17,523,927	12,492,896	12,199,630	23,632,295	-	65,848,748
Health	18,241,577	9,402,622	8,898,902	78,908,872	-	115,451,974
Agriculture	18,649,661	2,607,100	-	-	-	21,256,761
Infrastructure	39,716,340	59,787,449	-	5,762,904	-	105,266,693
Education	9,757,717	2,818,543	3,048,300	8,399,816	-	24,024,376
Trade	29,903,612	857,985	1,868,826	4,600,026	-	37,230,450
Water	165,485,796	28,528,293	727,320	1,309,800	-	196,051,209
Totals	366,046,170	150,990,754	34,866,260	122,854,214	-	674,757,398

The County Executive was not able to implement the requirements as stipulated in the National Treasury Circular of April 2025 on circularization of trade payables due to the limited time that was left in FY 2024/25 (4th Quarter).

The County Executive has however uploaded the payables onto the County Website (for stakeholder review and validation. The County Executive expects the feedback from stakeholders to form part of its validation exercise currently being undertaken.

Further, the County Executive in the FY 2022/2023 had conducted a pending bills (trade payables) verification exercise that served the purpose of circularization for older pending bills. The formal process of circularization of trade payables is expected to begin in the 2nd half of the

FY 2025/26. The outcome of this process will, be affected in the Annual Financial statements for FY 2025/26 including derecognition of those found not to be supported.

Committee Observation

The Committee noted that;

- 1) The expenditure amounting to Kenya Shillings 1.1 billion was not supported by the requisite documentation, including requisitions, purchase orders, invoices, delivery notes, and duly executed contracts contrary to section 62 of the Public Audit Act.
- 2) The supplier circularization and reconciliation exercise had not been undertaken, and that the County Executive had indicated that the validation of these balances was ongoing.
- 3) The Governor's explanation that settlement of the pending payables would only be undertaken after the validation process confirmed the availability of adequate budgetary provision, in accordance with the National Treasury Circular guidelines.

Committee Recommendations

The Committee therefore recommends that:

1. that trade payables due for more than 365 days be considered indicative of poor financial management and that the County Executive provides actionable payment plans to the Controller of Budget (CoB) within ninety (90) days of the adoption of this report, failure to which the subsequent quarter budget releases will not be effected;
2. that the County Executive pays all payables due to staff within ninety (90) days of the payables becoming due, failure to which the subsequent quarter budget releases will not be effected;
3. that the County Executive pays all statutory deductions to the relevant agencies within the statutory deadlines' failure to which the subsequent quarter budget releases will not be effected;
4. that the County Executive pays all pension deductions to the relevant funds within ninety (90) days of the deductions becoming due, failure to which the subsequent quarter budget releases will not be effected;
5. that the Ethics and Anti-Corruption Commission investigates the pending bills owed to staff, statutory deductions and pensions to establish whether any funds due to staff were retrieved from the County Revenue Fund, and if so, how the funds were utilised, with a view to recommending the prosecution of persons determined liable for misdirecting the funds;

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6. that all County Governments pay verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2026/2027; and

The Committee further recommends that—

- i. pursuant to the provisions of Regulation 41(2) & (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;
- ii. the Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when approving exchequer releases;
- iii. County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) & (3) of the Public Finance Management (County Governments) Regulations;
- iv. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates;
- v. County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects;
- vi. County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets; and
- vii. The Office of Controller of Budget and the Senate will monitor compliance and apply sanctions if payment plans are not honoured.
- viii. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report.

2.2 Long Outstanding Payables

The statement of financial position and Note 15 to financial statements reflects trade and other payables of Kshs. 1,935,664,585, which includes Kshs. 1,671,529,901 in respect of trade payables. The ageing analysis for the trade payables indicates that payables amounting to Kshs.1,310,222,624 have been outstanding for over three (3) years. However, no explanation was given for the non-payment of payables, which should have been paid as a first charge. This

was contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015 which requires that debt service payments be treated as a first charge on the County Revenue Fund.

In the circumstances, the accuracy and completeness of the trade payables balance of Kshs. 1,671,529,901 could not be confirmed.

Management Response

The County Executive has been prioritizing the clearance of Payables with Kshs 564,034,198 having been settled in the FY 2024/25 and an additional Kshs 251,535,110 in the current FY 2025/26 (as at 31 st Dec 2025). The current outstanding pending bill as at 31 st December 2025 is Kshs 1,649,990, 629. This has been enabled by the consistent budgeting of an average of Kshs 400 million over the last 4 years for settlement of pending bills. This is a demonstration of the commitment the County Executive places on the settlement of its financial obligations. Below is a tabulation of the account's payables (pending bills) cleared over the last 4 financial years as well as the annual allocation for settlement of the same.	FY 2022/23	FY 2023/24	FY2024/25	FY 2025/26	TOTAL

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CATEGORY					
Construction of Buildings	133,747,677	55,312,753	76,286,175	-	265,346,605
Construction of Civil Works	219,550,822	72,453,928	216,262,623	30,598,080	538,865,453
Supply of Goods	139,874,968	149,831,306	160,229,158	12,942,880	462,878,312
Supply of Services	83,120,541	178,656,966	111,256,243	207,994,150	581,027,900
TOTAL	576,294,008	456,254,953	564,034,198	251,535,110	1,848,118,269

The County Treasury has progressively been undertaking reconciliation of the payables as more details and documentation for their support is availed. A comprehensive validation exercise is undertaken before payables are settled to ensure that only fully supported eligible bills are cleared.

Validated payables are prioritized and scheduled for payment in line with an approved payment plan and subject to available cash flows. A payment plan is prepared annually and updated regularly with fully supported payables on a First in First Out basis.

Enhanced measures such as central management of payables at the County Treasury as well as daily updates, ageing analysis and weekly update reports have been put in place. These among other strict controls are expected to ensure that management and settlement of trade payables achieve equity and fairness to our creditors. It will also ensure that finances are applied in a prudent, efficient and effective manner.

Committee Observation

The Committee noted that;

- 1) Expenditure amounting to Kenya Shillings 1.1 billion was not supported by the requisite documentation, including requisitions, purchase orders, invoices, delivery notes, and duly signed contracts. The County Executive informed the Committee that the validation of these balances was ongoing.
- 2) the Governor explained that settlements will only occur after the validation process confirms the availability of adequate budgetary provision for the payables, in accordance with the National Treasury Circular guidelines.

Committee Recommendations

The Committee therefore recommends that:

1. that trade payables due for more than 365 days be considered indicative of poor financial management and that the County Executive provides actionable payment plans to the Controller of Budget (CoB) within ninety (90) days of the adoption of this report, failure to which the subsequent quarter budget releases will not be effected;
2. that the County Executive pays all payables due to staff within ninety (90) days of the payables becoming due, failure to which the subsequent quarter budget releases will not be effected;
3. that the County Executive pays all statutory deductions to the relevant agencies within the statutory deadlines' failure to which the subsequent quarter budget releases will not be effected;
4. that the County Executive pays all pension deductions to the relevant funds within ninety (90) days of the deductions becoming due, failure to which the subsequent quarter budget releases will not be effected;
5. that the Ethics and Anti-Corruption Commission investigates the pending bills owed to staff, statutory deductions and pensions to establish whether any funds due to staff were retrieved from the County Revenue Fund, and if so, how the funds were utilised, with a view to recommending the prosecution of persons determined liable for misdirecting the funds;
6. that all County Governments pay verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2026/2027; and

The Committee further recommends that—

- i. pursuant to the provisions of Regulation 41(2) & (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;
- ii. the Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when approving exchequer releases;

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- iii. County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) & (3) of the Public Finance Management (County Governments) Regulations;
- iv. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates;
- v. County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects;
- vi. County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets; and
- vii. The Office of Controller of Budget and the Senate will monitor compliance and apply sanctions if payment plans are not honoured.

3.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on comparable basis of Kshs.6,911,880,714 and Kshs.6,103,450,954 respectively, resulting to a shortfall of Kshs.808,429,760, or 12% of the budget. Similarly, the County Executive spent Kshs.5,722,126,550 against actual receipts of Kshs.6,103,450,954, resulting in an under absorption of Kshs.381,324,404, or 6% of the actual receipts.

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

The underfunding and under expenditure of the executive budget resulted from non-realization of budgeted revenues as indicated below. The revenue shortfall negatively affected the budget absorption levels.

Revenues	Final budget	Actual comparable basis	on Budget utilization difference	% of realization
Transfers from CRF	6,771,014,568	5,973,584,517	797,430,051	88%

The under realization of revenue budget was due to a 12% (Kshs 797,430,051) under realization of transfers from CRF attributed to;

Undisbursed transfers and conditional grants amounting to Kshs 452,864,302 from national government agencies.

Unrealized own source revenue amounting to Kshs 329,179,517 attributed to general economic hardship within the county as well as non-implementation of the valuation roll (as at June 2025)

The County Executive is continuously and actively working towards collecting more Own Source revenue through the Laikipia County revenue Board especially with the newly approved Valuation Roll 2021- 2031 see Appendix 3 County Assembly Approval Documents on the Laikipia County Valuation Roll 2021-2031.

A detailed analysis of the budget performance at the CRF level is provided below (Table 2 of the CRF Audited Annual Financial statements FY 2024/25; Detailed Analysis of Amounts Realized FY 2024/25)

Description	Approved Budget Estimates FY 2024/25	Total amounts Realized 2024/25	Realization FY variance 2024/25	FY
	A	B	C = A-B	
Equitable Share	5,387,034,732	5,387,035,309	(577)	
County Own Source Revenue	872,500,000	543,320,483	329,179,517	
Vocational training centres	30,000,000	16,895,192	13,104,808	
Other local sources	842,500,000	526,425,291	316,074,709	
Domestic & Foreign Grants & transfers from other government agencies	642,542,051	189,677,749	452,864,302	
Kenya Devolution Support Programme II	37,500,000	-	37,500,000	
DANIDA Grant	6,435,000	6,435,000	-	
Community Health Promoters	25,230,000	-	25,230,000	

Kenya Urban Development Grant	77,214,879	32,309,300	44,905,579
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Kenya Urban Institution Grant	35,000,000	-	35,000,000
Fuel Levy	235,196,042	80,806,317	154,389,725
Kenya Food Systems Resilience Program (KFSRP)	173,076,923	70,127,132	102,949,791
Kenya Agriculture Business Development Program (KABDP)	10,918,919	-	10,918,919
Basic Salary Arrears for County Government Health Workers	40,454,974	-	40,454,974
Court fines 2023/24 balance	1,515,314	-	1,515,314
Opening Balances & Other receipts	439,482,828	450,482,828	(11,000,000)
Opening Balance (equitable Share)	428,659,722	428,659,722	-
Laikipia County Revenue Fund	4,735,503	15,735,503	(11,000,000)
Returns to CRF	238,683	238,683	-
Other Receipts (insurance Compensation)	5,848,920	5,848,920	-
Grand Total	7,341,559,611	6,570,516,368	771,043,242

The underutilization of the Kshs 381,324,404 during the FY 2024/25 was largely due to transfer of funds to the special purpose Accounts held for the implementation of Donor funded County Programs and projects. With the late disbursements of Equitable Share as well as conditional Grants, there was last minute funding of the Accounts in the form of county Counterpart funding as well as transfer of the grants to the special purpose Accounts. The Projects/programs usually run through several financial years and therefore the funds are expected to be rolled over to the FY 2025/26 through a supplementary budget.

Description	As at June 2025 (Kshs)	Remarks
Recurrent Account	2,264,917	There was a flow back of funds from commercial bank Accounts for payments done to accounts with technical issues at the tail end of the FY 2024/25. With the IFMIS system having been suspended it was not possible to reinitiate the transactions
Development Account	4,849,034	There was a flow back of funds from commercial bank Accounts for payments done to accounts with technical issues at the tail end of the FY 2024/25. With the IFMIS system having been suspended it was not possible to reinitiate the transactions
Special Purpose Accounts	374,210,453	Funds transferred for programs & projects running across several financial years. Transferred at the end of the FY 2024/25 expected to be rolled over to FY 2025/26.
Total	381,324,404	

Committee Observations

The Committee observed that;

- 1) **There was an overall budget shortfall of Kshs. 808,429,760 (12%) and an under-absorption of Kshs. 381,324,404 (6%). This negatively impacted service delivery, contravening the principles of effectiveness and efficient use of resources as outlined in Article 201 of the Constitution and Section 12(2)(b) of the PFM Act.**
- 2) **The underfunding was primarily due to a significant shortfall in Own Source Revenue (Kshs. 329 million) and delayed/undisbursed conditional grants from the National Government (Kshs. 452 million). The failure to meet OSR targets points to weaknesses in revenue administration, contrary to the responsibility of a County Treasury under Section 104(1)(d) of the PFM Act.**

Committee Recommendations

The Committee therefore recommends that:

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- 1) The National Treasury should ensure the timely release of funds to County Governments in accordance with the approved cash disbursement schedules endorsed by the Senate, and in full compliance with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, 2012.
- 2) The County Executive, through the County Treasury, implements immediate measures to enhance Own Source Revenue collection, including the full implementation of the approved valuation roll, to meet its annual revenue targets as required by the fiscal responsibility principles in Section 107 of the PFM Act.

4.0 Late Exchequer Releases

The statement of financial performance and Note 6 to the financial statements reflect transfers from CRF totaling Kshs. 5,973,584,517, which includes an amount of Kshs.5,387,035,309 received by the County Government from The National Treasury as exchequer issues. Included in the balance is an amount of Kshs.457,898,001 and Kshs.430,962,825, that was received on 20 June and 26 June, 2025 respectively. This was contrary to Section 17(6) of the Public Finance Management Act, 2012 which states that The National Treasury shall, at the beginning of every quarter, and in any event not later than the fifteenth day from the commencement of the quarter, disburse monies to County Governments. The late exchequer releases could have adversely affected the implementation of the Management's planned activities and projects for the year ended 30 June, 2025.

Management Response

Throughout the FY 2024/25, the County Executive experienced substantial delays in disbursement of monthly Equitable share from National Treasury. Indeed, this hampered service delivery and occasioned delays in the processing of Exchequer transfers from CRF. Below is a tabular and graphical illustration of the delays experienced in the release of equitable shares.

MONTHS	ACTUAL RECEIVED	DATE	AMOUNT	REMARKS
JULY		26/07/2024	428,659,722	Equitable share for June FY 2023/24
AUGUST	N/A		-	Equitable share not received for (July) FY 2024/25
SEPTEMBER		24/09/2024	455,450,955	Equitable share for July 2024/25

OCTOBER	17/10/2024	428,659,723	Equitable share for August 2024/25
NOVEMBER	14/11/2024	455,450,955	Equitable share for September 2024/25
NOVEMBER	18/11/2024	428,659,723	Equitable share for October 2024/25
DECEMBER	16/12/2024	9,500,296	Equitable share for November 2024/25
DECEMBER	16/12/2024	457,898,001	Equitable share for November 2024/25
JANUARY	24/01/2025	430,962,825	Equitable share for December 2024/25
FEBRUARY	26/02/2025	457,898,001	Equitable share for January 2024/25

MARCH	N/A	-	Equitable share not received for (March) FY 2024/25
APRIL	24/04/2025	457,898,001	Equitable share for February 2024/25
MAY	15/05/2025	430,962,825	Equitable share for March 2024/25
MAY	28/05/2025	484,833,178	Equitable share for April 2024/25
JUNE	20/06/2025	457,898,001	Equitable share for May 2024/25
JUNE	26/06/2025	430,962,825	Equitable share for June 2024/25
		5,815,695,031	

It is our expectation that the National Treasury will effect timely disbursements going forward to alleviate this situation.

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Committee Observation

The Committee noted that the County Executive experienced delays in the release of exchequer funds by the National Treasury of Kenya, contrary to Section 17(6) of the Public Finance Management Act, 2012, which requires that the National Treasury disburse monies to County Governments at the beginning of every quarter and not later than the fifteenth day from the commencement of the quarter. These delays adversely affected the County's ability to effectively implement its approved budget and planned programmes.

Committee Recommendation

The Committee recommends that the National Treasury ensure the timely release of funds to County Governments, in strict compliance with Section 17(6) of the Act and in accordance with the cash disbursement schedules approved by the Senate of Kenya, in order to facilitate the effective and timely implementation of county budgets and programmes.

OTHER MATTER

1.0 Unresolved Prior Year Audit Issues

In the audit report of the previous year, several issues were raised under Report on Financial Statements, Report on Lawfulness and Effectiveness in the Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management had not resolved several issues or given any explanation for the delay in resolving the issues as at 30 June, 2025 as detailed in the table below.

S/No	year of Audit	Audit issue
1	2023/2024	Non-compliance with the law on Fiscal Responsibility on Wage bill
2	2023/2024	Non-compliance with a Third of basic Salary Rule
3	2023/2024	Non-compliance to the Law on Ethnic Composition
4	2023/2024	Irregularities in the Procurement and Delivery of Dialysis Equipment

5	2023/2024	irregular payment of Allowances to Laikipia County Administration Police Welfare Account
6	2023/2024	pending Bills not paid as First Charge
7	2023/2024	Failure to Operate Fully on the E-procurement Platform
8	2023/2024	Ineffective internal Audit Department
9	2023/2024	Action on Internal & External Audit Reports by the Audit Committee
10	2023/2024	Failure to Tag Assets
11	2023/2024	Non-Disposal of Obsolete & unserviceable Assets

Management Response

The County Executive appeared before the Senate Public Accounts Committee on 30th May 2025 for consideration of the Audit report of the Annual Financial Statements for the Year ended 30th June 2024. Since then, the County Executive has made significant progress in resolving and implementing the well-advised recommendations of the committee.

Committee Observation

The Committee noted that the County Executive had not fully resolved eleven (11) prior-year audit issues. This persistent non-compliance is contrary to Section 53 of the Public Audit Act, 2015, which requires an accounting officer to take action on the Auditor-General's recommendations and submit a report within ninety days. This failure undermines the value of the audit process and the principle of accountability.

Committee Recommendation

The Committee recommends that;

The County Executive must fully comply with Section 53 of the Public Audit Act, 2015, by taking concrete steps to resolve all outstanding prior-year audit issues and submitting a comprehensive progress report to the Auditor-General within ninety (90) days.

The Auditor-General to specifically report on the status of these unresolved prior-year issues in the subsequent financial year's audit report to ensure continuous oversight

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REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1.0 Non-Compliance with Data Protection Requirements

Audit review established that the County Executive had not registered with the Office of the Data Protection Commissioner (ODPC) as a data controller and data processor, despite actively collecting, processing and storing personal data of staff, members of the county executive and service providers during the year under review. This omission is contrary to Section 18(1) of the Data Protection Act, 2019 which obligates all data controllers and processors to register with the ODPC before handling personal data.

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

Management Response

During the year under review, the County was in the process of aligning its operations with the Data Protection Act, 2019. While personal data was collected and processed for administrative purposes, steps have since been initiated to ensure full compliance, including formal registration with ODPC as both a data controller and processor. The County is committed to safeguarding personal data and has prioritized the development of internal data protection policies, staff sensitization, and system audits to uphold statutory obligations going forward.

Corrective Action Taken / To Be Taken:

Immediate Registration: The County Executive has initiated the registration process with the Office of the Data Protection Commissioner expected to take a duration of two months.

Compliance Strengthening Measures: The County is in the process of establishing an internal Data Protection Compliance Committee to oversee the compliance.

The County has initiated Staff sensitization and capacity-building programs to be rolled out in collaboration with legal and ICT departments to ensure compliance with data protection laws.

Policy and Framework Development: The County is in the process of developing a Data Protection Policy aligned with the Act and regulations to guide data processing activities. A Data Protection Officer (DPO) is being designated in accordance with Section 24 of the Act to ensure continued compliance.

Engagement with ODPC: The County Executive is engaging directly with ODPC to seek guidance and ensure that all future obligations, including registration renewal and impact assessments, are met.

Committee Observations

The Committee observed that the County Executive, by failing to register as a data controller and processor, contravened Section 18(1) of the Data Protection Act, 2019. This omission exposes the county to legal risks and undermines the right to privacy enshrined in Article 31 of the Constitution.

Committee Recommendations

The Committee recommends that;

- 1) The County Executive immediately register with the Office of the Data Protection Commissioner as a data controller and data processor in compliance with Section 18(1) of the Data Protection Act, 2019, and provide evidence of such registration to the Auditor General within 90 days of the adoption of this report.**
- 2) The County Executive develop and implement a comprehensive data protection policy to ensure ongoing compliance with the Data Protection Act, 2019, including regular audits of data handling practices, and submit a progress report on the same to the Auditor General within 90 days of the adoption of this report.**

2.0 Failure to Construct Official Residences of the Governor and Deputy Governor

Audit review established that the County Executive of Laikipia had neither constructed nor made any budgetary provision for the construction of an official residence for the Governor and Deputy Governor. This was contrary to the Salaries and Remuneration Commission (SRC) Circular Ref. No. SRC/TS/COG/6/61/48 VOL.II (64) dated 20 May, 2019, which provides guidelines on housing benefits for Governors, Deputy Governors, and County Assembly Speakers, and requires that official residences be commissioned by 30 June 2022. In the absence of an official residence, the Governor and Deputy Governor continued to draw monthly house allowance of Kshs.300,000, amounting to Kshs.3,600,000 annually, which was irregular and contrary to the SRC guidelines.

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

Management Response

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The County Executive carefully considered the requirements of the Circular alongside prevailing fiscal constraints and competing priorities in service delivery. During the review period, available resources were directed towards pressing statutory obligations and essential public service programs. These included relocation of the County Headquarters from Nanyuki to Rumuruti as well as investing in flagship county projects such as county Aggregated Industrial Park (CAIP) and expansion of outpatient units at Nanyuki & Nyahururu Referral Hospitals. Committing substantial funds to the construction of the Governor's residence at that time would have compromised the County's ability to sustain critical operations and meet immediate service delivery needs.

In the interim, it was deemed more prudent to continue providing a housing allowance to the Governor. This ensured continuity of leadership support without diverting limited resources from pressing public service commitments.

Committee Observations

The Committee noted that the County Executive's continued payment of house allowance to the Governor and Deputy Governor, in the absence of official residences, contradicts the Salaries and Remuneration Commission (SRC) Circular Ref. No. SRC/TS/COG/6/61/48 VOL.II (64). While fiscal constraints are acknowledged, the cumulative expenditure on allowances (Kshs. 3.6 million annually) without the creation of a county asset is not a prudent use of public resources as required by Article 201(d) of the Constitution.

Committee Recommendations

The Committee recommends that;

- 1) **The County Executive to comply with the SRC Circular by prioritizing budgetary allocation and construction of official residences for the Governor and Deputy Governor in subsequent financial years.**
- 2) **The Salaries and Remuneration Commission (SRC) to reconsider and review the 20 May 2019 circular taking into account the current market construction costs, economic conditions and the principles of devolution.**

3.0 Irregularities in Procurements Processes

The statement of financial performance and Note 8 to the financial statements reflect use of goods and services expenses amount of Kshs.1,377,312,429. Review of the expenditure revealed the following:

3.1 Supply and Delivery of Office Cabinet and Stationery

Included in the amount is payment of Kshs.1,456,000 made for the supply and delivery of a lockable office cabinet and other stationery items under the Department of Administration. However, the awarded supplier was not registered under the appropriate procurement category, and the two competing bidders were not listed in the procuring entity's prequalified suppliers' list. This was contrary to Section 106(2)(a) of the Public Procurement and Asset Disposal Act 2015, which requires that requests for quotations be issued only to suppliers registered by the procuring entity.

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

Management Response

The awarded supplier was registered under the appropriate procurement category for the subject requirement namely, A26 Supply and Delivery of Office furniture, Fittings and Office Equipment. All the three bidders, including the awarded supplier, were not in the initial prequalified list. However, they were subsequently incorporated through the continuous registration of suppliers as provided under Section 57(ii) of the Public Procurement and Asset Disposal Act, 2015 (PPADA).

At the time of engagement, the suppliers had been identified and had met all mandatory criteria, notwithstanding that the internal process of updating the register had not yet been finalized. Their documentation - including PIN certificate, Tax compliance certificate, and CR12 - was duly verified prior to engagement.

Committee Observations

The Committee observed that the County Executive awarded a contract to a supplier not on the prequalified suppliers' list at the time of procurement. This action is contrary to Section 106(2)(a) of the Public Procurement and Asset Disposal Act, 2015, which requires quotations to be issued only to registered suppliers, undermining the principles of fairness and transparency.

Committee Recommendations

The Committee recommends that

- 1) The County Governor undertakes administrative action against the Head of Procurement and other responsible officer(s) for breaching procurement laws in**

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accordance with section 156 of the Public Finance Management Act and provides a status report to the Office of the Auditor General within 90 days from the adoption of this report;

- 2) The Kenya Institute of Supplies Management (KISM) takes action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct.

3.2 Supply and Delivery of Motor Vehicle Training Equipment

An amount of Kshs. 1,159,449 was paid to a local supplier for the supply and delivery of motor vehicle training equipment for Nanyuki and Salama Vocational Training Centers, under the Department of Education. However, the counter-receipt voucher (S13) indicated that the goods were delivered and taken on charge on 22 June 2024, which was fifty-one (51) days after the expiry of the 30-day validity period for the purchase order issued on 2 April, 2024. This was contrary to Regulation 52(1) of the Public Finance Management (County Governments) Regulations, 2015, which limits the validity of an order to 30 days from the date of issue. In the circumstances, Management was in breach of the law.

Management Response

The delay in delivering the motor vehicle training equipment was occasioned by logistical challenges on the part of the supplier, particularly in sourcing and transporting specialized equipment to Nanyuki and Salama Vocational Training Centers. Despite the delay, the goods were delivered in good condition, inspected, and confirmed to meet the required specifications and quantities. Considering the urgency of the training programs and the impracticality of reinitiating the procurement process, management deemed it prudent to accept delivery to avoid service disruption and additional costs. While LPO validity was not formally revalidated, the transaction was undertaken in good faith to ensure continuity of operations.

Committee Observations

The Committee observed that the County Executive accepted goods delivered fifty-one (51) days after the expiry of the 30-day validity period of the Local Purchase Order (LPO). This contravenes Regulation 52(1) of the Public Finance Management (County Governments) Regulations, 2015, which limits the validity of an order to 30 days. This action disregards established financial regulations.

Committee Recommendations

The Committee recommends that;

- 1) The County Governor undertakes administrative action against the Head of Procurement and other responsible officer(s) for breaching procurement laws in accordance with section 156 of the Public Finance Management Act, and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;**
- 2) The Kenya Institute of Supplies Management (KISM) takes action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct.**

4.0 Legal Expenses

Included in other operating expenses are legal expenses amounting to Kshs. 24,936,096, made to eight (8) private law firms for provision of legal services to the County Executive. However, the law firms were directly procured without written approval of the Accounting Officer and without documented proof of urgency, contrary to Section 91 of the Public Procurement and Asset Disposal Act, 2015, which establishes open tendering as the preferred method of procurement.

In addition, the Ad-hoc Evaluation Committee minutes to support the review or determination of the charges, records to confirm that the Head of the Procurement Department issued a professional opinion to guide the Accounting Officer on the award of the legal service tenders, evidence to show that the respective departments submitted requisitions for legal services and that the County Executive Committee approved the engagement of the legal firms for matters relating to the functions of the County Attorney were not provided for audit.

Further, although the Integrated Payroll Personnel Database indicated that the Executive had a Legal Officer and a Legal Advisor, it was not explained why they could not execute bar their mandate to represent the Executive on legal matters for which the services were outsourced from external legal firms.

In the circumstances, value for money on the legal expenditure of Kshs.24,936,096 could not be confirmed.

Management Response

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While the PPADA,2015 outlines the various methods of procurement, it would constitute both an illegality and professional misconduct for an advocate to purport to quote fees for legal services without first ascertaining knowledge of the nature, scope and value of the claim for which the legal services are sought.

The Advocates Act, the Advocates (Remuneration Order), the Advocates (Practice) Rules and the Advocates (Marketing and Advertising) Rules as interpreted in Thiong'o Njiri & 81 Others vs the Municipal Council of Kiambu & another (See Appendix 5.1) govern the manner in which legal fees are set and professional conduct of advocates.

Accordingly, in the procurement of legal services, the following exceptions apply:

- i) Advocates or law firms would not participate in any bidding process relating to public procurement for legal services especially where price competition is involved as doing so would contravene mandatory provisions governing remuneration of advocates
- ii) Advocates or law firms would not be selected on the basis of fees to be charged for the legal services sought because the charging of legal fees is strictly regulated under the Advocates Act and its subsidiary legislation.

The pre-qualification procedure or registration process to obtain a roster of law firms that can be engaged by a procuring entity is in itself sufficient and appropriate mechanism for the lawful procurement of legal services, thereby negating the need for a bidding process.

Further, PPADA, 2015 acknowledges the unique position involving the procurement of professional services. Section 5 (1) of the Act, in addressing situation where the PPADA,2015 conflicts with other Acts provides that;

“This Act shall prevail in case of any inconsistency between this Act and any other legislation or government notices or circulars, in matters relating to procurement and asset disposal except in cases where procurement of professional services is governed by an Act of Parliament applicable for such services.”

In summary, a prequalification procedure or registration process to produce a list of participating law firms is legally permissible and would be sufficient in itself. As demonstrated in Appendix 5.2, all the 8 firms were duly prequalified and instructions issued based on their respective area of expertise.

The Advocates Remuneration Order prescribes the minimum fees payable to advocates for both contentious and non-contentious matters, it further provides the framework for taxation of costs

as between advocate and client. Upon receipt of fee notes, the County Attorney is mandated to examine, assess, and issue an opinion recommending either payment or taxation in accordance with the law. The establishment or involvement of an Ad-hoc Evaluation Committee in reviewing advocates' fees would therefore amount to duplication of functions and a usurpation of the statutory role of the County Attorney.

In addressing the audit observations, it is essential to note that the County Government's response to urgent legal matters was driven by the imperative to safeguard public resources and prevent default judgments and adverse orders. Upon being served with writs and court summons, the County prioritized compliance with its constitutional obligations under Article 201 (prudent use of public funds) and Article 232 (principles of public service). Owing to the urgency, novelty and expertise required in the matters the county engaged external counsels as per the prequalified list of law firms, ensuring the protection of public interests and adherence to legal responsibilities.

Section 16(1) of the County Attorney Act of 2020 provides that: "A department or public entity established within a County Executive shall not engage the services of a consultant to render any legal services relating to the functions of the County Attorney without the approval of the County Executive Committee."

The grammatical construction and legislative purpose clearly place the restriction on "a department or public entity" and not on the Office of the County Attorney. The intent is to prevent individual departments from unilaterally procuring legal services and bypassing the County Attorney, which would undermine legal coherence and consistency in litigation strategy.

Therefore, Section 16(1) does not require the County Attorney to seek CEC approval each time external counsel is engaged. This reading is reinforced by Section 22(2) of the same Act, which states: "The County Attorney may procure the services of such other persons as may be reasonably necessary for the purposes of assisting the County Attorney in the performance of the functions of the County Attorney." See Appendix 5.3- Extract of County Attorney Act 2020 (Section 22 (2)).

This express statutory authority would be rendered redundant if every engagement required CEC approval. The engagement of external counsel was therefore lawful, properly authorized, and within statutory mandate.

Under the mandate of the Office of the County Attorney Act, 2020, the County Attorney is responsible for providing comprehensive legal services to the County Government, including court representation, legislative drafting, and advisory support to all departments.

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During the audit period, the legal officer managed approximately 70% of the new case briefs, there were instances where the complexity and urgency of certain matters necessitated the involvement of external advocates possessing specialized knowledge.

The Legal Officer and Legal Advisor operate within a lean team that carries significant and diverse responsibilities, making it impractical for them to oversee and handle all litigation matters (approximately over 400 files), especially those demanding immediate attention in various courts. Additionally, to prevent conflicts of interest and ensure impartial representation particularly in disputes involving internal County departments or senior officials' external advocates were engaged. This practice is consistent with the principles of fairness, transparency, and professional ethics be that as it may, we have attached evidence of some of the matters internally handled by the legal officers.

Committee Observations

The Committee observed that;

- 1) The County Executive incurred an expenditure of KSh 24.9 million on legal services provided by eight private law firms during the period under review. The procurement was undertaken through direct sourcing from a pre-qualified list.
- 2) There was no documented evidence of written approval by the Accounting Officer, requisitions from the respective departments, or approval by the County Executive Committee to support the engagement of these law firms.
- 3) Despite the County Executive having an in-house legal department comprising a County Attorney, a Legal Advisor, and additional legal officers (initially four, later increased to seven), no justification was provided during the audit for outsourcing these services.
- 4) Section 16 of the Office of the County Attorney Act, (Cap. 265E) applied to the office of the County Attorney as it is a "public entity established within a county executive". The County Attorney therefore required the approval of the County Executive Committee before engaging the law firms.

Committee Recommendations

The Committee recommends that the county attorney adheres to section 16 of the Office of the County Attorney Act, (Cap. 265E) before engaging any external legal service.

5. 0 Compensation of Employees

The statement of financial performance and Note 7 to the financial statements reflects employee costs of Kshs.3,284,492,295. Review of the expenditure revealed the following anomalies:

5.1 Lack of Ethnic Diversity on Staff Composition

The County Executive had a workforce of two thousand five hundred and fifty-one (2,551) staff, out of whom one thousand seven hundred and ninety-five (1,795), or 70% are from the dominant ethnic community. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008, which stipulates that no public establishment shall have more than one-third of its staff from the same ethnic community.

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

Management Response

The County Public Service Board embarked on mainstreaming the ethnic composition in the recent recruitments to ensure that at not more 30% of its staff are not from the same ethnic community. It is notable to mention that as of December 2025 the ethnic diversity ratio was 66.91% down from July 2025 which was at 68.23% which arose from the recent recruitment.

Committee Observations

The committee observed that the County Executive had a total of 2,551 employees out of which 1,795 or 70% were from the dominant local community in the County. This is contrary to the provisions of the National Cohesion and Integration Act, 2008 which stipulates that at least 30% of employees should be from communities other than the dominant one.

Committee Recommendations

The committee recommends that: -

- 1. the County Executive adheres to section 65(1)(e) of County Governments Act and ensures that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county; and**
- 2. The Committee recommends that the Standing Committee on National Cohesion, Equal Opportunity and Regional Integration undertake a post legislative scrutiny on the application of Section 7(2) of the National Cohesion and Integration Act (Cap. 7N) to County Governments**

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5.2 Non-Compliance with Law on People Living with Disabilities

The County Executive had a workforce of two thousand five hundred and fifty-one (2,551) staff, out of whom forty-five (45), or 1.7% are people living with disabilities. This was contrary to Section 13 of the Persons with Disabilities Act, 2003 which states that the Council shall endeavor to secure the reservation of five (5%) percent of all casual emergency and contractual positions in employment in the public and private sectors for persons with disabilities.

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

Management Response

The Board has been actively working to engage persons living with disabilities (PLWD) through various measures, including the addition of disclaimers in job advertisements. The Board remains committed to affirmative action by prioritizing qualified PLWD applicants who meet the minimum requirements outlined in job advertisements.

However, two significant challenges have hindered these efforts:

- i) the majority of advertised positions receive no applications from PLWD, making it impossible for the Board to consider them for appointment.
- ii) some applicants fail to disclose their disability status during the application process. In certain cases, even when a disability is visibly apparent during interviews, applicants have not indicated their status in their application materials. This non-disclosure prevents the Board from applying affirmative action provisions that would otherwise benefit these candidates.

The County Public Service Board is progressively working to attain at least the 5% threshold of employees who are in the special need (PWD) category. The ratio of PWDs to total staff as at July 2025 was 2.06%, see analysis below;

TOTAL STAFF	PWD	% PWD
2575	53	2.06

Committee Observations

The Committee observed that;

- 1) The County Executive's workforce comprised 2,551 staff, of whom only 45 (1.7%) were persons with disabilities (PWDs), falling short of the 5% reservation stipulated under Section 13 of the Persons with Disabilities Act, 2003

- 2) The County administration attributed this non-compliance to inherited staffing from the previous administration and challenges in identifying PWD applicants during recruitment, noting that many do not disclose their status in applications despite provisions in online forms for such indication.
- 3) The Management reported an improvement to 53 PWDs (approximately 2%) through recent recruitments.

Committee Recommendation

The Committee recommends that the County Executive develop and implement a targeted affirmative action plan to attain the 5% employment reservation for Persons with Disabilities within the next fiscal year. The plan should include measures to promote voluntary disclosure during recruitment through awareness initiatives, clear non-discrimination assurances in application processes, and mandatory verification at the shortlisting stage.

5.3 Non-Compliance with the Law on Fiscal Responsibility on Wage Bill

The statement of financial performance and Note 7 to the financial statements reflect employee costs of Kshs.3,284,492,295, which represents 55% of the County total revenue of Kshs.5,973,584,517. This was contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which states that the County Government expenditure on wages and benefits for public officers should not exceed 35% of the County Government's total revenue.

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

Management Response

The County Government inherited a significantly inflated wage bill from the former Local Authorities and the National Government, particularly through the devolved departments of Trade, Infrastructure, Agriculture, and Health. Notably, the Department of Medical Services and Public Health has consistently accounted for a substantial portion of the County's payroll—58% of the total wage bill as recorded in the IPPD system as of 30th June 2021.

It is important to highlight that the County's two Teaching and Referral Hospitals—Nanyuki and Nyahururu—serve populations from six neighboring counties in addition to Laikipia. Specifically, Nanyuki caters to two additional counties, while Nyahururu serves four, owing to

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their strategic location and the quality of healthcare services offered. This regional demand contributes significantly to the elevated wage bill.

The computation of the proportion of the wage bill as compared to the Approved Revenue budget for the FY 2024/25 is as follows.

Approved total revenue budget FY 2024/25	Actual Expenditure 2024/25	FY Percentage
A	B	C= B/A
7,244,729,930	3,306,021,821	46%

The County Executive is progressively working towards reducing the proportion of the wage bill as compared to the Approved revenue so as to align with the fiscal responsibilities. Key among the measures is revenue mobilization particularly Own Source Revenue with the aim of surpassing annual targets as well as lobbying for additional grants and transfers.

Committee Observations

The Committee observed that the County's wage bill of Kshs. 3.28 billion constituted 55% of its total revenue, significantly exceeding the 35% statutory limit. This is a flagrant violation of Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015, and indicates a failure to adhere to the fiscal responsibility principles of prudent financial management in Section 107(2)(c) of the PFM Act.

Committee recommendations

The Committee recommends that—

1. the management should provide to the Auditor General and the Senate the measures it will put in place to contain the high wage bill within ninety (90) days of the adoption of this report;
2. the management should strictly adhere to the provision of paragraph 25(1)(b) of the PFM (County Government) Regulations, 2015 which stipulate that the county wage bill should not exceed 35 per cent of the county total revenue;
3. the County Executive puts in place measures to enhance its own source revenue collection in order to address the wage bill gap;

4. That pursuant to the High Court orders issued in *Matindi v Salaries and Remuneration Commission & another [2026] KEHC 755 (KLR)*, the Salaries and Remuneration Commission submits to the Committee a copy of the court ordered affidavit detailing the following—
 - (i) time-bound strategies it has developed and is implementing to achieve a 35% public wage bill to revenue ratio;
 - (ii) collaborative measures being jointly implemented in conjunction with the County Governments; and
 - (iii) advisories and/or directives issued to curb abuse in payment of allowances to State and public officers, percentages of reduction of wage to revenue ratio and savings being made per every year arising from the strategies and interventions it has put in place and implemented.
5. The Auditor General should continue monitoring the issue in subsequent financial years.

5.4 Non-Compliance with a Third of Basic Salary Rule

Review of the County Executive payroll revealed that twenty-six (26) employees earned net salaries of less than a third (1/3) of their basic salary. This was contrary to Section 19(3) of the Employment Act, 2007, which states that the total amount of deduction from Buthe wages of an employee shall not exceed two-thirds (2/3) of such wages.

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

Management Response

The violation of the one third rule is attributed to the introduction of statutory deductions namely Affordable Housing levy and NSSF in July 2023, SHA in October 2024 and regular and unforeseen deduction instructions under HELB. These being statutory deductions the County Executive embarked on adjustment of third-party deductions in order to accommodate these mandatory deductions in the Subsequent months.

The management has progressively reduced incidences of violation of one third rule. In the financial year 2023/24, there were 733 violation cases, whereas in the financial year 2024/25, there were 26 cases. In October 2025, twelve (12) cases were recorded. November 2025 there was 19 cases and zero (0) in December 2025.

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Committee Observation

The Committee observed that 26 county employees earned net salaries less than one-third of their basic pay. This is a direct contravention of Section 19(3) of the Employment Act, 2007, which protects employees from excessive deductions, and points to weaknesses in the payroll management system.

Committee Recommendations

The Committee recommends that -

- 1. The County Public Service Board, in coordination with the County Treasury, fully implement the Human Resources Information System (HRIS) to automatically lock out any loan commitments that would cause an employee's net pay to fall below the legal threshold, as required by sound internal control systems under Regulation 155 of the PFM (County Governments) Regulations, 2015.**
- 2. The Committee further recommends that the Public Service Commission, in coordination with County Public Service Boards, review Section C (3) of the Human Resource Policies and Procedures Manual and propose mechanisms to ensure compliance, reporting their findings to the Senate within 90 days.**

6.0 Project Implementation Status

During the year under review, the County Government implemented various development projects through various departments. A sample of thirty (30) projects, with total payments of Kshs.227,784,323, was selected for physical inspection. The audit inspection revealed that specific observations were raised for nine (9) projects, with an expenditure totaling Kshs.27,482,549, where satisfactory explanations or supporting documentation were not

provided to address the anomalies identified. It was further noted that some projects had not been branded while others were complete but not in use

In the circumstances, the regularity and value for money on the expenditure of Kshs.27,482,549 incurred on projects could not be confirmed.

Management Response

The below table provides the management comments on the status of project implementation for each of the projects reviewed by the auditors

	Details	Contract Amount (Kshs.)	Amount Paid (Kshs.)	Observations	Response
1	Construction of An ECDE Classroom at St Moses Primary School in Nanyuki Ward	2,992,000	2,191,564	Low quality 30-gauge iron sheets were used instead of the 28 gauge as per the BQ.	The gauge of the roofing sheets was not clearly printed on the sheets, we have taken sample to confirm the standard of the installed sheets against the expected standard (gauge 28). If the contractor is found to have deviated from the expected specifications; then the cost difference between the specified 28-gauge and installed 30- gauge sheets will be recovered from the contractor's retention amount. The contractor has been advised to fully comply with the approved material specifications in all future projects.

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2	Construction of an ECDE Classroom at Temmakis Primary School in Thingithu Ward	2,249,040	1,917,854	Project completed on 28 November, 2024 but not in use.	The project was completed on 28 November 2024 but has not yet been put into use due to pending operational arrangements, including allocation of teaching staff and integration into the school timetable.
3	Grading, Gravelling and Drainage Works at Tronaj Thro Tamakis to Airforce Fence	4,899,997	4,716,994	Project complete but not branded and therefore not possible to verify whether the project actually	Sign boards were erected at the site to indicate that the road gravelling project was a county initiative. However, these sign boards were later vandalized, which limited visibility and verification of ownership. Given the nature of road works,
	in Thingithu Ward			Belonged to the county.	physical branding through color schemes is not practical or sustainable. Management has taken corrective measures to ensure that future projects are accompanied by durable sign boards and properly documented in
4	Grading And Gravelling of Kieni and Rwathia Road in Thingithu Ward	3,800,004	2,750,069		

5	Construction Of Seek Dispensary in Mukogondo West Ward	10,627,648	1,694,633	<p>project files, thereby strengthening accountability, transparency, and ease of verification by auditors and the public.</p> <p>Appendix 7.1 & 7.2 Sign boards for Graveling and Seek Dispensary respectively.</p>
6	Grading And Gravelling Works at Nathia Road in Segera Ward	4,716,994	3,588,087	
7	Grading And Gravelling of Lenamaita to Tangi Nyeusi Primary School in Segera Ward	4,679,424	3,526,141	
8	Grading And Gravelling Works at Mwireri World Vision to Mck Mwireri and	3,080,004	2,608,935	
	Murega Road in Umande Ward			

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9	Grading Gravelling and Drainage Works at Sweet Waters - Njoguini Road	4,488,272	4,488,272
	Total		27,482,549

Committee Observations

The Committee noted deficiencies in project management, including the use of sub-standard materials (30-gauge iron sheets instead of 28-gauge) at St. Moses Primary School, and a lack of project branding. These issues raise concerns about value for money, contrary to Section 12(2)(b) of the PFM Act, which mandates the efficient and effective use of budgetary resources.

Committee Recommendations

- 1) The County Executive establishes a robust project management and monitoring system to ensure proper planning, execution, timely completion, and value for money for all public projects, as required by the PFM Act and Regulations.
- 2) The County Governor prioritizes the completion of stalled projects and provides a status update on their completion and usability to the Auditor-General within ninety (90) days of the tabling of this report.
- 3) The Office of the Auditor-General should continue to monitor the implementation status of these projects in subsequent audits.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1.0 Lack of Key ICT Governance Structures and Policies

During the year under review, the County Executive did not have an IT strategic committee, an active IT steering committee and a formally approved IT security policy to ensure data confidentiality, integrity, and availability. The absence of these critical governance structures

and policies indicates a significant weakness in the County's ICT governance and risk management framework.

In the circumstances, the County's ICT environment is exposed to risks of data breaches, operational disruptions and non-compliance with regulatory requirements.

Management Response

The Directorate of ICT has prepared a draft proposal to establish an ICT Strategic and Steering Committee, which is to be submitted to the County Executive Committee Member (CECM) for Administration and ICT for review.

Once approved, the committee will serve as the central body for ICT governance within the County. Its mandate will include providing oversight on ICT matters, guiding strategic planning and implementation, ensuring compliance with national ICT standards, and coordinating ICT investments alongside risk management.

For some time, the County operated without a substantive ICT Director, which created gaps in institutional leadership and slowed the establishment of structured ICT systems. In August 2025, a substantive Director was recruited, helping to stabilize the department and strengthen institutional frameworks. This leadership has provided continuity and structure, ensuring that ICT initiatives are embedded within broader county systems rather than being ad hoc.

The County is also addressing the absence of a formally approved ICT Security Policy. Under the strengthened institutional systems, the ICT Directorate is developing a comprehensive policy aligned with the ICT Authority Standards, the Data Protection Act, 2019, and international best practices such as ISO/IEC 27001. The draft policy has already been circulated internally for review and feedback, and forwarded to the County Legal Department for validation.

The finalized ICT Security Policy will be submitted to the CEC for formal approval after which it will be issued as an official County Government policy. Implementation measures will include user awareness and training sessions, reforms to strengthen access controls, periodic security audits and risk assessments, and the establishment of a structured ICT incident response and reporting framework.

Committee Observation

The Committee observed that the absence of an IT strategic committee, steering committee, and a formally approved ICT security policy represents a significant weakness in the county's internal controls and risk management framework. This exposes the county to data breaches and

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non-compliance, contrary to the requirements for effective internal controls under Section 73 of the PFM Act.

Committee Recommendation

The Committee recommends that the County Executive expedite the development and formal approval of an ICT Security Policy and establish the requisite ICT governance committees. The County Executive should submit to the Auditor General for verification within ninety (90) days of the adoption of this report.

2.0 Management of Fixed Assets

The statement of financial position and Note 14 to the financial statements reflect property, plant, and equipment cost balance of Kshs.35,778,986,723. However, the audit of these fixed assets revealed the following weaknesses.:

2.1 Lack of Land and Buildings Register

The County Executive did not maintain a register of land and buildings, recording each building and parcel of land and the terms on which they are held, with reference to the conveyance, address, area, dates of acquisition, disposal or major change in use, capital expenditure, leasehold terms, maintenance contracts and other appropriate details.

In the circumstances, the existence of effective internal controls on management of fixed assets could not be confirmed.

Management Response

The County Executive has been maintaining all required assets registers in the required format as provided by the National Assets & liabilities management Guidelines of 2020. Some information however has not been available especially ownership documents as well as valuation of assets previously held by the defunct local authorities.

On a positive note, the County Executive has greatly benefitted from the support of the Intergovernmental Relations Technical Committee (IGRTC) in the identification, transfer of ownership documents as well as the valuation of identified assets.

The County Executive is progressively updating its assets registers to enhance compliance as well as maintain proper records to support accounting for Assets in line with the National

initiative of transition to Accrual Accounting currently being implemented by the County Treasury.

Committee Observations

The Committee noted that the county did not maintain an accurate fixed asset register; and didn't have a fixed asset register management policy.

Committee Recommendations

The Committee recommends that the; -

- 1) County should expedite the process of updating and presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 90 days of the adoption of this report;**
- 2) County should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and submit a status update to the Office of the Auditor General within 90 days of adoption of this Report; and**
- 3) Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.**

2.2 Grounded Motor Vehicles Not Assessed or Processed for Disposal

Seven (7) defective and unserviceable motor vehicles remained grounded in various County parking yards, with two (2) under the Department of Health, two (2) under the Department of Agriculture and one (1) each under the Department of Infrastructure, Department of Water and Environment, and Department of Administration. However, no justification or documentation was provided to explain why the vehicles had not been assessed, bonded and marked for disposal. This was contrary to Section 163(1) of the Public Procurement and Asset Disposal Act, 2015, which requires the Accounting Officer to establish a Disposal Committee to oversee the disposal of unserviceable or obsolete public assets.

In the circumstances, the existence of effective internal controls on management of fixed assets could not be confirmed.

Management Response

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The County Executive identified the idle, unserviceable and obsolete assets in the FY 2024/2025 and were eventually disposed of as per the recommendations of the disposal committee and in accordance with the Public Procurement and Asset Disposal Act, 2015 and regulations 2020. Some motor vehicles have since been serviced and put back into operation while others did not attract any successful bidder.

Committee Observation

The Committee noted that seven (7) grounded vehicles were not processed for disposal, contrary to Section 163(1) of the Public Procurement and Asset Disposal Act, 2015, which requires the Accounting Officer to establish a Disposal Committee to oversee the disposal of unserviceable assets. This failure results in the deterioration of public assets and loss of potential revenue.

Committee Recommendations

The Committee recommends that the County Executive fast-track the disposal of all identified unserviceable, obsolete, and grounded assets in accordance with the Public Procurement and Asset Disposal Act, 2015, and provide a comprehensive report on the process and proceeds of disposal to the Auditor-General.

3.0 Lack of Asset Ownership Documents

Land and buildings valued at Kshs.32, 166, 169,389 and Kshs.3,131,932,217 respectively, were recorded in the financial statements. However, Management did not provide ownership documents such as title deeds, allotment letters, or lease agreements to support these balances. In the absence of this documentation, legal ownership and custodianship of the assets could not be ascertained.

In the circumstances, the ownership of the fixed assets could not be confirmed.

Management Response

The County executive in collaboration with IGRTC and the Ministry of lands in the FY 2023/2024 identified all the land and buildings from the devolved ministries, the defunct Laikipia County Council, the Nyahururu and Nanyuki municipal Councils and the Rumuruti town Council. The management prioritized the identification, verification and valuation of Land, Buildings and vehicles (considered to be phase 1) and is expected to proceed to the other classes of assets (phase 2). The 1st stage of phase 1 involved the identification, verification and

valuation of the assets while stage 2 will involve the registration and transfer of ownership documents. The 1st stage was successful in the identification and valuation of the Land & Buildings classes of Assets.

The 2nd stage is currently ongoing and is expected to be concluded by the end of FY 2025/26. Identification, verification, valuation and registration of other classes of Assets (phase 2) is also expected to begin and is currently under preparation stage in consultation with the IGRTC.

Committee Observation

The committee noted that the management failed to provide the documents to support the ownership of the county government assets contrary to section 62 of the Public Audit Act.

Committee Recommendation

The County Governor undertakes administrative action(s) against the officer(s) who failed to provide the documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act 2012 and provide a status report to the Office of the Auditor General within ninety (90) days from the adoption of this report.

4.0 Incomplete Asset Register

The asset register maintained was incomplete and was not prepared in accordance with the format prescribed by IPSAS 17 and Appendix 6 of The National Treasury Circular NALM 2/2/(B) dated 14 October, 2020. The register did not meet the minimum required details, including identification or serial number, acquisition date, description of the asset, location, class, cost of acquisition, accumulated depreciation and net book value. As a result, the asset register did not meet the minimum disclosure standards, undermining the reliability of the asset information presented in the financial statements.

In the circumstances, the existence of effective internal controls on management of fixed assets could not be confirmed.

Management Response

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The County Executive has been preparing and maintaining its assets registers in accordance with the format prescribed by Appendix 6 of The National Treasury Circular NALM 2/2/(B) dated 14 October, 2020.

The County Executive has been working around updating its registers with a view of filling gaps especially those relating to ownership documents, valuation and verification status. The management is committed to the expeditious updating of the asset registers especially due to its critical role in the Accrual Basis of Accounting whereby Assets have to be recognized in the Statement of Financial Position.

The County Treasury has also trained and sensitized officers dealing with assets management, financial reporting, recording stores and inventories and also put in place procedures for acquisition and recording of all assets to ensure accuracy and completeness of the asset data disclosed in the Asset registers.

Committee Observation

The Committee observed that the County did not maintain an accurate fixed asset register and lacked a fixed asset register management policy.

Committee Recommendations

The Committee recommends that the-

- 1) **County Executive should expedite the process of updating and presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 90 days of adoption of this report;**
- 2) **County Executive should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and submit a status update to the Office of the Auditor General within 90 days of adoption of this Report; and**
- 3) **Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Year**

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF LAIKIPIA COUNTY RECEIVER OF REVENUE FOR THE FINANCIAL YEAR 2024/2025

Emphasis of Matter

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue target and actual amounts on comparable basis of Kshs.1,475,000,000 and Kshs.1,239,504,563 respectively, resulting in a revenue shortfall of Kshs.235,495,437, or 16% of the approved budget.

The shortfall of revenue affected planned activities and may have negatively impacted service delivery to the public.

Management Response

In the Financial Year 2024/2025, the Laikipia County Revenue Board had set an OSR target of Kshs. 1,475,000,000 and achieved Kshs1,239,504,563 that resulted in a 16% shortfall which is attributed to among other reasons,

- i. Adverse weather conditions affected the realization of market fees due to low produce, market inaccessibility and produce prices.
- ii. Low sand cess revenue due to inaccessibility/ poor condition of the Nanyuki-Doldol road resulting in transporters opting for sand from Isiolo and the alternative of crusher dust.
- iii. An unforeseen decline in the construction industry due to rising costs of construction materials lead to a significant decline on expected revenues from building approval fees.
- iv. The expected implementation of a County Court to litigate and enforce County legislations is yet to be fully functional thereby affecting realization of this revenue stream.
- v. A depressed economy resulted in low compliance and delays in payment of single business permits and related fees including public health as well as weights and measures. In addition, there were higher business closures as compared with new businesses during the year.
- vi. A decline in the number of visitors, both local and foreign as anticipated, adversely affected the revenue collected at Thompson Falls in the year as a result of depressed economic activity. However, expected

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improvements and upgrading of the amenities within this facility is expected to significantly improve on the performance of this revenue stream.

To boost revenue generation, the management has implemented the following OSR enhancement measures,

- (i) Prosecution of defaulters through the joint effort of the ODPP, County Administration and The County Revenue Board has significantly brought down the outstanding receivables from SBPs and liquor licences.
- (ii) New and improved performance-based contracts for collectors which are expected to improve morale and productivity as well as continued implementation of individual collector's targets program
- (iii) Expected Staff and board training and capacity building.
- (iv) Frequent round table meetings with all departments on their revenue generation strategies.
- (v) Implementation of approved Valuation roll 2021-2031 will increase property taxes.
- (vi) Implementation of proposed amendments in the Finance Act 2025/26.

In addition, the County Government has since reviewed its F/Y 2025/2026 revenue target downward to **Kshs.1.351 billion**, reflecting a more realistic projection based on current economic conditions, enforcement capacity, and collection trends.

Committee Observation

1. The Committee observed that the Laikipia County Receiver of Revenue recorded a revenue shortfall of Kshs. 235,495,437, representing 16% of its approved target of Kshs. 1,475,000,000. This significant under-collection directly contravenes the fiscal responsibility principles enshrined in Article 201 of the Constitution, which demands that public finances be managed prudently and responsibly.
2. While management attributed the shortfall to exogenous factors like adverse weather and economic downturn, the Committee notes that this persistent inability to meet revenue targets creates a fiscal risk and jeopardizes the execution of county development plans as required by Section 126 of the PFM Act, 2012.
3. The Committee further observes that the National Treasury's delayed exchequer releases, contrary to the cash disbursement schedule approved by the Senate, severely constrained the

County Government's cash flow, hindering project implementation and service delivery, which is a breach of the cooperative governance principle in Article 6(2) of the Constitution.

Committee Recommendations

4. **The National Treasury must strictly comply with Article 219 of the Constitution and Section 17(6) of the PFM Act, 2012, by ensuring the transfer of funds to county governments is done without undue delay and in strict adherence to the approved quarterly disbursement schedule. The National Treasury must be summoned to explain any future deviations from this schedule to the Senate.**
5. **The County Executive Committee Member for Finance, in line with their responsibilities under Section 104 of the PFM Act, 2012, must submit a comprehensive Revenue Enhancement Plan to the Senate and the County Assembly within 90 days. This plan should address the structural weaknesses identified (e.g., over-reliance on volatile revenue streams, infrastructure affecting cess collection) and propose legislative or administrative remedies to build a more resilient and diversified revenue base, ensuring alignment with the fiscal responsibility principles in Regulation 25 of the PFM (County Governments) Regulations, 2015.**

Other Matter

2.0 Unresolved Prior Year's Matters

In the prior year audit report, Issues on Unsupported Arrears of Revenue, Own Source Revenue and Operating Manual Systems in Sub-County Hospitals were raised. However, the issues remain unresolved.

Management Response

The management is always committed to resolve prior years issues and ensure that they are non-recurrent. It's the management opinion that the issues raised have been addressed. The following is a tabulation on how the management has dealt with the issues.

S/No	Audit Observation	Management Comments	Status of Resolution
1	Unsupported Arrears of Revenue	During the period under audit, the Revenue	Resolved

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		Collection System was under development and could not generate a comprehensive arrears register. The issue has since been resolved following full system implementation. Revenue arrears amounting to Kshs. 340,418,413 are now properly supported and reported in the Statement of Arrears of Revenue as at 30 June 2024 . The current arrears register for FY 2024/2025 has been generated from the system and attached for audit verification.	
2	<p>Inaccuracy of Own Source Revenue</p> <p>The figure reported as disbursed from the county receiver of revenue annual financial statement differed by ksh. 1,753,500 from what was reported as received as own source revenue in the annual financial statement for county revenue fund in the FY 2023/2024.</p>	<p>A reconciliation was done illustrating the presumed variance of ks. 1,753,500 related to grant received through the receiver of revenue and subsequently swept to CRF. The figure was disclosed in a separate note in financial statement in essence the variance did not exist.</p>	Resolved.

	Operating Manual Systems in Sub-County Hospitals	All the sub-county hospitals (Doldol, Rumuruti, Lamuria, Ndindika and Kimanjo) within Laikipia County have in the FY 2025/26 automated and implemented the Taifa care system	Resolved
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Committee Observation

1. The Committee notes the management's response detailing the resolution of prior-year audit issues, including the generation of a supported arrears register from the new revenue system (Kshs. 340,418,413 as at 30 June 2024) and the automation of sub-county hospitals.
2. The Committee acknowledges the confirmation from the Office of the Auditor-General that these matters have been addressed. This resolution fulfills the accountability obligations of public officers under Article 232 of the Constitution and the reporting requirements for receivers of revenue under Section 82 of the PFM Act, 2012 and Regulation 68 of the PFM (County Governments) Regulations, 2015.

Committee Recommendation

The Committee recommends that the matter be marked as resolved. The County Executive Committee Member for finance is, however, reminded of their ongoing duty under Section 104(1)(a) of the PFM Act, 2012, to maintain robust financial management and control systems to ensure that previously resolved issues do not recur.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

3.0 Un-disbursed Collections to the County Revenue Fund

The statement of financial position and Note 30 to the revenue statements reflect a balance of Kshs.1,759,907 in respect to cash and cash equivalents. These were amounts collected in the bank, but not yet disbursed to the County Revenue Fund (CRF). This was contrary to Regulation 81 (2) of the Public Finance Management (County Governments) Regulations, 2015, which requires revenue collected to be paid into the CRF not later than five (5) days after receipt.

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

Management Response

The County Government of Laikipia has clear instructions and established procedures to sweep all funds from the collection accounts into the County Revenue Fund (CRF) on a daily basis. Consequently, no funds remained unpaid to the CRF for more than five (5) days after receipt, and the requirement of Section 81(2) of the Public Finance Management (County Governments) Regulations, 2015 was fully complied with. In this case, reported balance of Kshs. 1,759,907 relates to collections received through M-Pesa and on the last day of the financial year and uncleared bank effects at year-end which was swept the following day.

Committee Observation

1. The Committee observes that the balance of Kshs. 1,759,907 in cash and cash equivalents not yet remitted to the County Revenue Fund (CRF) was a technical timing difference related to M-Pesa collections and uncleared effects on the last day of the financial year.
2. The Committee accepts management's explanation that these funds were swept into the CRF on the following working day. This practice, while compliant in this instance, must be strictly managed to avoid contravention of Regulation 81(2) of the PFM (County Governments) Regulations, 2015, which mandates that revenue collected be paid into the CRF within five (5) days after receipt.

Committee Recommendation

The Committee recommends that the matter be marked as resolved. However, the County Executive Committee Member for finance is directed to issue a circular to all receivers of revenue, emphasizing the statutory duty under Section 157 of the PFM Act, 2012 and Regulation 81 of the PFM (County Governments) Regulations, 2015, to ensure that all collections are banked and remitted to the CRF promptly, with no funds held in collection accounts beyond the stipulated period.

4.0 Use of Outdated Valuation Roll in Assessing Land Rates

The statement of revenue and disbursements and note 7 reflect land rates revenue of kshs.82,859,869. However, the County Government did not maintain a comprehensive and updated register of landowners and continued to assess land rates based on an outdated valuation roll prepared in 1995, which does not reflect current property market values. This was contrary to Section 30(1) of the National Rating Act, 2024, which requires every County Government to

undertake preparation of a valuation roll every five (5) years for all ratable properties within its jurisdiction.

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

Management Response

The County Government of Laikipia prepared a Comprehensive Valuation Roll (2021), which was duly approved by the County Assembly. The Valuation Roll covers all ratable properties within Laikipia County and reflects current property market values. The approved Valuation Roll has since been operationalized through the Finance Act, 2025 for purposes of assessing land rates.

In addition, the County Government of Laikipia has initiated the process of establishing a comprehensive and updated land register covering all ratable properties within the County to enhance accuracy of land ownership records and strengthen revenue administration.

Management remains committed to full compliance with the National Rating Act, 2024, including adherence to statutory timelines for the preparation, review, and implementation of valuation rolls.

Committee Observation

1. The Committee notes that for the financial year under review (2024/2025), the county continued to use a 1995 valuation roll to assess land rates, generating revenue of Kshs. 82,859,869. This practice was in direct contravention of Section 30(1) of the National Rating Act, 2024, which requires a review every five years, and undermined the constitutional principle of equitable taxation under Article 201(b)(i) of the Constitution.

2. The Committee, however, acknowledges management's confirmation that a Comprehensive Valuation Roll (2021) has now been prepared, approved by the County Assembly, and operationalized through the Finance Act, 2025.

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Committee Recommendation

1. The County Executive Committee Member for Finance must ensure that for the Financial Year 2025/2026 and all subsequent years, land rates are assessed and billed exclusively on the basis of the approved 2021 Valuation Roll, in compliance with Section 30(1) of the National Rating Act, 2024.
2. The County Government, in line with Section 66 of the Constitution and to enhance revenue administration, should maintain a comprehensive and updated land register to ensure the accuracy and integrity of the Valuation Roll.

5.0 Long Outstanding Receivables from Exchange Transactions

The statement of financial position and Note 32 to the revenue statements reflect receivables from exchange transactions of Kshs.12,877,214, which includes an amount of Kshs.7,469,427 in respect to property rent, which has been outstanding for over one (1) year. However, Management did not provide evidence of debt recovery efforts or justify the absence of a provision for doubtful debts in respect of the long outstanding balances.

In the circumstances, the accuracy and recoverability of the property rent receivables of Kshs. 7,469,427 could not be confirmed.

Management Response

The outstanding property rent due for over one year relate to arrears for rental income from residential houses, market stalls and bus park stalls.

The Laikipia County Revenue Board manages its property rents as guided by the General

Provisions of the Finance Act 2025 which gives guidelines on house/stall allocation processes, automated rent collection and reconciliation, rent demand mechanism and eventual eviction processes for defaulters. See below listing of the procedural documents followed during the allocation, rent collection and enforcement of rent arrears in line with the four stages of these provisions.

In addition, the Management have instituted measures to strengthen debt recovery. In collaboration with the County Attorney. The management has instituted enforcement measures of initiating lawsuits for evicted tenants in situations where repossessed items after eviction are not sufficient to cover the arrears in question.

Committee Observation

1. The Committee observes that property rent receivables of Kshs. 7,469,427 have been outstanding for over one year. While management outlined the debt recovery framework under the Finance Act 2025, they failed to provide evidence of the effectiveness of these measures.
2. This inaction contravenes the accounting officer's duty under Regulation 63(1) of the PFM (County Governments) Regulations, 2015, to ensure adequate safeguards for the prompt collection of revenue. The failure to collect these dues and the lack of a provision for doubtful debts impairs the accuracy of the financial statements and represents a failure in prudent financial management as required by Article 201(d) of the Constitution.

Committee Recommendations

The Committee recommends that:

1. **The Accounting Officer must, within 90 days, provide the Senate and the County Assembly with a detailed debt recovery report, including a schedule of defaulters, specific enforcement actions taken (e.g., demands, evictions, legal suits), and amounts recovered to date, as required by their responsibility for revenue management under Regulation 63 of the PFM (County Governments) Regulations, 2015.**
2. **The County Government should adopt a more aggressive enforcement strategy, including invoking the provisions of the Finance Act for rent arrears and, where necessary, engaging the County Attorney to expedite legal proceedings.**
3. **The Auditor-General to specifically review and report on the recoverability of these arrears and the adequacy of the debt recovery measures in the subsequent audit.**

6.0 Long Outstanding Receivables from Non-Exchange Transactions

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The statement of financial position and Note 31 to the revenue statements reflect receivables from non-exchange transactions of Kshs.729,036,257, which includes an amount of Kshs.583,229,006 relating to land rates that have been outstanding for over one year. However, Management did not explain measures taken to enforce the collection of these arrears.

In the circumstances, the accuracy, completeness and recoverability of receivables amounting to Kshs.729,036,257 could not be confirmed

Management Response

Management acknowledges the outstanding land rates of Kshs. 583,229,006 which are categorized on ageing analysis format. The ageing analysis is the primary document that guides the required debt recovery actions by the Board which include the following,

- (i) The rate payers with current year unpaid rates and arrears less than one (1) year were sent reminder messages through the Revenue System bulk messaging platform for 5 days. **(See Appendix 5.1 sample bulk SMS messages.)**
- (ii) The rate payers with arrears of more than one year were sent demand notices clearly stipulating the legal framework that guides further action to be taken on non-payment. **(See Appendix 5.2 sample demand notes.)**
- (iii) Defaulters in (ii) above who do not respond were issued with subsequent reminder correspondences with strict timelines for settlement and clearly stipulating punitive further action upon nonpayment. **(See Appendix 5.3 sample follow up letters)**
- (iv) Non responsive rate payers under (ii) and (iii) were subjected to enhanced recovery measures including public listing of the defaulters **(See Appendix 5.4 Extract of published list of defaulters)**. Other measures taken include instituting direct collection of income generated by the plot e.g. rental income from the rates payer's tenants **(See Appendix 5.5 demand to Rate payers on redirection of their income in lieu of rates arrears)** as provided for in Section 19 of the National Rating Act 2024.

In addition, management in a bid to fast-track debt recovery processes is instituting the following measures in reducing outstanding receivables.

- **Enforcement Measures:** Collaboration with the County Legal Department is underway to institute enforcement actions against

persistent defaulters, including penalties and legal proceedings where necessary.

- **Strengthening Controls:** A debt management framework is being developed to ensure timely monitoring, reporting, and escalation of arrears.
- **Future Strategy:** Management is exploring automation of billing and debt collection processes to enhance efficiency and accountability.

Committee Observation

1. The Committee is deeply concerned by the massive stock of land rates arrears totaling Kshs. 583,229,006 that have remained outstanding for over a year. This significant amount, a substantial portion of the county's potential revenue, has not been realized, severely constraining the county's fiscal capacity as envisioned under Article 175(b) of the Constitution.

2. While management provided a list of administrative measures (e.g., SMS reminders, demand notices), these have demonstrably failed to yield significant results. The lack of effective enforcement, including the full use of legal mechanisms provided for in the National Rating Act, 2024, constitutes a breach of the accounting officer's duty under Section 149 of the PFM Act, 2012, to ensure that resources are used in a way that is effective and economical, and that revenue due is collected.

Committee Recommendations

The Committee recommends that:

1. **The County Executive Committee Member for Finance, in collaboration with the County Attorney, must immediately invoke the enhanced recovery measures under Section 19 of the National Rating Act, 2024. This includes, but is not limited to, public listing of defaulters, distress proceedings, and the redirection of income (e.g., rent from tenants) belonging to the rate payers. A progress report on these legal actions must be submitted to the Senate and the County Assembly within 90 days.**
2. **The automation of billing and debt collection processes, as mentioned in the response, should be prioritized and timelines for its completion be communicated to the County Assembly.**
3. **The Auditor-General to conduct a special audit on the land rates receivables, focusing on the age analysis, the effectiveness of the enforcement measures, and the potential for write-offs, and report the findings in the subsequent audit cycle.**

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REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

7.0 Operating Manual Systems in Sub-County Hospitals

The statement of revenues and disbursements and Note 19 to the revenue statements reflect hospital fees balance of Kshs.695,623,384. Management has implemented a Hospital Management Information System (HMIS), FunSoft, at Nanyuki Teaching and Referral Hospital and Nyahururu Sub-County Hospital. However, Rumuruti Sub-County Hospital, Lamuria Sub-County Hospital (Laikipia East), Doldol Sub-County Hospital, and Kimanjo Sub-County Hospital operate using manual systems. The manual systems lack comprehensive audit trails for transactions and activities, increasing the risk of revenue loss and operational inefficiencies.

In the circumstances, the effectiveness of revenue management processes in the sub-county hospitals could not be confirmed.

Management Response

During the period under review, the County Government of Laikipia was assessing and identifying an appropriate hospital management system in line with the Facility Improvement Financing Act (FIFA), which provides for increased financial autonomy of health facilities.

Through the Department of Health, the County identified and adopted the Taifa Care System, which captures, processes, and reports all hospital revenue and related transactions while providing full audit trails and management reports.

The Taifa Care System has since been fully implemented in the following Sub-County Hospitals: Doldol Sub-County Hospital, Rumuruti Sub-County Hospital, Lamuria Sub-County Hospital, Ndindika Sub-County Hospital and Kimanjo Sub-County Hospital. The system now supports automated billing, receipting, revenue reporting, and audit trail functionality, thereby addressing the risks associated with manual systems.

These measures have significantly strengthened revenue management controls and improved operational efficiency within Sub-County Hospitals.

Committee Observations

1. The Committee notes that during the year under review, four sub-county

hospitals were operating on manual systems, which, as noted in the audit, lacked comprehensive audit trails, increasing the risk of revenue loss and operational inefficiencies. This practice was inconsistent with the need for effective internal controls and transparent financial management as mandated by Article 232 of the Constitution.

2. While management states that the Taifa Care System has since been implemented in these hospitals, the effectiveness of this new system in addressing the prior weaknesses has not yet been audited or verified.

Committee Recommendations.

The Committee recommends that:

- 1. The Auditor General to undertake a specific review of the Taifa Care System's implementation in the next audit cycle to confirm its operational effectiveness, assess its impact on revenue collection and internal controls, and verify the existence of comprehensive audit trails as required by Section 73 of the PFM Act, 2012, and international best practices.**
- 2. The Accounting Officer for the Department of Health must ensure that all hospital revenue is banked intact and accounted for promptly, in line with Regulation 63 of the PFM (County Governments) Regulations, 2015.**

Revenue System – Laikipia Pay System

Review of the Laikipia pay system revealed the following weaknesses

8.0 Inadequate Segregation of Duties

Changes to revenue rates within the system could be made by a single user without independent review or approval, indicating weak access and authorization controls.

Management Response

Currently, management has addressed the weakness by establishing a Standard Operating Procedure (SOP) to strengthen segregation of duties and controls over revenue rate changes. Revenue rate adjustments are undertaken annually following approval of amendments to the Finance Act. Under the SOP, proposed rate changes are initiated by the Ward Revenue Receiver using a standardized form, reviewed by the Monitoring Team and the ICT Unit for

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accuracy and compliance with the approved Finance Act, and subsequently approved by the Chief Executive Officer. All approved documentation is retained for record-keeping and audit purposes.

Further, Management has automated the SOP within the system to ensure that initiation, review, approval, and supporting documentation are processed electronically. The system also generates audit reports for all reviewed and amended rates, thereby enhancing transparency, strengthening audit trails, and ensuring accountability.

Committee Observations

1. The Committee observes that the audit identified a critical weakness in the Laikipia Pay System, where changes to revenue rates could be made by a single user without independent review or approval. This lack of segregation of duties is a fundamental failure in internal control, exposing the county to the risk of unauthorized or erroneous changes to revenue rates, and directly contravenes the principles of financial probity and accountability in Chapter Six of the Constitution.
2. While management has proposed a Standard Operating Procedure (SOP) and an automated workflow to address this, the operationalization and effectiveness of these measures remain unverified.

Committee Recommendations

The Committee recommends that;

1. **The Auditor General to specifically audit and report on the new controls for revenue rate changes in the subsequent audit cycle. This review should confirm that the automated workflow for initiation, review, and approval is fully functional and that audit trails are being generated and maintained as described, in compliance with Regulation 110(2)(c) of the PFM (County Governments) Regulations, 2015.**
2. **The Chief Officer, ICT, must provide the Senate and the County Assembly with a system-generated report demonstrating the approval workflow for any rate changes implemented in the current financial year.**

9.0 Lack of Service Level Agreement

There no formal Service level Agreement (SLA) between the County Executive and the ICT service providers to define system performance standards, support, responsibilities, or escalation procedures.

Management Response

During the period under review, the Laikipia County Revenue Board was in the implementation phase of the Revenue Collection System. The system has since been fully handed over to the County Government of Laikipia and is currently operational on the on-premise server housed in the County server room.

Following the handover, the County is undertaking a post-handover review to confirm system stability, performance, support requirements, and responsibility delineation. Based on the outcome of this review, a comprehensive Service Level Agreement (SLA) will be developed to cover system availability, maintenance, support, security, and escalation procedures.

The County expects to have the SLA finalized and executed by the end of the third quarter of the current financial year.

Committee Observation

The Committee is concerned that the County Executive operated a critical revenue collection system without a formal Service Level Agreement (SLA). The absence of an SLA, as noted by the Auditor-General, creates significant operational and financial risks by failing to define system performance standards, support responsibilities, and escalation procedures. This lack of a formal agreement is inconsistent with the need for prudent and responsible financial management under Article 201(d) of the Constitution.

Committee Recommendations.

The Committee recommends that:

- 1. The County Executive Committee Member for Finance must, as a matter of urgency, finalize and execute a comprehensive Service Level Agreement (SLA) with the ICT service providers by the end of the third quarter of the current financial year, as committed by management. A copy of the executed SLA must be submitted to the Senate, the County Assembly and the Auditor-General.**
- 2. The Auditor-General to review the finalized SLA in the subsequent**

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audit to ensure it adequately covers system availability, maintenance, support, security, and performance benchmarks, in line with best practices for public financial management systems.

10.0 Lack of test Environment for data

The County Executive did not maintain a test environment for system updates or configuration changes, increasing the risk of system downtime, user disruption, and inaccurate reporting.

Management Response

The management has since implemented a dedicated test environment for the Revenue Collection System, effective December 2025. The test environment is now used to validate system updates, configuration changes, and enhancements before deployment to the production environment, thereby minimizing the risk of system downtime, user disruption, and data inaccuracies.

Committee Observations

1. The Committee acknowledges the audit finding that the lack of a test environment posed a significant risk to system stability and data integrity. It notes management's assertion that a dedicated test environment has been implemented since December 2025.
2. The existence of a separate test environment is a crucial control for ensuring that system updates and configuration changes do not disrupt live operations or corrupt financial data, aligning with the need for efficient and effective use of resources under Article 232(1)(b) of the Constitution.

Committee Recommendations

The Committee recommends that:

1. **The Auditor-General to review and confirm the existence and operational effectiveness of the test environment in the subsequent audit cycle. This review should verify that all system changes are tested in this environment before being deployed to the live production environment, in line with Section 73 of the PFM Act, 2012, regarding the adequacy of internal control systems.**
2. **The Chief Officer, ICT, must present the documented policy and procedures for change management, which mandates the use of the test environment, to the County Assembly's relevant committee.**

11.0 Duplicate Reference Numbers in Client Accounts

System review identified instances where the same reference numbers were assigned to different clients, with affected invoices totaling Kshs.617, 115, thus rendering the data on clients unreliable. This reflects weaknesses in data integrity and customer identification controls.

In the circumstances, the reliability and integrity of revenue data processed through the Laikipia Pay System could not be confirmed.

Management Response

The Revenue Collection System is designed to automatically generate unique invoice numbers for all invoices. The instances of duplicate reference numbers identified arose from conflicting National ID numbers provided by clients during registration, particularly within the land rates module.

The system associates each National ID number with the first set of client details captured during registration. Where a subsequent registration was attempted using an already existing ID number but with different client details, the system associated invoices with the originally registered client profile, resulting in apparent duplication of reference numbers across different clients

The intention of this design was to support a self-service client portal, allowing clients to view and pay all invoices (land rates, housing, single business permits, advertisements) associated with their National ID number.

The issue had since been fully resolved, and the following corrective actions have been undertaken:

- All affected client records were reviewed and cleaned to ensure invoices are correctly linked to the appropriate clients.
- System validation controls were enhanced to prevent sharing of invoice numbers across multiple client profiles.
- Cases where duplicate invoices were generated for the same client for the same financial year were corrected.
- The system has been configured to restrict invoice generation to one invoice per client per year, preventing recurrence.

Committee Observation

1. The Committee is concerned by the audit's discovery of duplicate reference numbers assigned to different clients, affecting invoices worth Kshs. 617,115.

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This systemic weakness renders client data unreliable and raises serious doubts about the integrity of revenue collection processes. It undermines the constitutional principle of transparency and accountability in public finance under Article 201(a) of the Constitution.

2. While management has explained the cause and proposed corrective actions, the accuracy and effectiveness of these data-cleaning exercises have not been independently verified.

Committee Recommendation

The Committee recommends that;

1. **The Auditor-General to conduct a specific review of client data integrity in the subsequent audit. This review should focus on confirming that all instances of duplicate reference numbers have been resolved, verifying that system validations now prevent such occurrences, and ensuring that the linkage between clients and their invoices is accurate, as required for reliable financial reporting under Section 164 of the PFM Act, 2012.**
2. **The Chief Officer, ICT, must within 60 days provide a detailed report to the Senate and the County Assembly on the data-cleaning process and the enhanced validation controls implemented in the revenue system to prevent a recurrence.**

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF LAIKIPIA COUNTY REVENUE FUND FOR THE FINANCIAL YEAR 2024/2025

Emphasis of Matter

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual amounts on comparable basis of Kshs.7,341,559,611 and Kshs.6,570,516,368 respectively, resulting to a shortfall of Kshs.771,043,242, or 11% of the budget. Similarly, the Fund disbursed Kshs.6,568,221,762 against actual revenue of Kshs.6,570,516,368, resulting to an

under-disbursement of Kshs.2,294,606. The shortfall and under-disbursement may have impacted negatively on service delivery to the public.

Management Response

The under realisation of the revenue budget of Kshs 771,043,242 (11%) was largely due to un-disbursement of transfers from National Government agencies amounting to Kshs 452,864,302.

Under-realisation of the Own Source Revenue by 38% (Kshs 329,179,517) attributed to general economic hardships facing the county residents was the 2nd largest contributor to the under-realisation of the revenue budget.

Considering the budget was balanced (revenue & transfers budget were equal), the under-realisation of the revenue budget led to the under-utilization of the transfer budget. The County treasury However prioritized critical county operations for both the County executive as well as the County Assembly for the smooth running of the County Government.

The County Treasury is continuously and actively working towards collecting more Own Source revenue through the Laikipia County revenue Board.

Committee Observation

1. The Committee observes that the revenue shortfall of Kshs. 771,043,242 (11%) and the consequent under-disbursement of Kshs. 2,294,606 represent a failure to achieve the fiscal objectives set out in the County Fiscal Strategy Paper. This underperformance, attributed to delayed disbursements from the National Treasury and under-collection of Own Source Revenue (OSR), contravenes the fiscal responsibility principles enshrined in Article 201 of the Constitution, which demands openness, accountability, and prudent use of public money.
2. Furthermore, the delay in project implementation directly undermines the objects of devolved government under Article 174 of the Constitution, particularly the provision of proximate and easily accessible services and the promotion of social and economic development

Committee Recommendations

The Committee recommends that;

1. **The National Treasury must comply with Article 219 of the Constitution, which mandates the transfer of a county's share of revenue without undue delay. The**

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National Treasury is directed to adhere strictly to the cash disbursement schedules approved by the Senate, as required under Section 17(6) of the PFM Act, 2012, to ensure county governments receive their funds in a timely and predictable manner, facilitating proper budget implementation.

2. The County Executive, through the County Treasury, must urgently implement measures to enhance OSR collection as required by Section 104(1)(d) of the PFM Act, 2012, which mandates the County Treasury to mobilize resources for funding budgetary requirements. The County Treasury should ensure that the Laikipia County Revenue Board operates effectively, employing a standardized financial management system as per Regulation 4(d) of the PFM (County Governments) Regulations, 2015, to produce accurate revenue projections and ensure collections meet the annual targets.

2.0 Late Exchequer Releases

The statement of financial performance and Note 6 to the financial statements reflect Exchequer releases totaling Kshs.5,387,035,309. Included in this balance is an amount of Kshs.888,860,826, or 17% of the total disbursements received by the County Government Revenue Fund from The National Treasury in the second half of the month of June, 2025. The late Exchequer releases could have had adverse effect on the implementation of the planned activities and projects by Management for the year ended 30 June, 2025. This is contrary to Section 17(6) of the Public Finance Management

Management Response

Throughout the FY, the County Government experienced substantial delays in disbursement of monthly equitable share from National Treasury. Indeed, this hampered service delivery and occasioned delays in the processing of Exchequer transfers from CRF. It is our expectation that the National Treasury will effect timely disbursements in future to alleviate this situation.

Committee Observation

1. The Committee observes that the receipt of Kshs. 888,860,826 (17% of total disbursements) in the second half of June 2025 is a direct violation of Article 219 of the Constitution and Section 17(6) of the PFM Act, 2012, which require equitable shares to be transferred without undue delay and in accordance with approved schedules.

2. This practice severely impairs the County Treasury's ability to manage cash flows effectively, contravening the guiding principles for cash management outlined in Regulation 83

of the PFM (County Governments) Regulations, 2015, and ultimately hinders the efficient and effective provision of services to the public as envisaged in Article 201(d) of the Constitution.

Committee Recommendations

The Committee recommends that:

- 1. The National Treasury must be compelled to comply with Section 17(7) of the PFM Act, 2012, which requires it to disburse funds monthly in accordance with a schedule prepared in consultation with the Intergovernmental Budget and Economic Council (IBEC) and approved by the Senate. Failure to adhere to this schedule constitutes a breach of the law and undermines the financial stability of county governments.**
- 2. The Controller of Budget to continue highlighting these late disbursements in their quarterly reports to Parliament, as mandated by Article 228(6) of the Constitution, and to explicitly flag them as a risk to budget implementation and service delivery.**
- 3. The County Treasury should, as a risk mitigation strategy, strengthen its own revenue base in line with Section 107(2)(d) of the PFM Act, 2012, to ensure that core services can be maintained even when national government disbursements are delayed, thereby upholding the principle of prudent fiscal risk management.**

Other Matter

3.0 Unresolved Prior Year Audit Matters

In the audit report of the previous year, the issues of inaccuracies of own source revenue and late exchequer releases were raised. However, the matters remain unresolved.

Management Response

The management is always committed to resolve prior year issues and ensure their non-recurrence. Below is an analysis of status of resolution on the individual issues raised.

S/No	Audit Observation	Management Comments	Status of Resolution
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1	<p>Inaccuracies of own source revenue-</p> <p>The figures reported as disbursed from the County Receiver of Revenue annual financial statements differed by Kshs</p>	<p>A reconciliation was done illustrating that the presumed variance of Kshs 1,753,500 related to a grant received through the Receiver of revenue and subsequently swept to the CRF. The figure</p>	Resolved
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	1,753,500 from what was reported as received as Own Source Revenue in the Annual Financial Statements for County Revenue Fund in the FY 2023/24	was disclosed in a separate Note of the financial statements. In essence the variance did not exist.	
2	late exchequer releases- the matter related to an amount of Kshs 937,693,143 received into the CRF in the 2 nd half of June 2024.	The matter still persists	Unresolved

Committee Observation

The Committee notes the confirmation from the Office of the Auditor-General that the matter of "Inaccuracies of own source revenue" from FY 2023/24 has been resolved, following a reconciliation that clarified the variance of Kshs. 1,753,500. This resolution demonstrates the importance of proper reconciliation processes as required by Regulation 90 of the PFM (County Governments) Regulations, 2015. However, the Committee is deeply concerned that the issue of "Late Exchequer Releases," which was also raised in the prior year, remains a recurring and unresolved systemic problem.

Committee Recommendations

The Committee Recommends that—

1. the County Executive implements the recommendations of the Committee in its report on the Report of the Auditor General on Financial Statements for Vihiga County Executive for the Financial Year 2023/2024 as adopted by the Senate and reports to the committee within sixty (60) days of the adoption of this report;
2. the account officer complies with section 53 of the Public Audit Act by taking the relevant steps to implement the recommendations of the Senate on the report of the Auditor-General and submits a report to the Senate within ninety (90) days of the adoption of this report;
3. the County Executive engages with the Office of the Auditor General to address and resolve any outstanding matters; and
4. the Auditor General lists any unresolved audit issues in the report of the subsequent financial year.

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF MACHAKOS COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2024/2025 .

The Governor of Machakos County Executive Hon. Wavinya Ndeti , EGH , appeared before the Committee on Friday, 13th March , 2026 to respond (under oath) to audit queries raised in the Report of the Auditor General on County Executive, Receiver of Revenue and County Revenue Fund of Machakos County for the Financial Year 2024/2025.

Qualified Opinion

Basis for Qualified Opinion

1.0 Un-Disclosed Fixed Assets

The statement of financial position reflects opening statement balance of Kshs.8,990,000 in respect to property, plant and equipment as disclosed in Note 26 to the financial statements. However, the balance represents assets acquired and paid for during the year 2024 but excludes assets acquired on credit.

In the circumstances, the accuracy of property, plant and equipment opening statement balance of Kshs.8,990,000 could not be confirmed.

Management Response

The accrual mode of reporting came into effect from 1st July 2024 (Fy.2024/2025).The amount of Ksh.8,990,000 in the opening statement for Fy.2024/2025 is the actual amount that was reported as acquired fixed assets and which was reported in cash basis in Fy.2023/2024.Therefore, the management excluded fixed assets acquired on credit because financial statements for Fy.2023/2024 were prepared based on Cash basis mode of financial reporting, a requirement by Public Sector Accounting and Standard Board (PSASB) during that reporting period.

Committee Observation

The Committee observed that the County Executive's financial statements for FY 2024/2025 omitted fixed assets acquired on credit, reporting only cash-based acquisitions. This treatment contravenes the transition guidelines to accrual accounting as outlined in **National Treasury Circular No. 03/2025**. Furthermore, it fails to present a true and fair view of the county's assets, which is a fundamental requirement for financial reporting under **Section 81(3) of the PFM Act**. The response indicates a misunderstanding of the transitional provisions, which require full disclosure of all assets acquired during the year, irrespective of the payment method.

Committee Recommendation

- 1. The County Executive is directed to rectify the financial statements for FY 2024/2025 by recognizing all property, plant, and equipment acquired during the year, including those on credit. This shall be done through a prior-year adjustment in the subsequent financial year's**

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statements, in strict compliance with Section 81(3) of the PFM Act, and the accrual accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB).

2. The Accounting Officer must ensure that future financial statements fully comply with the phased transition to accrual accounting as per the National Treasury guidelines, moving away from the cash basis of reporting for assets.
3. The Office of the Auditor-General is requested to verify the implementation of this prior-year adjustment and the county's adherence to the Assets and Liabilities Management Policy in the next audit cycle, as provided for under Section 29 of the PFM Act.

2.0 Unsupported Accumulated Surplus

The statement of changes in net assets reflects a Negative balance of Kshs.4,058,810,631 in respect to accumulated surplus after adjusting for retention of Kshs.185,714,920, opening accounts payable – salaries of Kshs.529,911,032, payments for prior year budgets of Kshs.762,336,337, accounts trade payable of Kshs.2,809,360,187 and for increase in accounts payables of Kshs.1,207,474,034. However, the supporting schedules were not provided for audit review.

In the circumstances, the accuracy of negative accumulated surplus balance of Kshs.4,058,810,631 in the statement of changes in net assets could not be confirmed.

Management Response

The management did various adjustments to the payment schedules for the financial statements relating to FY.2024/2025, during the audit period. The original schedules supporting the above figures had been submitted at the commencement of the audit exercise. The payment schedules were adjusted for accuracy purposes.

Committee Observation

The Committee noted that the negative accumulated surplus balance of Kshs. 4,058,810,631 could not be verified due to the lack of supporting schedules and ledgers. This failure to provide adequate documentation undermines the transparency and accountability required by Article 201 of the Constitution. It directly contravenes Section 81(3) of the PFM Act which mandates that the Accounting Officer prepare financial statements in a form that complies with relevant accounting standards, supported by proper records.

Committee Recommendation

1. The Accounting Officer must maintain a complete and accurate set of books of accounts, including detailed ledgers for all accounts, as required by Regulation 100 of the PFM (County Governments) Regulations, 2015. These records must be readily available to support all figures in the financial statements during audit reviews.
2. Management is directed to provide the Auditor-General with a comprehensive schedule and analysis of the adjustments made to arrive at the accumulated surplus figure, explaining the transition from cash to accrual basis and its impact on pending bills.

3.0 Unsupported Intangible Assets

The statement of financial position and as disclosed in Note 27 of the financial statements reflect intangible assets and goodwill balance of Kshs.93,279,600. However, the balance was not supported by a list of software systems operated by the County Executive with their corresponding costs.

In the circumstances, the accuracy of Intangible assets and goodwill balance of Kshs.93,279,600 could not be confirmed.

Management Response

The disclosed amount of ksh.93,279,600 in note 27 to the financial statements is an amortized balance arrived at, after amortizing the Health Management Information System (HMIS) and Audit Management Software system (AMSS) procured at a cost of ksh.124,793,791 and ksh.14,429,492 respectively. The management depreciated the software at a rate of 33.3%.

Committee Observation

The Committee observed that the valuation of intangible assets, particularly the amortization of software systems, was not supported by a comprehensive asset register. While management provided details for two specific systems, the lack of a complete list of all software systems operated by the county and their corresponding costs contravenes Regulation 136 of the PFM (County Governments) Regulations, 2015, which requires the Accounting Officer to maintain a register of all assets under their control.

Committee Recommendation

1. Management must develop and maintain a comprehensive and up-to-date register for all intangible assets, including software licenses, development costs, and goodwill, as mandated by Regulation 136 of the PFM (County Governments) Regulations, 2015.
2. This register should detail the description, date of acquisition, cost, amortization rate, and net book value of each intangible asset. A copy of this register must be submitted to the Auditor-General within 60 days to facilitate verification.

Emphasis of Matter

4.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.15,622,164,354 and Kshs.13,340,945,013 respectively resulting in underfunding of Kshs.2,281,219,341 or 15% of the approved budget. Similarly, the statement reflects actual expenditure against actual revenue of Kshs.10,617,940,332 and Kshs.13,340,945,013 respectively resulting in under-absorption of Kshs.2,723,004,681 or 20% of the actual receipts.

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

Management Response

The under-funding of Kshs.2,654,795,912(15%) between our final approved budget - Kshs.15,622,164,354 and the actual receipts of Kshs.12,967,368,422 was occasioned by the following three factors;

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ANALYSIS BETWEEN REVENUE BUDGET AND ACTUAL RECEIPTS FOR FY.2023/2024

Revenue Source	Final budget	Actual Receipts	Variance (under-funding)	Reasons
Opening-balance (special-purpose accounts)	783,851,812	783,851,812	0	
Transfers from CRF	9,597,223,940	9,597,223,940	0	
Own Source Revenue (OSR)	3,925,793,065	2,181,835,314	1,743,957,751	The county realized Kes .2,181,835,314 resulting to a deficit of Kes.1,743,957,751
Conditional and Unconditional Grants	1,302,372,190	404,457,376	897,914,814	The county received kes.404,457,376 from the national Government.
Equalization Fund	12,923,347	0	12,923,347	Zero amount was received in Fy.2024/2025
Total	<u>15,622,164,354</u>	<u>12,967,368,422</u>	<u>2,654,795,912</u>	

Further, the under-absorption of Kshs.2,723,004,681 or 20% of the actual receipts at the end of Fy.2024/2025 was occasioned by delay in exchequer releases and other conditional grants. Therefore, any continuous trend in delay of exchequer releases affected adversely our absorption rate.

Attached, find a detailed analysis of our exchequer issues (Transfers to CRF) and the under-funded Conditional and Un-conditional Grants for review.

The Statement of Comparison of Budget and Actual Amounts discloses a final approved budget (receipts) of **Kshs. 15,622,164,354** against actual receipts of **Kshs. 13,340,945,013**, resulting in an underfunding variance of **Kshs. 2,281,219,341** (approximately 15% of the approved budget). This underfunding severely constrained the county's capacity to implement planned programmes.

Furthermore, actual expenditure stood at **Kshs. 10,617,940,332** against actual receipts of **Kshs. 13,340,945,013**, leading to an under-absorption of **Kshs. 2,723,004,681** (equivalent to 20% of realized receipts). Such low absorption rates indicate inefficiencies in expenditure execution, even when funds were available.

Committee Observation

1. The Committee observed a significant underfunding of Kshs. 2.28 billion (15%) against the approved budget, which severely constrained the county's capacity to implement planned programmes, impacting service delivery.
2. The Committee further noted an under-absorption of Kshs. 2.72 billion (20%) of actual receipts, indicating inefficiencies in budget execution and a failure to adhere to fiscal responsibility principles. This undermines the objects of devolution as set out in Article 174 of the Constitution.
3. The substantial shortfall in Own Source Revenue (OSR), particularly in cess (KSh 118M vs. 352M target) and land rates (KSh 181M vs. 304M target), points to systemic weaknesses in revenue administration, potentially exacerbated by the transition to the new Machapay revenue system.

Committee Recommendation

1. **The Auditor-General to conduct a special audit on the Machapay revenue system to evaluate its effectiveness, security, and impact on revenue collection. The report should identify any systemic vulnerabilities or weaknesses and be submitted to the Senate within 90 days.**
2. **The County Revenue Chief Officer must submit a detailed report within 60 days, explaining the performance variances in key revenue streams. The report must outline specific, time-bound corrective measures to address revenue leakages and improve collection, in line with Regulation 25(1)(b) of the PFM (County Governments) Regulations, 2015 which requires sustainable revenue bases.**
3. **The County Executive must prepare a comprehensive revenue enhancement plan to diversify its revenue base and meet its targets, reducing over-reliance on national government transfers as per the fiscal responsibility principles in Section 107 of the PFM Act.**

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5.0 Refundable Deposits and Prepayments

The statement of financial position and as disclosed in Note 33 to the financial statements reflect refundable deposits and prepayments of Kshs.176,662,065. However, revieww of the deposits register, cashbook, and bank statements revealed long outstanding refundable deposits and prepayments totalling Kshs.74,557,957 dating back to March, 2015 which had not been claimed.

In the circumstances, the refund ability of the deposits and pre-payments totalling Kshs.74,557,957 could not be confirmed.

Management Response

The management has noted the audit observation and it will develop a deposit/ retention management policy, which will guide on management of Deposit/Retention monies. The policy will outline thorough investigation of all long outstanding refundable deposits and appropriate action which can be taken by the entity such as refund, reclassification, or write-back in accordance with IPSAS requirements. The county government pays promptly any claimed deposit/retention upon submission of non-defect reports after the stipulated period. Attached, find a summary schedule of the long outstanding refundable deposits and prepayments totaling Kshs.74,557,957 for review.

Committee Observation

The Committee noted that long-outstanding refundable deposits and prepayments totaling Kshs. 74,557,957, some dating back to 2015, remain unclaimed and unverified. This persistent

accumulation points to significant weaknesses in internal controls, reconciliation procedures, and financial record-keeping, contrary to the principles of prudent public financial management enshrined in Article 201 of the Constitution and Regulation 106 of the PFM (County Governments) Regulations, 2015.

Committee Recommendations

1. **The County Governor to expedite the development and implementation of a Deposit/Retention Management Policy. This policy must be aligned with IPSAS requirements and provide clear guidelines for the investigation, reconciliation, and resolution of all outstanding deposits, including provisions for write-back where applicable.**
2. **The Accounting Officer must conduct a thorough review of all unclaimed deposits and, where claims are not forthcoming after a public notice, seek approval from the County Executive Committee Member for Finance to write them back to the County Revenue Fund in accordance with Regulation 106 and Section 150 of the PFM Act.**

Key Audit Matters

Other Matter

6.0 Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources. Review of the status during the audit of financial year 2024/2025 revealed that the following matters remained unresolved.

	Financial Year	Audit Issue
1	2023/2024	Variances between Financial Statements and IFMIS Payment details
2	2023/2024	Other Grants and Transfers
3	2023/2024	Transfer to Other Government Units
4	2023/2024	Acquisition of Assets
5	2023/2024	Legal Expenses
6	2023/2024	Non-Compliance with Law on Ethnicity
7	2023/2024	Lack of Approved Staff Establishment
8	2023/2024	Non-Compliance with the Law on Fiscal Responsibility
9	2023/2024	Payment of Salaries Outside the Integrated Payroll
10	2023/2024	Recruitment of Staff
11	2023/2024	Lack of Audit Committee

Management Response

The Management addressed Nine (9) out of the eleven (11) issues. The remaining issues are human resources related and they include “Non-Compliance with Law on Ethnicity” and “Non-Compliance with the Law on Fiscal Responsibility”. Attached, find our action plan presented to the office of auditor general on implementation of prior year matters.

Committee Observation

The Committee observed that the County Executive has not fully implemented recommendations on eleven (11) prior-year audit matters. Resolution of only nine out of eleven issues, particularly leaving out human resource-related matters, constitutes non-compliance with Section 53 of the Public Audit Act, 2015, which requires the Accounting Officer to take steps to implement the recommendations of the Auditor-General and Parliament. This persistent non-compliance undermines accountability.

Committee Recommendations

1. **The Accounting Officer is directed to comply fully with Section 53 of the Public Audit Act, 2015, by taking concrete steps to implement all outstanding recommendations from the Senate's report on the FY 2023/2024 financial statements.**
2. **The Auditor-General to explicitly list any unresolved prior-year matters in the subsequent financial year's audit report to ensure continued oversight.**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

Basis for Conclusion

7.0 Non-Compliance with the Law on Fiscal Responsibility - Wage Bill

The statement of financial performance reflects employee costs of Kshs.6,494,700,107 which is approximately 60% of the County Executive's total receipts of Kshs.10,804,046,991 which exceeded the set limit of thirty-five percent (35%). This was contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which caps County Government spending on personnel emoluments to not more than 35% of the County Government's total revenue.

In the circumstances, Management was in breach of law.

Management Response

The management acknowledges the issue on non-compliance with Fiscal Responsibility on wage bill. The issue was occasioned by;

- A) Health Worker CBA agreements signed on 6th August 2024
- B) Annual increment of staff wages
- C) Inheritance of a huge wage bill of the Devolved Health Staff and which accounts to more than 50% of the entire county wage bill.

In order to mitigate the expenditure on personnel emoluments, the County Government has taken the following measures: -

- i. Continued automation and revenue mapping of Own Source Revenue (OSR) collection system.

Currently, our Own Source Revenue (OSR) is on an upward trajectory as indicated below;

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**COUNTY GOVERNMENT OF MACHAKOS-EXECUTIVE
UPWARD TRAJECTORY IN OWN SOURCE REVENUE
COLLECTION**

DETAILS	2021/2022	2022/2023	2023/2024	2024/2025
Own Source Revenue	1,118,461,753	1,438,246,573	1,605,460,343	2,181,835,314

-Note that we have collected **kes.1,900,382,643** as at **11th March 2025**.The county projects to surpass the previous audited own source revenues.

- ii. Stopping payment of annual leave commutation for cash.
- iii. non-renewal of contracts for officers over 60 years.

Committee Observation

The Committee observed that employee costs of Kshs. 6.49 billion constituted approximately 60% of the county's total receipts, exceeding the 35% statutory limit. This is a breach of Regulation 25(1)(b) of the PFM (County Governments) Regulations, 2015. While the Committee acknowledges the pressures from the Health Workers CBA and inherited staff, this level of non-compliance violates the fiscal responsibility principles in Section 107 of the PFM Act, and threatens the long-term fiscal sustainability of the county.

Committee Recommendation

The Committee recommends that:-

1. The Mmanagement should provide to the Auditor General and the Senate the measures it will put in place to contain the high wage bill within ninety (90) days of the adoption of this report;
2. The Mmanagement should strictly adhere to the provision of paragraph 25(1)(b) of the PFM (County Government) Regulations, 2015 which stipulate that the county wage bill should not exceed 35 per cent of the county total revenue; and
3. The County executive puts in place measures to enhance its own source revenue collection in order to address the wage bill gap.
4. That pursuant to the High Court orders issued in *Matindi v Salaries and Remuneration Commission & another [2026] KEHC 755 (KLR)*, the Salaries and Remuneration Commission submits to the Committee a copy of the court ordered affidavit detailing the following—
 - (i) time-bound strategies it has developed and is implementing to achieve a 35% public wage bill to revenue ratio;
 - (ii) collaborative measures being jointly implemented in conjunction with the County Governments; and
 - (iii) advisories and/or directives issued to curb abuse in payment of allowances to State and public officers, percentages of reduction of wage to revenue ratio and savings being made per every year arising from the strategies and interventions it has put in place and implemented.
5. The Auditor General should continue monitoring the issue in subsequent financial years.

8.0 Non-Compliance with Fiscal Responsibility Principles

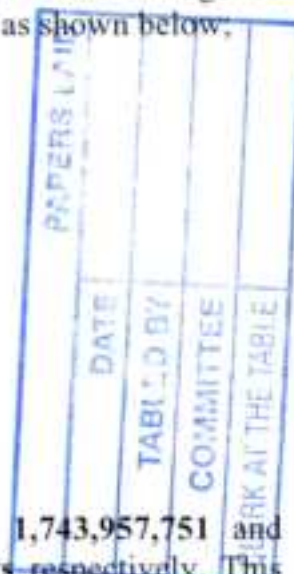
The statement of comparison of budget and actual amounts reflects total actual expenditure of Kshs.10,617,940,332. The expenditure on development was Kshs.893,793,148 or approximately 8% of the total expenditure. This was contrary to Regulation 25(1)(g) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the County Governments actual expenditure on development shall be at least thirty percent (30%) in conformity with the requirement under Section 107(2)(a) of the Act.

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

Management Response

During the budgeting stage, the management complied with Section 107(2)(b) of the Public Finance Management Act, which states "county governments must allocate 30 percent of their budget to development expenditure over the medium term." The allocations were tabulated as shown below.

County Government of Machakos			
Approved budget Analysis -Fy.2024/2025			
	Recurrent -budget	Development Budget	Total Amount (Kes)
Figures	10,874,415,757	4,747,748,597	15,622,164,354
%Age	<u>70</u>	<u>30</u>	<u>100</u>



However, on implementation stage, the management did not realize **ksh. 1,743,957,751** and **Ksh.897,914,814** for **Own Source Revenue (OSR)** and **Conditional Grants** respectively. This adversely affected our cash-flows forcing the management to apply the general rules on execution of budget as stipulated in section 42(I) of the Public Finance Management regulations, 2015. The available resources were allocated on employees costs (kes,6,219,864,833), payment of pending bills (kes.1,237,528,369), Transfer to other government entities (kes.307,956,646), use of goods and services (kes.1,958,797,336) and then development/acquisition of assets (Ksh..893,793,148).

Committee Observation

The Committee noted that development expenditure was 8% of the total expenditure, falling significantly short of the statutory minimum of 30% as required by Regulation 25(1)(g) of the PFM (County Governments) Regulations, 2015. This low absorption of funds for development contravenes Article 201(b)(iii) of the Constitution, which mandates that expenditure shall promote equitable development.

Committee Recommendation

1. The County Executive must prioritize development expenditure in its budget implementation and put in place robust measures to ensure that at least 30% of the total actual expenditure is allocated to development programmes, as mandated by law.
2. The Accounting Officer is directed to ensure that cash flow management prioritizes development projects and that supplementary budgets protect development votes from being excessively cut to fund recurrent expenditure.

3. **The Auditor-General to continue monitoring this critical metric in subsequent financial years.**

9.0 Outstanding Payment of Medical Insurance Cover

As previously reported, review of medical insurance cover revealed that as at 30 June, 2025, the County Executive had an outstanding amount of Kshs.64,978,836 owed to Jubilee Health Insurance. This was contrary to Section 156(1) of the Insurance Act, 2023 which provides that no insurer shall assume a risk in Kenya in respect of insurance business unless and until the premium payable thereon is received by the insurer.

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

Management Response

The management acknowledges that there was outstanding bill for medical insurance cover by 30th June 2025 due to cash flow challenges. However, the payment has now been processed in accordance with the agreement, vide Purchase Order No. 241 and **paid**. Attached, find a confirmation letter from **Jubilee Insurance Company** dated **18th October 2025** confirming that there is no outstanding amount for Fy.2024/2025. **Appendix 4.20 (L&E)**

Committee Observation

The Committee noted that as at 30 June 2025, the County Executive owed **Kshs. 64,978,836** to Jubilee Health Insurance, contravening **Section 156(1) of the Insurance Act**. Although the amount was subsequently settled, the delayed payment indicates weaknesses in cash flow management and contractual discipline, undermining prudent financial management as required by **Article 201(d) of the Constitution**.

Committee Recommendation

1. **The matter is marked as resolved, given the subsequent payment.**
2. **The Accounting Officer is cautioned to strengthen internal controls over cash management and contractual obligations to ensure all future premiums and critical payments are made promptly and in advance where required by law, to prevent a recurrence of such breaches and protect the county from service disruption.**

10.0 Un-Surrendered Imprest

Review of records revealed that imprest amounting to Kshs.104,685,474 was issued to staff. However, imprests amounting to Kshs.3,587,127 had not been surrendered as at the time of audit in August, 2025. This was contrary to Regulation 93(5) of the Public Finance Management (County Governments) Regulations, 2015 which provides that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station.

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

Management Response

The outstanding amount of ksh.3,587,127 in IFMIS system includes unpaid imprests/commitments due to cash-flow issues. The delay in reversing the commitments in the IFMIS system was occasioned by Accrual mode of financial reporting. However, the National Treasury clarified to us that all un-paid imprests/commitments should be cleared from the IFMIS system because " Statement of cashflow and Statement of Comparison Budget and Actual" are on cash-Basis.

Further, the amount includes some imprests issued towards the end of the financial year and which were paid on 30th June 2025 due to late exchequer releases.

The imprests have now been surrendered and all commitments cleared from the IFMIS system. Attached, find the list of the surrendered imprests, copies of the surrender payment vouchers and other supporting documents for review.

Committee Observation

The Committee observed that an amount of Kshs. 3,587,127 remained unsurrendered at the time of audit. This contravenes Regulation 93(5) of the PFM (County Governments) Regulations, 2015, which requires surrender of a temporary imprest within seven working days. While management attributes this to system transitions, the failure to ensure timely accounting for public funds is a breach of fiduciary duty under Section 68(1) of the PFM Act.

Committee Recommendation

1. **The Accounting Officer must immediately take steps to recover any outstanding imprests from defaulting officers with interest at the prevailing Central Bank Rate, as provided for under Regulation 93(6) of the PFM (County Governments) Regulations, 2015.**
2. **If recovery is not possible, the Accounting Officer must initiate sanction and surcharge proceedings against the responsible officers in line with Regulation 93(7) and Section 226(5) of the PFM Act which holds officers liable for any loss arising from the use of public funds contrary to law.**

11.0 Irregular Operation of NAVCPD Commercial Bank Account

The statement of financial position and as disclosed in Note 21 to the financial statements, reflect cash and cash equivalents of Kshs.334,439,455. Review of documents revealed that the County Executive operated a commercial bank account under the name Machakos County National Agri Value Chain which had a balance of Kshs.77,687,164. However, payments from this account were not processed through IFMIS contrary to the donor's requirement that all payments must be processed through IFMIS.

In the circumstances, the donor conditions were not adhered with.

Management Response

Section 2 (2.1)(b) and (e) of Intergovernmental Participation Agreement (IPA) on the obligation of the County Government states that "County governments should open a County Special Purpose Account with the Central Bank of Kenya and an operational Account in a commercial bank

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acceptable to the World Bank. The County Project Coordinator is the only mandatory signatory in the commercial bank account..

In addition, the NAVCDP Finance Manual 2024, Section 2.4, stipulates that the Project shall operate separate bank accounts for each project implementing entity at the national and county levels. Further, every participating community will be required to open a separate bank account for operational purposes. The signatories to the accounts will be the County Project Coordinator, County Project Accountant, and either the Accounting Officers- Finance or Agriculture .

Therefore, the management complied with above provisions by operating Machakos County National Agriculture Value Chain Project (NAVCP) Account No.1000719796 , held at Central Bank of Kenya and a Cooperative Bank-operational account no 01100010295001 for operational purposes. Attached, find a copy of the Intergovernmental Participation Agreement (IPA) and NAVCDP Finance Manual 2024, confirming that the management did not breach the donor agreement but acted with the agreed provisions between the donor and National Treasury

Committee Observation

The Committee observed that the operation of a commercial bank account for the NAVCDP project was in compliance with the specific provisions of the Intergovernmental Participation Agreement (IPA) and the NAVCDP Finance Manual 2024, which are contractual documents agreed upon with the donor and the National Treasury.

Committee Recommendation

The Committee recommends that the National Treasury, in its capacity as the custodian of public financial management, ensures that all future financing and participation agreements with donors are aligned with the PFM Act, and its regulations from the outset. This will prevent conflicts between contractual obligations and national law, ensuring that all public funds, regardless of source, are managed within the integrated financial management system where required.

12.0 Completion of Early Childhood Development Education (ECDE) Centres

A contract was awarded for construction of Kitooni, Nguluni AIC and Kangundo ECDE classes Lot 1 at a contract sum of Kshs.4,405,819. However, the contract was terminated after issuance of Certificate Number 1 which valued the work done at an amount of Kshs.2,633,831. The amount was paid and another firm was awarded the contract to complete the ECDE classrooms at a contract sum of Kshs.3,047,459 which increased the total cost of the project from the initial amount of Kshs.4,405,819 to Kshs.5,681,290. However, the valuation report of the remaining works after termination of the first contract and Engineers estimates for the new Bill of Quantities were not provided for audit review. Management had explained that the increase was due to inclusion of floor tiles which were not in the first contract and due to fluctuation of prices. However, no documents were provided in support of this explanation.

In the circumstances, value for money for the project could not be confirmed.

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Management Response

The first contractor failed to resume construction of the ECDE Classes after payment of Certificate Number 1. The management had to terminate the project and re-issue to the new contractor (Kwanzu Enterprises Limited). Attached find the project inspection committee minutes confirming the value of the remaining work after termination dated 21st September 2023. Engineers estimates for the new Bill of Quantities, departmental requisition for the additional work (floor tiles), revised estimate and the paid certificate for review.

Committee Observation

The Committee observed that the termination of a contract and subsequent re-award for ECDE centres resulted in a cost overrun of Kshs. 1,275,471 (29%) without adequate initial justification. This failure to provide valuation reports and engineers' estimates contravenes the principle of value for money in Article 201(d) of the Constitution and the requirement for economy and efficiency in Regulation 22(1) of the PFM (County Governments) Regulations, 2015.

Committee Recommendation

1. The Accounting Officer must take immediate steps to recover the additional costs of Kshs. 1,275,471 from the defaulting contractor by enforcing the performance security and other contractual provisions, as empowered by Section 137 of the Public Procurement and Asset Disposal Act, 2015.
2. The County Executive must ensure the mandatory engagement of qualified professionals, such as quantity surveyors, for all future project valuations to ensure accuracy and value for money.

13.0 Stalled Construction of Two (2) Twin Workshops at Matuu VTC

A contract was awarded for the construction of two (2) twin workshops at Matuu Vocational Training Centre at a contract sum of Kshs.17,393,550. However, the contract agreement signed on 26 June, 2023 did not indicate the contract period. In addition, valuation certificate number 1 was raised on 6 March, 2024 certifying the payment of Kshs.6,506,239 in respect of the works completed. However, no payment had been made as at the time of audit in August, 2025 and the contractor was not on site.

In circumstances, value for money on the project could not be confirmed.

Management Response

The contract period was supposed to be six months. The supplier was not paid in Fy.2024/2025 due to under-funding occasioned by failure to meet our revenue targets. However, the certificate amount has been committed in our payment plans for Fy.2025/2026. Attached, find the varied contract agreement and an extract budget for fy.2025/2026 confirming budget availability.

Committee Observation

The Committee observed that the construction of workshops at Matuu VTC has stalled due to non-payment, and the completed workshop at Kamwanyani VTC lacks essential equipment, rendering it non-operational. It contravenes the requirement for effective, efficient, and economical use of

resources as per Section 107(2) of the PFM Act and Article 174 of the Constitution which aims to bring services closer to the people.

Committee Recommendation

- 1. The County Executive must establish and operationalize a robust project management and monitoring system as required by the PFM Act, ensuring integrated planning that encompasses construction, equipping, and staffing before project commissioning.**
- 2. The Governor must prioritize the completion and operationalization of these VTCs. A detailed status update, including a timeline for payment of the contractor at Matuu and the procurement plan for equipping Kamwanyani, must be submitted to the Auditor-General and the Committee within 90 days.**

14.0 Non-Operationalization of Twin Workshop

A contract was awarded for proposed construction of a twin workshop at Kamwanyani Vocational Training Centre at a contract sum of Kshs.12,556,200. However, the workshop was completed but lacked adequate equipment and essential tools required for effective delivery of tertiary courses offered which included carpentry, tailoring and hair dressing among others.

In the circumstances, value for money on the project could not be confirmed.

Management Response

The construction and equipping process of Kamwanyani VTC was being done in phases. Currently, the construction phase is complete and therefore, equipping will be done in Fy.2025/2026. Attached, find the procurement plan and a budget for fy.2025/2026 confirming that the county has allocated ksh.24,723,190 to equip the VTC

Committee Observation

Committee noted that construction of twin workshop was complete but lacked adequate equipment and essential tools required for effective delivery of tertiary courses offered which included carpentry, tailoring and hair dressing among others.

Committee Recommendation

- 1. The County Executive must establish and operationalize a robust project management and monitoring system, as provided for in the Public Finance Management Act, to ensure proper project conceptualization, planning, and execution. This should include integrated planning for infrastructure, equipment, staffing, and utilities before project commissioning.**
- 2. The County Governor, in line with their executive authority under Article 179 of the Constitution, must prioritize the completion and operationalization this project. A status update on the twin workshop at Kamwanyani Vocational Training Centre project must be provided to the Auditor-General and the Committee within 90 days.**
- 3. The Auditor-General continues to monitor this in the subsequent audit cycle.**

15.0 Irregularity in Supply and Delivery of Milk for Early Childhood Development and Education (ECDE) Centers

A contract was awarded to a supplier for supply and delivery of 629,000 (200ml) packets of milk at an amount of Kshs.38 per packet as per evaluation report dated 28 December, 2023 with implementation period of ninety (90) days under framework agreement which involved seven (7) suppliers. However, the firm signed a contract of one year dated 12 January, 2024 despite the tender document stating ninety (90) days implementation period. During the year under review, the firm was paid Kshs.51,769,612 for supply and delivery of 1,362,346 (200ml) packets of milk for ECDE Centers. In addition, the firm had continuously supplied milk to the County even after supplying a total of 629,000 packets of milk which was stated in the tender documents. Management explained that the contract was extended for one (1) year. However, this was irregular as there were no call-off orders, or any other mini competition done to give chance to the other six (6) firms having framework agreements with the County Government.

In the circumstances, the extension for the contract was irregular and value for money may not have been received from supply and delivery of milk to ECDE centres.

Management Response

The Supply and delivery of milk was done through Framework agreement for the financial year 2022-2023 & 2023-2024. The mini competition Tender GMC/FWA/EE/027-003/2022-2023/2023-2024/2024-2025- supply and delivery of milk for ECDE Centers was conducted within the framework period. Attached, find the opening minutes, evaluation report and contract agreement confirming that a mini-competition/ call-off orders were conducted in compliance with procurement laws. However, these documents were mis-filed and later submitted to the auditor during audit report review.

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Committee Observations

The Committee noted that the supplier delivered more than double the initially tendered quantity over a period longer than stipulated, without evidence of mini-competitions among the seven framework agreement holders. This practice contravenes Sections 114 of the Public Procurement and Asset Disposal Act, 2015, which requires fair, equitable, transparent, and competitive procurement. The lack of initial documentation raises concerns about record-keeping and transparency as required by Article 227 of the Constitution.

The County Executive later submitted the missing documents (opening minutes, evaluation report and contract agreement).

Committee Recommendation

The Auditor General to assess the implementation of this contract in subsequent audit cycle.

16.0 Non-Renewal of Performance Bond and Insurance

A contract for construction of phased development of ultra-modern-multi-purpose/discipline sports complex in Machakos New City was awarded at a contract sum of Kshs.1,107,250,003. However, as at the time of audit in August, 2025, the performance bond and insurance for material damage and

third-party liability had expired on 10 May, 2025 and 9 July, 2025 respectively and no renewal had been done. In addition, valuation Certificate Number 2 valued the swimming pool at an amount of Kshs.21,052,820. However, the amount was not broken down into specific works which were done by the contractor.

In the circumstances, the County remained unsecured in case of default by the contractor.

Management Response

The Management has provided a renewed performance bond policy **NO.CO2/236/1/0000219/2024** and **Insurance Policy No.: 20/201/0002298** expiring on **10th May 2026** and **09th July 2026** respectively for review. The project is still within the contract period that run for two years from **22nd May, 2024 to 22nd May 2026** and therefore, the Contractor's programme of works/project work schedule are valid. Lastly, The valuation Certificate with specific works items for swimming pool is also provided for verification.

Committee Observation

The Committee observed that the performance bond and insurance for the multi-billion-shilling sports complex project had expired, leaving the county exposed to significant risk. This lapse contravenes prudent project management and the requirements for valid performance security under Sections 142-145 of the Public Procurement and Asset Disposal Act, 2015. While the matter was subsequently rectified, the initial lapse indicates deficiencies in proactive contract administration.

Committee Recommendation

- 1. The Committee directs that the County Executive institute mandatory monthly reviews and tracking mechanisms for all performance securities, insurances, and contractual safeguards on ongoing capital projects to prevent future lapses.**
- 2. Management must ensure all interim payment certificates are supported by detailed, itemized breakdowns of work done. A compliance report on the sports complex project's progress and adherence to all contractual security requirements must be submitted to the Senate and Auditor-General within 90 days.**

17.0 Failure to Retain Facilities Improvement Funds (FIF) at the Hospitals

Review of revenue records obtained from Level 4 and Level 5 health facilities in Machakos County revealed that eleven (11) health facilities collected a total Kshs.605,516,224 towards the Health Facilities Improvement. Out of this amount, a total of Kshs.192,379,722 was transferred to County Revenue Fund. However, the County Treasury reimbursed a total of Kshs.100,618,500 to the health facilities resulting in a deficit of Kshs.91,761,222. This was contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that all monies raised or received by or on behalf of all Public Health Facilities be retained in the Hospital Facilities Improvement Financing Account. In addition, failure to reimburse the total amount transferred by the facilities negatively impacted on service delivery by the health facilities.

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

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Management Response

The 12 health facilities (11-level 4s and one Level 5) collected a total amount of Kshs.605,516,224 (125.91%) against a revenue budget of Ksh.480,900,000. The management managed to transfer Kshs.100,618,500 instead of the entire amount of Kshs.192,379,722 due to budget constraint that was occasioned by the facilities collecting more than the allocated budget in department of Health. Any transfer could have resulted to un-authorized expenditure outside the budget allocation. The county treasury has initiated the process of factoring-in the balance of Kshs.91,761,222 in our first supplementary budget for Fy.2025/2026.

Currently, the management has complied with Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that all monies raised or received by or on behalf of all Public Health Facilities be retained in the Hospital Facilities Improvement Financing Account. The amount was swept from the facilities' accounts to County Revenue Fund (CRF) because all facilities had not complied with Section 11 of the Machakos County Health Services (Amendment act), 2024 states that, there is established a Board in each hospital to be known as a Hospital Management Board. All facilities have functional Hospital Boards of Management(HBoM) .

Committee Observation

The Committee observed that the transfer of Kshs. 192,379,722 from health facilities' FIF accounts to the County Revenue Fund (CRF) was a direct contravention of Section 5(1) of the Facilities Improvement Financing Act, 2023. This action undermined the core objective of the FIF framework, which is to empower health facilities to retain and manage their own resources for improved service delivery.

Committee Recommendation

1. The County Executive and County Treasury must fully comply with Section 5(1)(2) of the Facilities Improvement Financing Act, 2023.
2. All health facilities must immediately be allowed to retain revenue at source in their designated FIF accounts, in line with the principle of devolved management.
3. The Auditor-General is requested to pay special attention to this matter in the next audit to confirm full compliance and that no further funds are swept into the CRF.

MANAGEMENT RESPONSE TO REPORT OF THE AUDITOR-GENERAL ON RECEIVER OF REVENUE (ROR)- STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF MACHAKOS

Unmodified Opinion

Emphasis of Matter

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue targets and actual on comparable basis of Kshs.3,925,793,065 and Kshs.2,116,411,126 respectively resulting to revenue budget under-realization of Kshs.1,809,381,939 or approximately 46 % of the revenue budget.

The under-realization of revenue budget 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.

Management Response

Machakos County recorded an improved revenue performance in FY 2024/2025, achieving an additional KSh 567,062,649 (2,116,411,126- 1,549,348,477) in revenue collections compared to FY 2023/2024.

Note that we have collected **kes.1,900,382,643** as at **11th March 2025**.The county projects to surpass the previous audited own source revenues.

The management initiated the following strategic measures in order to enhance revenue collection;

1. Own source Revenue mapping-The county embarked on mapping of Own Source Revenue exercise in FY.2022/2023 and established the real potential is at **ksh.6.7 Billion**.As a result, the county has visibility of all the revenue streams across the **40 wards** and has been able to establish an accurate revenue asset register.**Appendix 7(1)**

2.Digitization of all revenue streams -The County has transitioned into a fully automated cashless revenue collection system for both health and non-health revenues. The county implemented Health Management Information System (HMIS) (Aphiaone) and non- health revenue management system (Machapay).Aphiaone manages patients records from time they walk in to the time they are discharged.It also has stock management capabilities.

Machapay is a web based system for non health revenue streams designed to bring on board the following capabilities;

- A) Maintenance of revenue assets registers for structured revenues
- B) Bulk invoicing and Billing
- C) Receipting
- D) Reporting
- E) Audit trail
- F) Open Citizen service portal
- G) Automated Building plan approval
- H) Automated liquor license approval
- I) USSD and POS platforms for unstructured revenues
- J) Productivity management
- K) Integration with mobile money and bank
- L) Debt (Receivables) management
- M) Revenue enforcement App.

Attached, find screen shot of the above parameters for review.

2. One Stop revenue collection shop/centers-The model aims to **save time, reduce costs and improve service efficiency** for customers who are unable to utilize customer service portal by bringing services at their door step.This initiative has been rolled out in the following urban centers-

Mlolongo, Kyumbi, Githunguri and Joska. There is a plan to replicate the initiative to other urban centres.

3. Valuation Roll for Property Taxation-The unveiling of Machakos County Land and physical valuation roll is a game changer, particularly on revenue collection. This document is crucial for determining property taxes and other related levies within our Jurisdiction. The data will help the county exceed revenue targets upon successful implementation. The legacy land rate register had **71,654 ratable parcels of land** with annual ratable revenue of **Ksh.391,525,482**. The new valuation roll register has **372,200 properties** with a conservative projected annual land rates revenue of **ksh.5,974,855,447**. This presents the county with further revenue potential of **ksh.5,583,329,965** once fully implemented.

4. Public Engagement and Sensitization-During the budgeting cycle, through the ministry of Finance, the county has always had candid engagement with its citizens on the role played by the Own Source Revenue in funding development agenda of the county.

5. Fraud Proof Accountable Documents-The county has curbed and contained revenue leakages through introduction of serialized permits and other printed stationaries with key security features for instance loss of security features on photocopying and scanning, QR scan code for verification among others.

Committee Observation

The Committee observed that the Receiver of Revenue experienced a significant revenue budget under-realization of Kshs. 1.8 billion (46%). While the management attributes this to system transitions (Machapay system) and other disruptions, this level of under-collection severely impacts the county's ability to finance its budget and deliver services as planned, violating the fiscal responsibility principle of predictable revenue bases (Section 107(2)(g) of the PFM Act).

Committee Recommendations

- 1. The Auditor-General is directed to undertake a special audit on the Machapay revenue system and the broader automation infrastructure for revenue management, to identify any system weaknesses, data integrity issues, or control lapses contributing to the shortfall. A report must be submitted to the Senate within 60 days.**
- 2. The County Executive must submit a detailed revenue enhancement plan to the Auditor-General and the Senate within 90 days. This plan must outline clear, measurable, and time-bound strategies to stabilize the new system, improve collection, and expand the revenue base to meet annual targets, as required by Section 107 of the PFM Act.**

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Basis for Conclusion

2.0 Unsatisfactory Management of Facility Improvement Financing (FIF) Accounts

During the year under review, Management operated two bank accounts for collection of revenue for Hospitals (FIF) at Family bank and Middle East bank. Although, Management provided evidence of having closed the Family bank account and funds transferred accordingly, the Middle East bank was still operational. This was contrary to Section 5(1) and (2) of the Facilities Improvement Fund Act, 2023 which requires all Public Health Facilities to retain all monies raised or received by or on behalf

of each Health Facility and that each Hospital shall open a Facility Improvement Financing Account which shall be paid all monies received by or on behalf of the respective Public Health Facility.

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

Management Response

During the transition period, following the enactment of the Facilities Improvement Fund Act, 2023, the Management temporarily operated FIF collection accounts at Family Bank and Middle East Bank in order to **ensure continuity of revenue collection** while **aligning existing banking arrangements with the new legal framework**.

Subsequently, the **Family Bank account** was **closed** and all funds there-in were **transferred to Middle East Bank**. The Middle East Bank account remained operational during part of the financial period under review (Fy.2024/2025 and Fy.2025/2026), as the management **guided all health facilities into full compliance** with Section 5(1) and (2) of the Facilities Improvement Fund Act, 2023.

Management further notes that, during the period under review, the facilities had **not established Hospital Management Board**. The **absence of fully constituted Hospital Management Boards limited effective governance and oversight structures** at facility level, thereby increasing the **risk of mismanagement** of ring-fenced funds.

Management wishes to clarify that **Hospital Boards of Management (HBoM)** have since been duly **gazetted vide Gazette Notice No. 15133 dated 16th October 2025**. Additionally, all management boards for **197 health facilities**, including the **12- Level 4 hospitals**, were inaugurated and sworn into office on **21st January 2026**. This milestone has **significantly strengthened governance, oversight, and accountability mechanisms** at facility level.

The **presence of functional hospital boards** will pave way to **several corrective measures** aimed at transferring all related funds to the approved Facility's Improvement Financing Account hence fully operationalizing the FIF Act.

Therefore, Management remains **committed to full compliance** with the relevant legal frameworks while at the same **strengthening internal control** on all collected FIF revenues.

Committee Observation

- 1) The Committee noted the Management operated two separate bank accounts for hospital revenue collection (Family Bank and Middle East Bank), contrary to Section 5(1) and (2) of the Facilities Improvement Financing Act, 2023. This section mandates that all monies raised or received by or on behalf of public health facilities be retained at the facility level and deposited into a single designated Facility Improvement Financing Account for each respective facility.
- 2) Committee noted that while evidence was provided for the closure of the Family Bank account (with funds transferred), the Middle East Bank account remained operational, constituting a breach of the Act during the transition following its enactment. The Committee further observed that the absence of fully constituted Hospital Boards of Management (HBoM) during the period limited effective governance, oversight, and accountability for ring-fenced FIF funds at facility level, thereby heightening risks of mismanagement.

Committee Recommendation

Committee recommends that this matter be marked as resolved, taking into account the following:-

- i. Corrective actions already implemented (account closure, fund transfers, and gazette/inauguration of Hospital Boards of Management).
- ii. Management's demonstrated commitment to full compliance with the Facilities Improvement Financing Act, 2023, and enhanced internal controls over FIF revenues.

MANAGEMENT RESPONSE TO REPORT OF THE AUDITOR-GENERAL ON COUNTY REVENUE FUND (CRF) STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF MACHAKOS

Qualified Opinion

Basis for Qualified Opinion

1.0 Inaccuracies in Transfers to County Executive

The statement of financial performance reflects Kshs.10,897,356,291 in respect to transfers to County Executive as disclosed in Note 11 to the financial statements. However, the statement of financial performance for the County Executive reflects Kshs.10,804,046,991 as transfers from County Revenue Fund (CRF) resulting in unexplained variance of Kshs.93,309,300.

In the circumstances, the accuracy of transfer to County Executive of Kshs.10,897,356,291 could not be confirmed.

Management Response

The amount in difference of ksh.93,309,300 ((10,897,356,291-10,804,046,991) relates to self reporting entities as tabulated below;

Analysis of Ksh.ksh.93,309,300 for Fy.2024/2025	
Special purpose accounts-Climate Change	61,000,000
Special purpose account -KUSP- UIG	32,309,300
Total	93,309,300

During reporting period, the figure remained in suspense account and detected during reconciliation exercise to have been reported as part of our County Revenue Fund (CRF).Therefore, the correct figure was Ksh.10,804,046,991 because the two figures were reported separately in audited financial statements for Climate Change Fund and Municipalities which are self-reporting entities.

Therefore, these prior year adjustments will be effected in comparative financial statements for Fy.2025/2026.We hereby attach the supporting schedules, CRF and Special Purpose Accounts statements- Fy.2024/2025 for verification.

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Committee Observation

The Committee noted an unexplained variance of Kshs.93,309,300 between transfers from the CRF to the County Executive as reported by the two entities. While management explained this as amounts belonging to self-reporting entities (Climate Change Fund and Municipality), this misclassification in the County Executive's books indicates weaknesses in reconciliation and financial reporting. This contravenes Section 81(3) of the PFM Act, which requires financial statements to be prepared accurately and in compliance with accounting standards.

Committee Recommendation

1. **The matter is marked as resolved, subject to the proper prior-year adjustments being made in the FY 2025/2026 financial statements to correct the comparative figures.**
2. **The Accounting Officer is directed to strengthen monthly reconciliation procedures between the CRF and all county government entities to ensure that all inter-entity transactions are accurately captured and classified in the respective financial statements, preventing recurrence.**

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CHAPTER SIXTEEN

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF NYANDARUA COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Nyandarua County, Hon. (Dr.) Moses N. Kiarie Badilisha, appeared before the Committee on Wednesday 5th February 2026, to respond (under oath) to audit queries raised in the Reports of the Auditor General on County Executive, Receiver of Revenue and County Revenue Fund of Nyandarua County Executive for the Financial Year 2024/25.

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE COUNTY EXECUTIVE OF NYANDARUA FOR THE FINANCIAL YEAR 2024/25

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

1. Unexplained Voided Transactions

Review of the financial records revealed that one thousand nine hundred and ninety-eight (1998) transactions amounting to Kshs. 1,191,206,248 were voided during the financial year under review. However, supporting documents such as voided payment vouchers, requests to void payments, The National Treasury approval and Exchequer requisitions from the Controller of Budget were not provided for audit verification. Further, the voided payments have not been disclosed as pending accounts payable and the utilization of funds meant for voided transactions was also not confirmed.

In the circumstances, the regularity of voided transactions amounting to Kshs. 1,191,206,248 could not be confirmed.

Audit issue

- i. Lack of explanation and supporting documents to support voided transactions.

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Management response.

Voiding is a module under IFMIS for canceling transactions that had already been submitted to internet banking. The reasons for voiding include—

- a) return payments that need to be re-submitted to IB;
- b) transactions that were submitted to IB but did not reflect due to system error and need to be resubmitted;
- c) end of year procedure of clearing payments in the system that were not paid and were captured payable as at 30th June 2025; and
- d) management can also terminate a transaction at any stage in-case there are issues with the payment.

The query was raised in the draft report stage and necessary explanation and support documents were provided.

Committee Observation

The Committee observes that the failure by the County Executive to provide supporting documents for the voided transactions, including voided payment vouchers and requests to void payments, is a contravention of Section 31(4) of the Public Audit Act, 2012 (Cap. 412B). This lack of documentation and transparency impedes the audit process and undermines the principles of accountability and transparency in the use of public funds as enshrined in Article 201(a) of the Constitution.

Committee Recommendation

The Committee recommends that—

1. the County Governor undertakes administrative action against the county officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 (Cap. 412A) and provides a status report to the Senate and the Office of the Auditor General within ninety (90) days of the adoption of this report;
2. the Directorate of Criminal Investigations investigate the breach of sections 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers and, where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution;
3. the National Treasury to review the voided transactions to confirm whether due process was followed in voiding, noting to stipulate how and why the transactions

were voided, and report back to the Senate within ninety (90) days of adoption of this report;

4. the Cabinet Secretary for the National Treasury to ensure IFMIS is reconfigured with the Central Bank of Kenya system to avoid cases of IFMIS approvers voiding and diverting funds to other activities not initially approved for payment and report back to the Senate within ninety (90) days of adoption of this report; and
5. the Ethics and Anti-corruption Commission investigates the voided transactions to determine whether funds were utilized for purposes approved by the Controller of Budget.

2. Unreconciled Receivables from Non-Exchange Transactions

The statement of financial position and as disclosed in Note 23 to financial statements reflects receivables from non-exchange transaction of Kshs.1,627,082,389 which relates to receipts that were due from County Revenue Fund. However, the balance differs with the corresponding payables balance from County Revenue Fund financial statements amounting to Kshs.1,646,579,968, resulting to un-reconciled variance of Kshs.19,497,579. In the circumstances, the accuracy and completeness of receivables from non-exchange transaction of Kshs.1,627,082,389 could not be confirmed.

Audit issue

- i. Unreconciled variance of Kshs 19,497,579

Management response.

The County Executive financial statements were prepared using the IPSAS accrual accounting framework that requires recognition of all receivables. However, the County revenue fund serves the County executive, County Assembly and other County Entities such as FLLOCA, KDSP, KISIP, Municipalities that have special purpose accounts and prepare separate financial statements.

Since County Revenue Fund receives funds for many entities thus payables in CRF relates to all entities and not just the County executive. And in this case, the variance of Ksh19,497,579 between receivables reported by the County Executive and Payables reported by CRF relates to payables to FLLoCA fund by CRF since FLLoCA fund is a self-reporting entity.

Committee Observation

The Committee observes that the unexplained variance of Kshs. 19,497,579 between

the County Executive's receivables and the County Revenue Fund's payables is a fundamental accounting discrepancy. This failure to reconcile accounts contravenes the principles of accurate financial reporting as required by the PFM Act and the standards set by the Public Sector Accounting Standards Board (PSASB).

Committee Recommendation

The Committee recommends that—

1. the County Governor undertakes administrative action against the county officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 (Cap. 412A) and provides a status report to the Senate and the Office of the Auditor General within ninety (90) days of the adoption of this report; and
 2. the Directorate of Criminal Investigations investigate the breach of sections 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers and, where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.
3. First-Time Adoption of IPSAS 33 and Transitional Provisions.

The cover page of the financial statements indicated that the financial statements were Transitional IPSAS financial statements / prepared in accordance with the accrual basis of accounting method under the International Public Sector Accounting Standards (IPSAS) instead of indicating one option that was adopted. Further, Note 2 to the financial statements under the statement of compliance and basis of preparation of financial statements, the County Executive did not clearly indicate which transitional provision the entity took advantage of under IPSAS 33 for a three-year transition period. In addition, the County Executive did not disclose the specific transitional provisions and measures being taken towards full compliance with IPSAS Accrual Contrary to IPSAS 33 which explicitly requires an entity that utilizes any transition exemptions to clearly disclose the transition provisions that it has applied.

In the circumstances, the financial statements did not comply with the reporting template as prescribed by the Public Sector accounting Standard Board.

Audit issues

- i. Indication of two standards instead of indicating one option that was adopted.
- ii. Lack of disclose the specific transitional provisions and measures in the note.

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Management response.

The financial statements were prepared accordance with IPSAS 33 taking advantage of transitional provisions. However, management admits that this was not clearly indicated in the financial statements cover page and note 2 and going forward the standard shall be complied to.

Committee Observation

The Committee noted that the County Executive's failure to clearly disclose the specific transitional provisions it applied under IPSAS 33, and the ambiguous labeling of its financial statements, is a breach of the reporting standards prescribed by the Public Sector Accounting Standards Board (PSASB). This lack of clarity undermines the comparability and reliability of the financial information.

Committee Recommendation

The Committee recommends that:

- 1. The County Executive adheres to IPSAS 33 as prescribed by the Public Sector Accounting Standards Board; and**
- 2. The County Executive builds the capacity of its accounting officers with respect to IPSAS 33 to ensure full compliance in future financial statements.**

Emphasis of Matter.

1.0 Budgetary Control and Performance

1.1 Underutilization of Budget.

The statement of comparison of budget and actual amounts-recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.8,779,773,471 and Kshs.4,790,756,342 respectively, resulting in an under funding of Kshs.3,989,017,129 or 45% of the budget. Similarly, the County Executive spent an amount of Kshs. 4,592,860,887 against actual receipts of Kshs. 4,790,756,342 resulting in an under-expenditure of Kshs.197,875,455.

The under-funding and under-utilization of the budget may have impacted negatively on the delivery of goods and services to the public.

Audit issues

- i) 45% underfunding of the budget
- ii) Under expenditure of Kshs 197,875,455.

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Management response.

45% underfunding of the budget.

The underfunding was as a result of late disbursement of funds by the National Treasury where Ksh 1,627,028,289 was received after 30th June 2025, non-remittance of donor funds budgeted for and shortfall in own source revenue due to harsh economic realities.

Under expenditure of Kshs 197,875,455.

These were bank balances as at 30th June 2025 that were spent before the closure of the financial year.

Committee Observation

The Committee observed that;

- 3) there was under-utilization of appropriated funds by the county executive as a result of delay in exchequer releases by the National Treasury; and
- 4) the county did not meet its own-source revenue targets.

Committee Recommendation

The Committee therefore recommends that:

3. **The National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act(Cap. 412A); and**
4. **The County executive puts in place measures to enhance its own generated revenue to meet its revenue target and address revenue shortfalls.**

1.2 Late Exchequer Releases.

The statement of financial performance and as disclosed in Note 6 to the financial statements reflects transfers from County Revenue Fund in form of exchequer releases amounting to Kshs. 6,297,330,369. Included in the balance is an amount of Kshs.1,527,255,673 that was received in the month of July after the end of the accounting period.

Late disbursement of Exchequer releases to the County Revenue Fund may have negatively impacted on implementation of County Government programmes for the

year under review.

Audit Issues

- i. Late exchequer release.

Management response.

Management advocate for timely disbursement of the equitable share of revenue to enable effective budget absorption thus enhancing service delivery to the public.

Committee Observation

The Committee noted that delays in receiving exchequer releases from the National Treasury and under-collection of own source revenue hindered optimal program implementation and effective budget execution.

Committee Recommendation

The Committee therefore recommends that:

1. **The National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act; and**
2. **The County executive puts in place measures to enhance its own generated revenue to meet its revenue target and address revenue shortfalls.**

2.Long Outstanding Payables.

The statement of financial position and as disclosed Note 32 to financial statements reflect trade and other payables balance of Kshs.5,024,674,774. Included in the balance is an outstanding amount of Kshs.2,746,515,943 that remained unsettled for over a year comprising payables of Kshs.77,727,236 aged 1-2 years, Kshs.35,046,274 aged 2-3years and Kshs.2,633,742,433 aged over three (3) years.

In the circumstances, the failure to meet the obligations as they fall due may be an indicator of possible disputes and disagreements with the services providers owed the amounts.

Audit issues

- i. Unsettled trade and other payables for prior years.

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Management response.

Management responded that In FY 2024-25 they managed to settle pending bills worth Ksh 404,130,678. In Financial year 2025-2026 management has budgeted Kshs. 347,492,940 towards settlement of pending bills in the original budget and has already cleared pending bills worth Kshs. 284,600,200.

Included in Ksh 2,746,515,943 that remained unsettled for over a year is a pending bill amounting to 1,067,994,657 that relates to construction of JM Memorial hospital, a contract that has been terminated and construction taken over by the department of Defence.

Committee Observation

The Committee observes that the failure to settle payables totalling Kshs. 2,746,515,943 for periods exceeding one year is a sign of severe financial distress and poor financial management. This contravenes Regulation 41(2) of the PFM (County Governments) Regulations, 2015 which requires debt service payments to be a first charge on the County Revenue Fund. The accumulation of pending bills undermines the economy and can lead to disputes and costly litigation.

Committee Recommendation

The Committee recommends that:

1. trade payables due for more than 365 days must be considered as poor financial management and the county executive must provide actionable payment plans within ninety (90) days of the adoption of this report, failure to which the subsequent quarter budget releases will not be effected;
2. the county executive to pay all staff payables to their staff within ninety (90) days of the payables becoming due failure to which the subsequent quarter budget releases will not be effected
3. the county executive to pay all statutory deductions to the relevant agencies within statutory deadlines and in any event within ninety (90) days of the deductions becoming due failure to which the subsequent quarter budget releases will not be effected;
4. the county executive to pay all pension deductions to the relevant fund within ninety (90) days of the deductions becoming due failure to which the subsequent quarter budget releases will not be effected;
5. the Ethics and Anti-Corruption Commission investigates the pending bills owed to staff as payables, statutory deductions and pensions to establish whether any funds due to staff was retrieved from the County Revenue Fund, and if so, how the funds were utilized with a view to recommending the prosecution of persons determined liable misdirecting the funds; and

6. the county executive pays verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2026/2027.

The Committee further recommends that—

- i. pursuant to the provisions of Regulation 41(2) & (3) of the Public Finance Management (County Governments) Regulations, 2015, the County Executive prepares and submits to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;
- ii. the Controller of Budget takes into consideration the efforts made by the county executive to clear inherited pending bills when approving exchequer releases;
- iii. the county executive only pays pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) & (3) of the Public Finance Management (County Governments) Regulations;
- iv. supplementary budgets for county governments be prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates;
- v. the county executive, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects;
- vi. the county executive conducts public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets; and
- vii. the Office of Controller of Budget and the Senate monitors compliance and apply sanctions if payment plans are not honoured.

Other Matter

Unresolved Prior Year Matters

In the prior years' audit report, several issues were raised under the Report on Financial Statements and Lawfulness and Effectiveness in Use of Public Resources respectively. Review of the status during audit in 2024/2025 revealed that the indicated matters in **Appendix I** remained unresolved.

Failure to resolve prior year issues is an indication of weakened accountability and

governance due to lack of action on previously raised issues and non-compliance with statutory requirements of the Public Audit Act, 2015.

Audit issues

Failure to resolve Prior year matters.

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Management response.

The County Executive stated that it is progressively resolving prior year issues as raised and attached an audit recommendation implementation matrix

Committee Observation

The committee observed that audit issues from previous financial years had not been resolved

Committee Recommendation

The Committee Recommends that—

1. the County Executive implements the recommendations of the Committee in its report on the Report of the Auditor General for Nyandarua County Executive for the Financial Year 2023/2024 as adopted by the Senate and reports to the committee within sixty (60) days of the adoption of this report;
2. the account officer complies with section 53 of the Public Audit Act (Cap. 412B) by taking the relevant steps to implement the recommendations of the Senate on the report of the Auditor-General and submits a report to the Senate within ninety (90) days of the adoption of this report;
3. the County Executive engages with the Office of the Auditor General to address and resolve any outstanding matters; and
4. the Auditor General lists any unresolved audit issues in the report of the subsequent financial year.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion.

1. Payment of Salary Outside Integrated Payroll and Personnel Database and Human Resource Integrated System (HRIS)

The statement of financial performance as disclosed under Note 9 to the financial statements reflects employee costs balance of Kshs.2,486,839,933 which include Kshs.2,483,292,033 paid as basic salaries of permanent employees which further include Kshs.93,005,874 paid outside the Integrated Payroll and Personnel Database (IPPD) system and the Human Resource Integrated System (HRIS) through manual payrolls. This was contrary to The National Treasury Circular No.16/2020 which requires personnel emoluments to be controlled in the public personnel database and supported by IPPD. Management did not illustrate efforts undertaken to regularize this anomaly.

In the circumstances, Management was in breach of the guidelines as outlined in the circular.

Audit issue

- i. Basic salaries of permanent employees paid outside the Integrated Payroll and Personnel Database (IPPD) system and the Human Resource Integrated System (HRIS) through manual payrolls.

Management response.

Some categories of employees were paid through the manual system for various reasons as explained below: -

1. VIP Security Staff on top-up- These are Administration Police Officers and their primary employer is the Ministry of Interior. An officer cannot be in two Government Payrolls. Twenty-Seven (27) Administration Police Officers were therefore paid outside the IPPD/HRIS system.
2. The County recruited 250 ECDE Teachers who were paid using manual payroll in the month of March, April, May and June 2025 as the efforts to get payroll numbers was ongoing.
3. One Hundred and Eighty-Four (184) Interns were also on boarded by the County Executive during the period under review. The County Executive made efforts to secure Payroll Numbers for the interns from the Ministry of Public Service however, the Ministry could not allocate the numbers to the engaged interns since there is no uniform policy on Internship Programs in the Counties. Subsequently the interns were paid outside the IPPD/HRIS system.

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Below is a schedule of the manual payments

Manual				
Security and New Employees	Interns	ECDE Teachers	other vouchers	Total
1,006,145.00	2,979,516.13	-	33,976,923.91	37962585.04
1,006,145.00	2,824,354.84	-	34,750.00	3,865,249.84
1,006,145.00	1,352,644.96	-	-	2,358,789.96
1,006,145.00	320,000.00	-	-	1,326,145.00
1,006,412.00	2,110,806.45	-	368,530.35	3,485,748.80
1,812,583.71	2,691,000.00	-	893,496.00	5,397,079.71
1,203,744.00	2,821,290.33	-	150,000.00	4,175,034.33
1,900,066.62	2,534,740.77	-	150,000.00	4,584,807.39
2,111,960.16	3,007,655.00	4,725,000.00	-	9,844,615.16
1,191,791.00	2,844,500.00	2,462,258.07	-	6,498,549.07
1,241,791.00	1,169,667.00	2,460,000.00	3,774,674.20	8,646,132.20
898,886.00	819,924.50	2,460,000.00	682,327.00	4,861,137.50
15,391,814.49	25,476,099.98	12,107,258.07	40,030,701.46	93005874.00

Schedule for other vouchers:

MONTH	VOUCHER AMOUNT	EXPLANATION
Jul-24	33,976,923.91	JUNE 2024 PAYE ARREARS PAID IN JULY 2025 VIA A VOUCHER

Aug-24	34,750.00	SALARY ARREARS FOR ALICE WANJIRU WAINAINA
Sep-24	-	-
Oct-24	-	-
Nov-24	368,530.35	MEDALLION AWARD FOR L. ERIC OYAYO ON YANGO - 50,000. SALARY ARREARS - JAMES KARIUKI GATHERU -

		53,693.35. PAYMENT IN LIEU OF LEAVE - JUVENALIS THIONG'O - 264,837
Dec-24	893,496.00	SALARY ARREARS FOR JAMES MAINA WAMBUGU - W.E.F 1ST JAN 2016 - 30TH NOV 2018
Jan-25	150,000.00	MEDALLION AWARD FOR 1. MILKA NJERIKAM AU -50,000. MEDALLION AWARD FOR 2. CHARLES NGARA CHU -50,000. MEDALLION AWARD FOR 3. JANE MUMBI - 50,000.
Feb-25	150,000.00	MEDALLION AWARD FOR LYDIA MURIUKI - 50,000. MEDALLION AWARD FOR JOHNSON MUTUKU MUSYOKA - 50,000. MEDALLION AWARD FOR PETER KIMANI - 50,000.
Mar-25	-	-
Apr-25	-	-
May-25	3,774,674.20	SALARY ARREARS - DR. VICTOR WAITHAKA. W.E.F MAY 2021 - MARCH 2024
Jun-25	682,327.00	MEDALLION AWARD FOR 1. JOHN MBARIRE THIONGO - 50,000 MEDALLION AWARD FOR 2. GEOFFREY KIARO - 50,000 PENSION ARREARS FOR DR. BONIFACE GACHARA - 582,327
TOTAL	40,030,701.46	

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Committee Observation

The Committee observes that paying permanent employees (ECDE teachers, interns) outside the IPPD and HRIS systems is a breach of National Treasury guidelines and internal controls, exposing the payroll to the risk of fraud and errors. The Committee

further notes that paragraph 7 of the Fourth Schedule to the Constitution designates police services as a function of the National Government, which is solely responsible for the remuneration of police officers. Therefore, the county should not be paying "top-ups" to National Police Service officers.

Committee Recommendations

The Committee recommends that—

- 1. the National Police Service fully remunerates police officers providing police services to county governments as required under paragraph 7 of the Fourth Schedule to the Constitution;**
- 2. the county executive works closely with the State Department of Personnel Management to ensure new staff details are updated immediately they are employed;**
- 3. The Senate notes that the process of issuance of Personal File numbers is inefficient in counties and therefore directs the National Government (State Department of Public Service) in conjunction in the Council of Governors (CoG) to prescribe and design an efficient human resource management system to be used by counties;**
- 4. Pursuant to Article 235 of the Constitution of Kenya, the Committee directs that the Cabinet Secretary (CS), Ministry of Public Service, Youth and Gender Affairs to develop regulations to provide guidance and clarity to county governments on engagement of casual employees, contracted workers, acting positions and a platform for management of county human resources; and**
- 5. the Auditor General to monitor the matter in the subsequent audit cycle.**

2. Non-Compliance with Requirements in Ethnic Diversity.

Review of human resource records revealed that the Executive had two thousand four hundred and twenty-nine (2,429) staff on contractual and permanent & pensionable terms. However, out of this number, two thousand three hundred and twenty-two (2,322) members of staff, which translates to 96%, are from the dominant ethnic community in the county. Further, officers in Job Group P and above are a total of one hundred and twenty-three (123) employees out of which one hundred and ten (110) which translate to 89% were from a dominant ethnic community

This contravenes the provisions of Section 7(2) of the National Cohesion and Integration Act, 2008 which requires that no public establishment shall have more than one third of its staff from the same ethnic community.

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

Audit issue.

Failure to adhere to provisions of Section 7(2) of the National Cohesion that no public establishment shall have more than one third of its staff from the same ethnic community

Management response.

All vacant positions in the county are posted on the County's website and newspapers with country-wide circulation. However, the County Public Service Board has had challenges in attracting applications from qualified persons from non-dominant communities due to social- political factors. The board remain committed towards receiving and successfully processing applications from all qualified Kenyans.

Committee Observation

The Committee observes that the County Executive's workforce is 96% from a single ethnic community, which is a direct contravention of Section 7(2) of the National Cohesion and Integration Act, 2008. While noting the ethnographic composition of the county, Section 65(1)(e) of the County Governments Act mandates that at least thirty percent of entry-level posts be filled by candidates not from the dominant community, a legal requirement that must be actively pursued.

Committee Recommendations

The Committee recommends that—

- 1. the County Executive adheres to section 65(1)(e) of County Governments Act and ensures that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county; and**
- 2. the Standing Committee on National Cohesion, Equal Opportunity and Regional Integration undertakes a post legislative scrutiny of section 7 (2) of the National Cohesion and Integration Act, (Cap. 7N) to evaluate it practical application to county governments.**

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3. Staff Earning Less Than One-Third of Basic Salary.

A review of the payroll for the year under audit revealed that four hundred and fourteen (414) staff members earned less than a third (1/3) of their basic salary after deduction contrary to Section 19 (3) of the Employment Act, 2007 and Section C.1 (3) of HR Policies and Procedures 2016.

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

Audit issue

- i. Staff members earned less than a third (1/3) of their basic salary after deduction

Management response.

The Increase of NSSF contribution, SHA and Housing Levy deductions has had a direct impact on civil servants' monthly pay. The levies calculated as a percentage of an employee's gross monthly earnings, is deducted at source alongside other statutory deductions. As a result, the pay for civil servants has reduced by the equivalent amount of the deductions thereby contributing to the staff earning less than 1/3 of their basic pay.

The management has since advised the affected staff to negotiate with financial institutions with the intention of restructuring their loans. This has led to a decrease in the number of staff earning less than 1/3 of their basic pay from the 414 to 39 as at January 2026.

Committee Observation

The Committee observes that allowing 414 county staff to earn less than a third of their basic pay is a violation of Section 19(3) of the Employment Act, Cap. 226, which aims to protect employees' income from excessive deductions. The Committee notes the progress made in reducing this number to 39 but stresses the need for systemic solutions.

Committee Recommendations

The Committee therefore recommends that -

1. The County Public Service Board, in coordination with the County Treasury, fully implement the Human Resources Information System (HRIS) to automatically lock out any loan commitments that would cause an employee's net pay to fall below the legal threshold, as required by sound internal control systems under Regulation 155 of the PFM (County Governments) Regulations, 2015.
2. The Committee further recommends that the Public Service Commission, in coordination with County Public Service Boards, review Section C (3) of the Human Resource Policies and Procedures Manual and propose mechanisms

to ensure compliance, reporting their findings to the Senate within 90 days

4. Non-Compliance with the Rights and the Privileges of Persons with Disabilities.

Out of 2,429 employees, only 22 are Persons Living with Disabilities, representing just 1% of the workforce-significantly below the 5% threshold recommended by Section 5(1)(e) of the Persons with Disabilities Act, 2025. Furthermore, among the 123 employees in senior management, only 2 are Persons Living with Disabilities. This indicates a potential under representation of Persons Living with Disabilities in governance and leadership roles within the County Executive. In the circumstances, Management was in breach of the law.

Audit Issue

- i. Under representation of Persons Living with Disabilities in governance and leadership roles within the County Executive.

Management response.

The management responded that they affirm their commitment to promoting inclusivity and compliance with the Persons with Disabilities Act, 2003, and relevant provisions of the Constitution of Kenya, 2010. During previous recruitment cycles, the number of applicants who self-identified as Persons Living with Disabilities was notably low.

The Management has also been deliberate in giving equal opportunities to all qualified persons including persons with disability where in all vacancy advertisements, they are encouraged to apply.

There is however an improvement as the current number of staff who are persons with disabilities currently stand at 26 as of January, 2026.

Committee Observation

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The Committee observes that the county executive has not complied with the constitutional principle in Article 54(2) requiring the State to ensure the progressive implementation of the five percent threshold for persons with disabilities in appointive bodies. While the commencement date of the Persons with Disabilities Act (No. 4 of 2025) is noted, the county has a continuing obligation under the Constitution to take affirmative action.

Committee Recommendation

The Committee recommends that the county executive complies with section 5(1)(e) of the Persons with Disabilities Act (No. 4 of 2025) and the principle espoused under Article 54(2) of the Constitution by taking deliberate and measurable steps to achieve the five percent representation.

5. Irregular Staff Recruitment

The County Executive recruited 43 officers in various positions. However, there was no approved staff establishment as prescribed by Section B.2(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which requires every public entity to prepare Human Resource Plans based on comprehensive job analysis to support achievement of goals and objectives in their Strategic Plans. The hiring of the officers was also contrary to section B.3 (1) Public Service Commission Human Resource Policy, 2016 which states that an Authorized Officer shall declare all vacant posts to the Public Service Commission in accordance with the procedures set out in the Commission's regulations.

In the circumstances, Management was in breach of the guideline as outlined in the policy.

Audit issues

- i. lack of approved staff establishment as prescribed by Section B.2(1)
- ii. Failure to prepare Human Resource Plans based on comprehensive job analysis to support achievement of goals and objectives in their Strategic Plans.

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Management response.

Prior to the recruitment of the forty-three (43) officers, the County Government undertook a comprehensive staff gap analysis based on service delivery requirements, workload assessment and functional needs across departments.

The outcome of this analysis identified critical capacity gaps that necessitated the recruitment of the said officers in order to support effective service delivery of County Government functions.

While the recruitment was informed by the staff gap analysis, Management notes that at the time, the County was in the process of preparing the approved staff establishment as prescribed under Section B.2(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which was undergoing review and stakeholder engagements.

The County Executive has since finalized and the approved Staff Establishment developed through job analysis and aligned to the County's strategic objectives is now in place. Management commits that all future recruitment shall strictly adhere to the approved staff establishment and all vacant posts shall be declared through the County Public Service Board in accordance with the applicable regulations. The Human resource plan has been prepared and approved.

Committee Observation

The committee observes that while the county executive has now addressed the issue by developing and approving a staff establishment, the initial recruitment of 43 officers without an approved establishment was a contravention of Section B.2(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016.

Committee Recommendation

The committee recommends that the matter be marked as resolved.

6. Casuals Engaged Beyond Stipulated Period.

The County engaged twenty (20) casual workers continuously for periods exceeding three (3) consecutive months and incurring Kshs.1,792,800. This is contrary to Section 37 of the Employment Act, 2007 which requires the employer to formalize the employment relationship and extend all the rights and benefits due under the law, including leave entitlements, notice period, and statutory deductions.

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

Audit Issue

- i. Engaging casual workers continuously for periods exceeding three (3) consecutive months.

Management response.

The process for absorbing casual workers into permanent and pensionable terms had started with the previous County Public Service Board through suitability test whose tenure in office lapsed. However, a new County Public Service Board has just assumed office and it is one of the priority areas that the management will request to be addressed.

Committee Observation

The Committee observes that engaging 20 casual workers for periods exceeding three consecutive months is a direct contravention of Section 37 of the Employment Act, Cap. 226. This practice denies the workers their rightful benefits and exposes the county to potential legal liability.

Committee Recommendation

The Committee recommends that the county executive immediately regularizes the employment of these workers in line with Section 37 of the Employment Act, Cap. 226, and ceases the practice of engaging casuals on a long-term basis.

7. Non-Compliance with Law on Fiscal Responsibility on Wage Bill

The statement of financial performance and as disclosed in Note 9 to the financial statements reflect employee costs of Kshs. 2,486,839,933 or 39% of the total Revenue of Kshs. 6,297,330,369. This exceeds the rate of 35% that is set out under Section 25(1b) of the Public Finance Management (County Government) Regulation, 2015.

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

Audit issues

- i. Exceeding the rate of 35% of revenue on wage bill

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Management response.

The total Revenue of Kshs. 6,297,330,369 is the amount the management received from exchequer. Total revenue budgeted was Kshs 8,779,773,471, hence the County Expenditure on Wages and benefits translates to 28.32%, hence the County complies with the fiscal responsibility.

Committee Observation

The Committee observed that the wage bill for the county executive was above the threshold of 35% of total receipts contrary to Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015.

The Committee noted that the percentage of wage bill is calculated based on total revenue received by the county executive and not total budgeted revenue as wrongly perceived by the county executive.

The Committee further noted that high wage bill is a threat to the objects of devolution as provided for under Article 174(f) of the Constitution.

Committee Recommendation

The Committee recommends that—

1. the management should provide to the Auditor General and the Senate the measures it will put in place to contain the high wage bill within ninety (90) days of the adoption of this report;
2. the management should strictly adhere to the provision of paragraph 25(1)(b) of the PFM (County Government) Regulations, 2015 which stipulate that the county wage bill should not exceed 35 per cent of the county total revenue;
3. the County Executive puts in place measures to enhance its own source revenue collection in order to address the wage bill gap;
4. Pursuant to the High Court orders in *Matindi v Salaries and Remuneration Commission & another* [2026] KEHC 755 (KLR), the Salaries and Remuneration Commission (SRC) is directed to submit to the Committee a detailed affidavit outlining time-bound strategies it has developed and is implementing to achieve a 35% public wage bill to revenue ratio and collaborative measures being jointly implemented in conjunction with the County Governments.
5. The Office of the Auditor-General should continue monitoring and specifically reporting on the wage bill ratio in subsequent financial years.

8. Procurement of Office and General Supplies from Non-Prequalified Suppliers.

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects use of goods and services of Kshs.1,689,204,344 which includes office general supplies of Kshs.32,804,015 which further include Kshs.7,685,896 procured from suppliers who were not included in the approved framework agreement list of suppliers contrary to Regulation 106 (1) of the Public Procurement and Asset Disposal Regulations, 2020 which states that a procuring entity is not required to advertise or invite quotations from persons not shortlisted under the framework agreement where a framework agreement has been entered into by the procuring entity.

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

Audit issue

- i. Procurement of general supplies from suppliers who were not included in the approved framework agreement list of suppliers

Management response.

The subject procurements were procured through open tendering and direct tendering before framework agreement came into effect. Procurement through request for quotation relates to pending bills file and whose suppliers were dully prequalified in the respective year of supply.

Committee Observation

The Committee observes that procuring goods worth Kshs. 7,685,896 from suppliers not on the approved framework agreement list is a contravention of Regulation 106(1) of the Public Procurement and Asset Disposal Regulations, 2020. The county's failure to provide evidence to substantiate its claim of open tendering further compounds the breach.

Committee Recommendations

The Committee recommends that—

1. **the County Governor undertakes administrative action against the county officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provides a status report to the Senate and the Office of the Auditor General within ninety (90)**

days of the adoption of this report;

2. the Directorate of Criminal Investigations investigate the breach of sections 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers and, where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution; and
3. the county executive provides evidence that the procurements were conducted through open tender to the Auditor-General within sixty (60) days of the adoption of this report.

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9. Failure to Retain Facilities Improvement Funds (FIF) at the Hospitals.

Review of revenue records obtained from Level 4 and Level 5 health facilities in the County revealed that two (2) health facilities collected a total Kshs.236,054,105 towards the health facilities improvement which was transferred to the Country Revenue Fund. However, the Fund reimbursed a total of Kshs.234,811,127 to the health facilities resulting in a deficit of Kshs.1,242,978. In addition, the County Executive owes the two (2) health facilities an amount of Kshs.111,299,334 from prior years. This is contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that all monies raised or received by or on behalf of all public health facilities be retained in the Hospital Facilities Improvement Financing account.

In the circumstances, Management of the County Executive was in breach of the law. In addition, failure to reimburse the total amount transferred by the facilities negatively impacted on service delivery by the health facilities.

Audit issues

- i. Lack of reimbursement of Kshs.1,242,978 to the two (2) health facilities by the Fund.
- ii. Failure to reimburse amount of Kshs.111,299,334 from prior years to health facilities.

Management response.

The deficit reported in the FY 2024/2025 amounting to Kshs.1,242,978 is a result of delays in the reimbursement process from SHA. The funds were received in the facilities revenue account and were not transferred to any other account and therefore the funds are with the

generating facilities. These funds are carried forward to the subsequent year and are appropriated appropriately in the subsequent year budget and therefore no any breach of law.

The amount owed to health facilities amounting to Kshs.111,299,334, was as a result of implementation of FIF act 2023 from financial year 2024/2025 after ensuring necessary structures were in place. Since the year facilities have been retaining their monies as envisaged in the act. Prior to this, the facility was adhering to public financial management act 2012 which required all funds be deposited into the revenue account. The county would then do appropriation of the funds received as per the facilities' budgets.

Committee Observation

The Committee observes that transferring health facility revenue to the County Revenue Fund instead of retaining it in the Hospital Facilities Improvement Financing account was a contravention of Section 5(1) of the Facilities Improvement Financing Act, 2023. While the funds have since been remitted, the initial action and the delay could have negatively impacted service delivery.

Committee Recommendation

The Committee recommends that—

- 1. the county executive fully complies with the Facilities Improvement Financing Act (Cap. 277) by ensuring all future health facility revenues are retained in the respective facility accounts as required by law; and**
- 2. the Auditor-General to keep the matter in view and provide a status update to the Senate in the subsequent audit cycle.**

10. Irregular Payments of Insurance for Undelivered Motor Vehicles

The Statement of financial performance and as disclosed in Note 10 to the financial statements reflect use of goods and services of Kshs.1,689,204,344 which includes insurance cost of Kshs.157,554,605 which further include Kshs.437,406 paid as insurance premium for two (2) vehicles that were purchased in February 2025 but had not been delivered to the County and the log books of which had not been processed at the time of audit.

In the circumstances, value for money on the amount of Kshs.437,406 paid a s insurance premium for two (2) vehicles may not have been received by the public.

Audit Issues

- i. Payment of insurance premium for two (2) vehicles that were purchased in February 2025 but had not been delivered to the County and the logbooks of which had not been processed at the time of audit.

Management response.

In line with public asset management and risk mitigation policies, it is the County Government's practice to ensure that all government motor vehicles are insured prior to delivery. This approach safeguards assets against potential loss or damage during transportation from the car yard to the county premises.

It is important to note that the vehicle registration process through the National Transport and Safety Authority (NTSA) typically takes time after physical delivery. This delay is due to procedures such as number plate issuance, roadworthiness certification, and logbook processing. Consequently, there are often delays or temporary unavailability of log-books.

This explains why the management was unable to provide them at the time of the audit. The two (2) vehicles have since been delivered.

Committee Observation

The committee observed that the county executive paid insurance premium for two (2) vehicles that were purchased in February 2025 but had not been delivered and the logbooks procured at the time of audit.

The Committee noted that the county executive indicated that it had received the vehicles and the delay in procuring log books for the vehicles was due to delays in processing by the National Transport and Safety Authority (NTSA).

Committee Recommendation

The committee recommends that—

1. the county executive facilitates the timely processing and submits the relevant log books to the Office of the Auditor-General within ninety (90) days of the adoption of this report; and
2. the Auditor-General to keep the matter in view and provide a status update to the Senate in the subsequent audit cycle.

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11. Irregular Limits of Liability and Premiums Payments in Group Medical Scheme.

County Government Group Medical Scheme offered to Job group G-J inpatient limit of Kshs.1,750,000 instead of Kshs.1,000,000 set by SRC. Further, County optical cover for Job Group K to P of Kshs.30,000 instead of Kshs.25,000 and optical cover of Job Group R to T of Kshs.30,000 instead of Kshs.35,000 set by SRC. This contravenes the Salaries and Remuneration Commission Circular no SRC/TS/CGOVT/3/61 dated 19 December, 2014 by providing rates not set by the commission.

In the circumstances, Management was in breach of the guidelines as outlined in the circular.

Audit issues

- i. Irregular Limits of Liability and Premiums Payments in Group Medical Scheme.

Management response.

During the financial year under review, Nyandarua County executive engaged two health insurance providers to provide medical cover for its staff namely:

1. NHIF Super cover for the period July 2024 to October 2024.
2. Madison insurance for the period from November 2024 to June 2025.

It is important to note that the NHIF comprehensive cover limits were as pre- negotiated between the now defunct National Hospital Insurance Fund and the National Treasury for both National and County Government employees and thus the rates could be in with SRC's medical cover limit as it was a government-to-Government arrangement.

The management confirms that currently, all employees are now under a medical cover that has adhered to the Salaries and Remuneration Commission Circular no SRC/TS/CGOVT/3/61 dated 19th December, 2014.

Committee Observation

The Committee observed that the county executive did not comply with the advisory contained in the Salaries and Remuneration Commission Circular no SRC/TS/CGOVT/3/61 dated 19th December, 2014 during the audit year but that the county executive is currently in compliance with the advisory.

Committee Recommendation

The Committee recommends that the county executive strictly complies with the advisory contained in the Salaries and Remuneration Commission Circular no. SRC/TS/CGOVT/3/61 dated 19th December, 2014, for all future medical schemes.

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12. Irregular Payment to Council of Governors

The statement financial performance and as disclosed in Note 10 reflects use of goods and services of Kshs.1,689,204,344 which includes other operating expenses of Kshs.454,853,639 which further include Kshs.2,000,000 paid to the Council of Governors. This is contrary to Section 37(b) of the Intergovernmental Relations Act, 2012 which provides that the operational expenses in respect of the Council of Governors should be provided for in the annual estimates of the revenue and expenditure of the National Government.

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

Audit Issue

- i. Irregular Payment to the council of Governors.

Management response.

The amount relates to annual county subscription to the council of governors as agreed by the council.

Committee Observation

The Committee observes that the payment of Kshs. 2,000,000 to the Council of Governors (CoG) from the County Revenue Fund was unlawful. This is because Section 37(b) of the Intergovernmental Relations Act, 2012 stipulates that the operational expenses of the CoG are a charge on the National Government's Consolidated Fund, not county funds.

Committee Recommendation

The Committee recommends that—

1. the irregular payments to the Council of County Governors be stopped forthwith failure to which the County Governor, in his capacity as Chief

- Executive Officer, be surcharged for the illegal payments; and
2. the Ethics and Anti-corruption Commission investigates the irregular transfer of funds to the Council of County Governors with a view to recover the same from the County Governor.

13. Ineffective Management of Property, Plant and Equipment

The statement of financial position and as disclosed under Note 26 to financial statements reflects Kshs.1,560,955,311 for property, plant and equipment. However, during the audit the following issues were noted;

13.1 Lack of Logbooks.

The County owns two hundred and twelve (212) motor vehicles and one hundred and sixty-two (162) motorcycles. However, only ninety-three (93) logbooks for the motor vehicles and forty (40) for the motorcycles were made available. The remaining one hundred and nineteen (119) motor vehicle logbooks and one hundred and twenty-two (122) motorcycle logbooks were not provided.

In the circumstances, rights and obligations and existence of the entire fleet could not be confirmed.

Audit issue

- i. Failure to provide one hundred and nineteen (119) motor vehicle logbooks and one hundred and twenty-two (122) motorcycle logbooks

Management response.

Management has taken steps to process logbooks and currently has a total of 147 Motor vehicle logbooks and 53 logbooks for motorcycles. Management is following up with intergovernmental relations technical committee (IGRTC) for official transfer of the GK vehicles and motor cycles in question from the national government and the defunct local authorities.

Committee Observation

The Committee observes that the failure to provide logbooks for 119 motor vehicles and 122 motorcycles contravenes the public officer's duty to safeguard public assets under Section 153 of the PFM Act. Without logbooks, the county's ownership and right to use these assets cannot be confirmed.

Committee Recommendation

The Committee recommends that—

1. the county executive finalizes the acquisition of all logbooks for all its motor vehicles and motorcycles and submits a status report to the Senate and the Office of the Auditor General within ninety (90) days of the adoption of this report; and
2. the Auditor-General to keep the matter in view and provide a status update to the Senate in the subsequent audit cycle.

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13.2 Grounded Motor Vehicles.

The County has eighty (80) grounded motor vehicles out of the total fleet of two hundred and twelve (212) vehicles, and seventy-eight (78) grounded motorcycles out of one hundred and sixty-two (162) motorcycles. However, the records provided did not indicate the duration for which these vehicles and motorcycles have been grounded, nor did they outline any maintenance, disposal, or reactivation plans.

In the circumstances, valuation of these grounded vehicles could not be confirmed.

Audit issue

Failure to indicate the duration for which the vehicles and motorcycles have been grounded,

Management response.

The motor vehicles and motor cycles have been grounded for more than 10 years. The IGRTC has recommended disposal. The management appointed a county assets disposal committee and the process of disposing the obsolete assets will be done once the committee completes its task.

Committee Observation

The Committee observes that the failure to maintain, dispose of, or have a plan for 80 grounded vehicles and 78 motorcycles for over 10 years is poor asset management and constitutes wasteful expenditure as per Section 2 of the PFM Act, as the assets are depreciating without any utility.

Committee Recommendation

The Committee recommends that—

1. the County Governor undertakes administrative action against the county officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 (Cap. 412A) and provides a status report to the Senate and the Office of the Auditor General within ninety (90) days of the adoption of this report;
2. the Directorate of Criminal Investigations investigate the breach of sections 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers and, where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution; and
3. the county executive finalizes the disposal of the obsolete vehicles and submits a status report to the Senate and the Office of the Auditor General within ninety (90) days of the adoption of this report.

13.3 Lack of Asset Register

The County did not maintain an updated fixed asset register for its assets. The assets procured during the year were not recorded and not tagged for ease of identification.

In the circumstances, the existence and effectiveness of assets management could not be confirmed.

Audit Issue

- i. Lack of maintenance of an updated fixed asset.
- ii. Failure to register assets procured during the year and tagging for ease of identification.

Management response.

At the time of the audit the county had not fully updated the fixed assets register. We have since updated the register and all assets including those purchased in financial year 2024/25 are now recorded.

The process of tagging and digitizing the assets is ongoing and are being uploaded in the integrated financial management system (IFMIS).

The management has also established an asset management unit that is tasked with the exercise of digitizing and updating the register whenever a new asset is procured.

Committee Observation

The Committee observes that the failure to maintain an updated, tagged fixed asset

register is a breach of Regulation 136 of the PFM (County Governments) Regulations, 2015. This compromises the county's ability to safeguard its assets, prevents accurate financial reporting, and increases the risk of loss or theft.

Committee Recommendation

The Committee recommends that—

- 1) the county executive maintains an up-to-date asset register in the format prescribed by the Public Sector Accounting Standards Board and submits a status report to the Senate and the Office of the Auditor General within ninety (90) days of the adoption of this report; and
- 2) the Auditor-General to keep the matter in view and provide a status update to the Senate in the subsequent audit cycle.

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13.4 Delay in Insurance Compensation.

The County lost 26 motor vehicles to fire during the Gen-Z demonstrations on 25 June, 2025 at the Ol Kalou Sub-County yard and at the District Officer's office. However, from the reviewed correspondence between management and the insurance companies, it was not clear how or when the County would be compensated for the loss.

In the circumstances, compensation for the loss of 26 motor vehicles could not be confirmed.

Audit Issue

- i. Delay in insurance compensation

Management response

The County Government has comprehensively insured all its motor vehicles, motorcycles, buildings, and related assets with Geminia Insurance Company. This aligns with prudent public asset management practices aimed at safeguarding county property against risks such as theft, fire, accidents, and other unforeseen losses.

Following the incident involving insured assets, a formal claim was submitted to Geminia Insurance Company on 26th and 27th June 2025, accompanied by all the requisite supporting documentation. However, after several correspondences, Geminia Insurance declined the claim, citing political motivations behind the incident. For reference, please find attached the letter dated 3rd July 2024.

In collaboration with the County Attorney, a response letter was issued to Geminia

Insurance, clarifying that the incident was not political in nature and requesting full compensation of KES 39 million, as outlined in the attached letter dated 24th July 2025.

Management Action Plan

- Following a prolonged period of inaction from Geminia Insurance, the County Government appointed KCB BancAssurance Intermediary Ltd on 5th August 2025 to follow up and liaise with the insurer on its behalf.
- On 11th September 2025, KCB BancAssurance Intermediary Ltd reported that, after a series of engagements and negotiations, Geminia Insurance Company had agreed to present a proposal for settling the claim.
- To ensure compliance with all legal and procedural requirements prior to accepting the settlement, the County Government sought a legal opinion from the County Attorney through a letter dated 16th September 2025. This legal guidance will inform the final decision and subsequent actions regarding the claim settlement process (attached correspondence refers).

The position of the County Government is that we will not accept that the incident was out of political violence but shall be open to discussion that would favor the county interests.

Committee Observation

The Committee noted the county executive lost 26 motor vehicles to fire during the *Gen-Z* demonstrations on 25th June, 2025 at the Ol Kalou Sub-County yard and at the District Officer's office and whereas it had claimed the loss with its insurance provider (Geminia Insurance), the provider had denied the claim citing political violence.

The Committee further notes that the county executive is still pursuing the claim and awaiting a counterproposal from the insurer.

Committee Recommendation

The Committee recommends that the county executive follows up with the insurance company and ensures that the insurer settles the claim for the 26 motor vehicles lost to fire and submits a status report to the Senate and the Office of the Auditor General within ninety (90) days of the adoption of this report.

14. Delays in Project Implementation.

14.1 Proposed Construction of Medical Complex at JM Memorial County Referral Hospital.

The construction of the Medical Complex at JM Memorial County Referral Hospital project was awarded to a contractor at a contract sum of Kshs.1,468,740,156 for a contract period of one hundred and fifty-six (156) weeks commencing 7 July, 2021. The estimated completion date was 7 July, 2024 but was revised to 1 July, 2026 while the contract price was varied to Kshs.1,597,161,937 (increment of contract sum by 8.72%). The County Government entered into a termination agreement with the contractor on 4 August, 2025 to pave way for completion through the Department of Defense following a presidential directive. Physical verification conducted in October, 2025, revealed that minimal work was ongoing at the construction site.

In the circumstances, value for money may not be realized due to delayed completion of the project.

Audit issue

- i. Delay on proposed Construction of Medical Complex at JM Memorial County Referral Hospital.

Management Response.

The management responded that the information as captured was true and that the department entered into a termination contract with the contractor on 4th August, 2025. The period between the contract termination date and the date of verification, nothing much was happening because the Department of Defense was in the process of identifying the contractor to undertake the works. Procurement process has timelines to be adhered to including advertisement period, evaluation process, notification of tenderers and contract signing as per PPAD Act 2015. These were the activities that were happening between the two timelines. The contract was signed on 24th November, 2025 and the contractor is already on site and works has kicked off. The value for money will be achieved once the contract is complete.

Committee Observation

The Committee observed that there was inordinate delay in the finalization of the construction of the Medical Complex at JM Memorial County Referral Hospital by the county executive resulting in the value for money not being realized.

The Committee however notes that the matter has been taken up by the Ministry of Defence, tender awarded and works are underway.

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Committee Recommendation

The Committee recommends that—

- 1) the County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act (Cap. 412A) and the Public Finance Management (County Government) Regulations, 2015 within 60 days from the adoption of this report; and**
- 2) the Auditor-General to keep the matter in view and provide a status update to the Senate in the subsequent audit cycle.**

14.2 Delayed Construction of Nyandarua County Headquarters at Ol Kalou

The construction of Nyandarua County Headquarters was awarded at a contract sum of Kshs.617,644,564 for a period of one hundred and four (104) weeks commencing 16 March, 2017 with an estimated completion date of 15 March, 2019. The completion date was revised to 30 June, 2019 and again to 30 June, 2021 and later to 31 December, 2022. In the Memorandum of Understanding (MOU) entered into with the State Department for Public Works in January, 2021, the County was to fund 30% of the cost of the project and National Government was to fund the balance of 70%. According to payment records, the County had made payments of Kshs.60,617,658 while the National Government had paid Kshs.279,218,554 which translates to total payments of Kshs.339,836,212 or 45% of the contract sum. Available information indicates that there was a variation order of Kshs.142,293,606 to the contract sum resulting to a revised contract sum of Kshs.756,938,171. However, the contract was mutually terminated on 14 October, 2022.

The County awarded the contract to another contractor on 29 May, 2023 for a contract sum of Kshs.449,097,569.78 for a period of one hundred and two (102) weeks commencing 9 June, 2023 and estimated completion date on 23 May, 2025. The contract was extended for a further 52 weeks with a new completion date on 22 May, 2026. A project brief dated 2 September, 2025 and audit verification done in October, 2025 revealed reduced progress of works within the period, further making the expected completion date doubtful.

In the circumstances, the value for money for expenditure of Kshs.339,836,212 so far incurred could not be confirmed.

Audit issue

- i. Delayed Construction of Nyandarua County Headquarters and Kalo

Management response.

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In the Memorandum of Understanding (MOU) entered into with the State Department for Public Works in January, 2021, the County was to contribute 30% of the cost of the project and National Government was to contribute 70% of the cost. In 8th April, 2024 an Intergovernmental Agreement between National Government through the Ministry of Lands, Public Works, Housing and Urban Development and the County Government of Nyandarua in respect of the handing over of the county headquarter project was signed.

In June 2024, the management function for the project was transferred to the County Government of Nyandarua (CGN), from State Department for Public Works through the Deed of Assignment signed between the two entities.

The obligation of The National Treasury in the Intergovernmental Agreement was to transfer the conditional grant to the County government upon receipt of written instructions from the Accounting Officer of the State Department.

The County Government of Nyandarua was to open a Special Purpose Account at the National Bank of Kenya for the conditional grant allocation. The account was opened as confirmed by Central Bank of Kenya letter dated 10th June 2024 following a request by the County Government via a letter dated 5th June 2024.

Written instruction to the National Treasury by State Department dated 5th July 2024 was made requesting transfer of the available conditional grant balance for the construction of the building for FY 2023/24 as at 30th June 2024 amounting to KShs. 98,802,945.00.

The amount has not been transferred to date. Further, there was no conditional grant allocation made in the 2024/25 financial year resulting to slowed project completion as the County Government budgetary allocation has not been adequate.

Several engagements with National Treasury have been undertaken to try and have the funds allocated for completion of the project. To date in the current contract, no variation order has been issued.

Committee Observations

The Committee observed that the county executive has had an inordinate delay in the completion of the construction of Nyandarua County Headquarters resulting in the value for money not being realized.

The Committee notes that the delay in completion of the project is partly due to delay by the National Government to provide its portion of the financing for the construction.

The Committee however notes that the County Governments Additional Allocations (No. 2) Act (No. 28 of 2025) allocates Kshs. 120,000,000 to the county government as a supplement for the construction of county headquarters for the current financial year and that would contribute to the completion of the project.

Committee Recommendations

The Committee recommends that—

- 1) the County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act (Cap. 412A) and the Public Finance Management (County Government) Regulations, 2015 within 60 days from the adoption of this report;**
- 2) the National Treasury provides the balance of all funds promised to the county government for the construction of county headquarters to facilitate the timely completion of the project and realize value for money already expended;**
- 3) the Auditor-General to keep the matter in view and provide a status update to the Senate in the subsequent audit cycle.**

14.3 Stalled Construction of County Aggregation and Industrial Parks

The Management entered into contract to construct the County Aggregation and Industrial Parks (CIAP) at Njabini Agricultural Training College (ATC) on 04 October, 2023 at a contract sum of Kshs.464,360,410 with a contract period of twenty-eight (28) weeks commencing on 29 January, 2024 up to 11 August,2024.

The County Executive was to fund 50% of the cost of the project and National Government was to fund the balance of 50%. The County had so far made payments of Kshs.47,026,100 while the National Government had paid zero amounts. This translates to total payments of Kshs.47,026,100 or 10.13% of the contract sum, for 17% of the work completed and time elapsed was 70 weeks or 250% of the completion period.

Physical verification of the project carried out in the month of May, 2025 revealed that the project stalled at substructure works level (back filling and making up, hardcore filling and compaction, anti-termite treatment and reinforcement work level) at

aggregation warehouses and cold storage level and substructure works level (blinding, reinforcement, form-work fixing and concreting to foundation footing and column base level) at value addition warehouses level.

Further, the contractor was not on site and there was no evidence that he requested and obtained an extension of project contract time after the previous extension 13.

Audit issue

- i. Stalled Construction of County Aggregation and Industrial Parks

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Management response.

The Department of Trade, Industrialization, Cooperative Development and Partnership acknowledges the audit observation regarding delays and stalling of the County Aggregation and Industrial Park (CAIP) project at Njabini Agricultural Training College. While approximately 17% of the works have been certified as completed, cumulative payments to date amount to Kshs. 56,653,307.20. It is noted that no disbursement has been received from the National Government, and all payments made to date were financed from the County's counterpart contribution. The partial and delayed release of project funds significantly constrained cash flow, leading to slowed progress and eventual stalling of works. The level of work achieved corresponds strictly with the certified works paid for to date, and there are no outstanding payment obligations to the contractor.

With regard to contract extension, the contractor formally initiated a request for extension of time vide a letter dated 28th November 2024, seeking an extension of one (1) year. Following review and recommendation by the CAIP Implementation Committee, the County issued a response vide letter dated 6th December 2024 (Ref. NYA/CG/TCTI/PT/001/2023/24) communicating its intention to grant an extension covering the period 1st January 2025 to 30th December 2026, subject to fulfillment of stipulated contractual conditions. These conditions included renewal of the performance bond, renewal of insurance covers, and submission of written acceptance of the extension terms.

Despite several follow-up engagements, including site meetings as evidenced by the attached minutes, the contractor has not submitted written acceptance of the extension nor complied with the stated conditions, resulting in the contract extension not being formally effected.

In view of the foregoing, Management clarifies that the delays in implementation of the CAIP project were primarily occasioned by National Government financing constraints and outstanding contractor compliance issues,

rather than deficiencies in procurement processes or contract administration by the County Government.

The County Government remains committed to completion of the CAIP project and will proceed once funding constraints are resolved and contractual compliance requirements are met.

Committee Observations

- 1) The Committee observed that the county executive has had an inordinate delay in the completion of the construct the County Aggregation and Industrial Parks (CIAP) project at Njabini Agricultural Training College (ATC) resulting in the value for money not being realized.
- 2) The Committee notes that the delay in completion of the project is partly due to delay by the National Government to provide its portion of the financing for the construction.
- 3) The Committee however notes that the County Governments Additional Allocations (No. 2) Act (No. 28 of 2025) allocates Kshs. 250,000,000 to the county government for the construction of County Aggregation and Industrial Parks (CIAP) project for the current financial year and that would contribute to the completion of the project subject to the county executive availing the remainder of its share for the project.

Committee Recommendations

The Committee recommends that—

- 1) **The Committee recommends that, in order to achieve the primary objective of the County Agro-Industrial Project (CAIP) which is to foster growth in manufacturing and investments through agro-industries while sustainably enhancing the productivity of the agriculture sector, the National Government should actively engage with County Governments. This engagement should empower Counties to identify and prioritize initiatives that promote inclusive and decent job creation, as well as increase farmers' incomes through participatory approaches. Consequently, this will establish a collaborative platform enabling farmers, processors, exporters, research institutions, industrial bodies, and Government entities to engage effectively in agro-industrial development;**
- 2) **the County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act (Cap. 412A) and the Public Finance Management (County Government) Regulations, 2015 within 60 days from the adoption of this report;**

- 3) the National Treasury the balance of all funds promised to the county government for the project is released to the county executive in a timely manner to facilitate the timely completion of the project and realize value for money already expended;
- 4) the Auditor-General to keep the matter in view and provide a status update to the Senate in the subsequent audit cycle.

14.4 Proposed Construction and completion of Pharmacy and Laboratory at Manunga Health Centre.

Management entered into a contract for the proposed construction and completion of pharmacy and laboratory unit at Manunga health center at a contract price sum of Kshs.8,074,615. The project commenced on 6 May, 2024 with a contract period of 53 weeks to be completed on 6 May, 2025.

As at the time of audit in June, 2025, after the lapse of the project completion period, only first interim payment of Kshs.2,007,000 dated 31 January, 20 25 had been made. The project was incomplete and stalled at foundation level. No revised completion date and approval for project extension were availed for audit review.

Audit issue

- i. Incomplete and stalled of Pharmacy and Laboratory at Manunga Health Centre at foundation level.
- ii. No revised completion date and approval for project extension were availed for audit review.

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Management response.

The Department took the responsibility of carrying out a construction of a pharmacy and laboratory at Manunga Health Centre with a contract sum of Kshs 8,074,615. The project commenced on 6th may 2024 with a contract period of 53 weeks to be completed on 6th may 2025. The project file was missing the revised completion dates.

This project was approved by the County Executive Committee to be carried out on multi-year financing arrangement and as a result was allocated inadequate funds to complete the project. The project manager on the other hand gives timelines on the probable time that can be taken by the contractor to complete the project where

resources are adequately available. The project manager provides provisions for extension of execution period. The contractor is meant to initiate the request to the project manager for approval. As the time of the audit the approval for extension was not provided, however, it was being followed up from the project manager, and has since been issued. In support we have attached the cabinet approval to carry out the project in multi-year financing arrangement and also the copy of the contract extension letter.

Committee Observation

The Committee observed that the county executive embarked on the construction of a pharmacy and laboratory at Manunga Health Centre to be completed on 6th May, 2025 but the contract period was extended by the county executive committee.

Committee Recommendation

The Committee recommends that;

- 1) the County Governor undertakes administrative action against the county officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provides a status report to the Senate and the Office of the Auditor General within ninety (90) days of the adoption of this report;**
- 2) the Directorate of Criminal Investigations investigate the breach of sections 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers and, where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution;**
- 3) the County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act (Cap. 412A) and the Public Finance Management (County Government) Regulations, 2015 within 60 days from the adoption of this report;**
- 4) the county executive ensures that the project is finalized within the extended timelines as approved by the county executive committee; and**
- 5) the Auditor-General to keep the matter in view and provide a status update to the Senate in the subsequent audit cycle.**

14.5 Proposed Construction and Completion of a Radiology Unit at Bamboo Health Centre

Management entered into a contract for proposed construction and completion of pharmacy and laboratory unit at Bamboo health Centre at a contract price sum of Kshs.11,496,972. The project commenced on 6 May, 2024 with a contract period of 53 weeks to be completed on 6 May, 2025.

As at the time of audit in June, 2025, after the lapse of the project completion period, only the first interim payment of Kshs.2,395,215 dated 31 January, 2025 had been made. Physical verification in the month of May, 2025 revealed that the project was incomplete and stalled at foundation level and the contractor was not on site.

No revised completion date and approval for project extension were availed for audit review. Further, the performance security for the project lapsed on 15 May, 2025 and no evidence was provided for its renewal.

Audit issues

- i. Incomplete and stalled of a Radiology Unit at Bamboo Health Centre at foundation level and the contractor was not on site.
- ii. No revised completion date and approval for project extension were availed
- iii. Performance security for the project lapsed on 15 May, 2025 and no evidence was provided for its renewal.

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Management response.

The department took the responsibility of carrying out a construction of a radiology at Bamboo Health Centre with a contract sum of kshs 11,496,972. The project commenced on 6th may 2024 with a contract period of 53 weeks to be completed on 6th May 2025. The project file was missing the revised completion dates.

This project was approved by the County Executive Committee to be carried out on multi-year financing arrangement and as a result was allocated inadequate funds to complete the project. The Project Manager on the other hand gives timelines on the probable time that can be taken by the contractor to complete the project where resources are adequately available. The Project Manager provides provisions for extension of execution period. The contractor is meant to initiate the request to the project manager for approval. As the time of the audit the approval for extension was not provided, however, it was being followed up from the project manager, and has since been issued. In support we have attached the cabinet approval to carry out the project in multi-year financing arrangement and also a copy of the extension letter.

Committee Observation

The Committee observed that the county executive embarked on the construction of a pharmacy and laboratory unit at Bamboo health Centre to be completed on 6th May, 2025 but the contract period was extended by the county executive committee.

Committee Recommendation

The Committee recommends that;

- 1) the County Governor undertakes administrative action against the county officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provides a status report to the Senate and the Office of the Auditor General within ninety (90) days of the adoption of this report;**
- 2) the Directorate of Criminal Investigations investigate the breach of sections 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers and, where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution;**
- 3) the County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act (Cap. 412A) and the Public Finance Management (County Government) Regulations, 2015 within 60 days from the adoption of this report;**
- 4) the county executive ensures that the project is finalized within the extended timelines as approved by the county executive committee; and**
- 5) the Auditor-General to keep the matter in view and provide a status update to the Senate in the subsequent audit cycle.**

14.6 Proposed Construction and Completion of Chamuka Dispensary.

Management entered into a contract for proposed construction and completion of Chamuka Dispensary on 15 May 2024 for the contract price sum of Kshs.28,342,801. The project commenced on 29 May, 2024 with a contract period of 52 weeks to be completed on 27 May, 2025.

As at the time of audit in June, 2025, after the lapse of the project completion period, two payment certificates totaling Kshs.15,000,000 had been made. However, the project was incomplete with structure completed and roofed but finishing was not yet done.

No revised completion date and approval for project extension were availed for audit review. Further, the performance security for the project was not provided. Physical verification done in the month of May, 2025 revealed that the project has stalled and contractor was not on site.

Audit issue

- i. incomplete with structure completed and roofed but finishing was not yet done.
- ii. No revised completion date and approval for project extension were availed the
- iii. performance security for the project was not provided. Physical verification done in the month of May, 2025 revealed that the project has stalled and contractor was not on site

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Management response.

The Department took the responsibility of carrying out a construction of a maternity at Chamuka Dispensary with a contract sum of Kshs 28,342,801. The project commenced on 29th May 2024 with a contract period of 52 weeks to be completed on 27th May 2025. The project file was missing the revised completion dates.

This project was approved by the County Executive Committee to be carried out on multi-year financing arrangement and as a result was allocated inadequate funds to complete the project. The project manager on the other hand gives timelines on the probable time that can be taken by the contractor to complete the project where resources are adequately available. The project manager provides provisions for extension of execution period. The contractor is meant to initiate the request to the project manager for approval. As the time of the audit the approval for extension was not provided, however, it was being followed up from the project manager and the extension period letter has since been issued. In support we have attached the cabinet approval to carry out the project in multi-year financing arrangement and also a copy of the period extension letter.

Committee Observation

The Committee observed that the county executive embarked on the construction of a maternity at Chamuka Dispensary to be completed on 27th May, 2025 but the contract period was extended by the county executive committee.

Committee Recommendation

The Committee recommends that;

- 1) the County Governor undertakes administrative action against the county officer(s) who failed to provide documents to the auditors at the time of audit

in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provides a status report to the Senate and the Office of the Auditor General within ninety (90) days of the adoption of this report;

- 2) the Directorate of Criminal Investigations investigate the breach of sections 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers and, where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution;
- 3) the County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act (Cap. 412A) and the Public Finance Management (County Government) Regulations, 2015 within 60 days from the adoption of this report;
- 4) the county executive ensures that the project is finalized within the extended timelines as approved by the county executive committee; and
- 5) the Auditor-General to keep the matter in view and provide a status update to the Senate in the subsequent audit cycle.

14.7 Construction of Governor's Official Residence

A contract for construction of the Governor's residence at a contract sum of Kshs.43,415,636 was awarded on 18 April, 2024. The contract period was thirty-two (32) weeks with expected completion date of 24 December, 2024.

Physical verification conducted in the month of May, 2025 revealed that the project has stalled and the contractor is not on site. No revised completion date and approval for project extension were availed for audit review.

In the circumstances, the public may not get value for money for the stalled projects.

Audit issue

- i. project has stalled and the contractor is not on site
- ii. No revised completion date and approval for project extension were availed.

Management response.

Construction of Governor's residence was earmarked to be done in 3 phases at a cost of

Ksh. 43,408,267 as contract sum. However, due to resources constrains, the county government allocates Ksh 15 million per financial year. Two phases have been done and the last phase expected to completed in the 2025/26 FY.

The first extension of the contract was done to March 2025 and a second extension done to September 2025. The contractor due to lack funds in the budget has been slow in execution of the works. However, an allocation of 15 million has been provided for in the proposed 2025-2026 budget.

Committee Observation

The Committee observed that the county executive embarked on the construction of a maternity at Chamuka Dispensary to be completed on 24th December, 2024 but the contract period was reviewed to be undertaken in phases ostensibly due to resource constraints.

Committee Recommendation

The Committee recommends that;

- 1) the County Governor undertakes administrative action against the county officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provides a status report to the Senate and the Office of the Auditor General within ninety (90) days of the adoption of this report;
- 2) the Directorate of Criminal Investigations investigate the breach of sections 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers and, where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution;
- 3) the County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act (Cap. 412A) and the Public Finance Management (County Government) Regulations, 2015 within 60 days from the adoption of this report;
- 4) the county executive ensures that the project is finalized within the extended timelines to ensure the realization of value for money; and
- 5) the Auditor-General to keep the matter in view and provide a status update to the Senate in the subsequent audit cycle.

15. Outstanding Legal Fees

The statement financial performance and as disclosed in Note 10 to financial statements:

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reflects use of goods and services of Kshs.1,689,204,344 which includes other operating expenses of Kshs.454,853,639, which further include Kshs15,861,118 owed to various law firms for services rendered.

In the circumstances, delayed settlement of the fee notes exposes the County to fines, penalties, interest and further legal suits. The county might incur nugatory expenditure which could have been avoided had the County Executive honored their obligations.

Audit Issue

- i. Outstanding legal fees.

Management response.

The Office of the County Attorney (OCA) acknowledges the audit observation relating to outstanding legal fees amounting to Kshs. 15,861,118 due to various law firms for services duly rendered. The OCA confirms that all requisite processes were undertaken in accordance with the law, including proper procurement where applicable, verification and certification of fee notes, and initiation of payment within the approved budgetary provisions for the financial year. Out of the outstanding amount the County treasury has requisitioned Ksh 2,275,000 to partly pay the amount. The rest will be paid before the close of the financial year.

Committee Observation

The committee observes that the delayed settlement of legal fees (Kshs.15,861,118) and court awards (Kshs.25,286,532) exposes the County to avoidable accrual of interest, penalties, and further litigation, which constitutes wasteful expenditure as defined in the PFM Act. This undermines the rule of law and public confidence in the county government.

Committee Recommendations

1. the County Executive makes a provision in its budget for contingency liability in respect of legal fees pursuant to paragraph 25(2)(e) of the Public Finance Management (County Government) Regulations, 2015; and
2. the County Executive prioritizes the settlement of court awards to comply with judicial orders and avoid further legal costs, in line with the principle of the rule of law under Article 10 of the Constitution.

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16. Failure to Pay Court Awards

The County Government was ordered to pay by the Employment and Labour Relations Court of Kenya at Nakuru a total of Kshs.25,286,532. to three petitioners as compensation and damages for unlawful termination on 26 October, 2021. However, as at the time of audit in October, 2025, the County had not complied with the court order exposing the County to extra costs in form of fines and penalties and further litigation.

In the circumstances, the County Executive were in breach of the law.

Audit issue

- i. Failure to comply with the court order to pay court awards

Management response.

The County Government acknowledges the court judgement delivered on 26th October, 2021 in Nakuru ELRC Petition No. 14/2019, awarding compensation totaling Kes. 25,286,532.00 to the three petitioners. Out of the outstanding amount the County treasury has requisitioned Ksh 12,081,067 to partly pay the amount. The rest will be paid before the close of the financial year.

Committee Observations

- 1) The Committee observed that the County Government failed to fully comply with a binding court order issued more than four years earlier, despite the clear legal obligation to settle the awarded compensation and damages of Kshs. 25,286,532. This prolonged non-compliance has unnecessarily exposed the County to additional financial risks in the form of accruing fines, penalties, interest and potential further litigation
- 2) The Committee further observed that, while the County Executive has requisitioned a partial amount of Kshs. 12,081,067, the balance of Kshs. 13,205,465 remains unpaid.

Committee Recommendations

1. The County Executive settles the outstanding balance of the court award in full and provides documentary evidence of complete payment (including bank transfer confirmations, receipts, and acknowledgment by the petitioners) to the Office of the Auditor General and to the Senate within

ninety 960) days from the date of adoption of this Report.

2. **Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.**

17. Irregularities in Planning and Budgeting

17.1 Lack of Citizen Participation in Planning and Budgeting.

Review of the budget-making process revealed that the County was not in compliance with Articles 201 and 232(1)(d) of the Constitution of Kenya, 2010 for failure to follow the guidelines in effective public participation. Further, Management failed to develop criteria to be used in identifying the stakeholders that would participate in the budget process.

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

Audit issue

- i. failure to follow the guidelines in effective public participation
- ii. failure to develop criteria to be used in identifying the stakeholders that would participate in the budget process.

Management response.

The County conducted public participation for the entire budget cycle in line with Section 125(2) of the Public Finance Management Act 2012 and Article 201 (a) of the Constitution of Kenya, 2010, and other applicable laws and guidelines.

Further, the County has a Public Participation Act 2016, which guides and informs the process. The County is further guided by other established mechanisms such as the County Public Participation guidelines developed by the Ministry of Devolution and Council of Governors in 2016.

Committee Observation

The Committee observes that the failure to facilitate effective public participation in the budget process is a violation of Articles 201(a) and 232(1)(d) of the Constitution. Public participation is a national value and principle of governance that is binding on all State organs.

Committee Recommendation

The Committee recommends that the county executive develops and implements clear, published criteria for public participation in the budget process, as required by Section 7 of the PFM (County Governments) Regulations, 2015, to ensure compliance with the Constitution.

17.2 Non-Compliance with Budgetary Limits and Reporting Requirements

The approved revenue budget for the County Government (County Executive and Assembly) amounted to Kshs.9,652,691,719. Included in the budget amount is Kshs.872,918,248 for the County Assembly Budget. The approved budget for the County Assembly translates to 9.04% of the total County Government Revenue exceeding the fiscal limit by 2.04% as set under Regulation Section 25(1)(f) of the Public Finance Management (County Governments), Regulations, 2015.

Further, the County Executive Committee Member for Finance did not submit a responsibility statement to County Assembly explaining the reasons for the deviation and providing a plan on how to ensure annual actual expenditure out turns as well as medium term allocation comply with the provisions of Section 107(2)(a) of the Act and the regulations in the subsequent years as required by Regulation 25(1)(h).

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

Audit issue

- i. Approved County assembly budget exceeding the fiscal limit by 2.04 %
- ii. lack of submission of a responsibility statement to County Assembly.

Management response.

Management noted the audit finding. However, the County Assembly recurrent ceiling consisted of Kshs. 706,936,676 in line with Amended CARA 2025. The difference consists of non-ceiling items i.e, Mortgage and Development expenditure. Also, County Executive Committee Member for Finance did submit the responsibility statement to County Assembly.

Committee Observation

The Committee observes that the County Assembly's budget exceeded the 7% fiscal limit set by Regulation 25(1)(f) of the PFM (County Governments) Regulations, 2015. This contravenes the fiscal responsibility principles designed to ensure prudent use of public resources.



Committee Recommendation

The Committee recommends that the County Assembly adheres to the fiscal limit of 7% of the county's total revenue as set out in Regulation 25(1)(f) of the PFM (County Governments) Regulations, 2015, and that the County Executive Committee Member for Finance submits the requisite responsibility statement for any deviation in the future.

17.3 Non-Compliance with Debt-to-Revenue Ratio Limits

The approved revenue budget for the County Executive for the year under review amounted to Kshs.8,779,773,471 against certified pending accounts payable of Kshs.2,965,410,323. This resulted to thirty-four (34) percent of the County Government's total revenue. The amount exceeds the required sets limit of Twenty (20) percent contrary to Public Finance management (County Government) Regulation 2015 Regulation 25(1)(d).

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

Audit issue

- i. Exceeds the Debt-to-Revenue Ratio Limits contrary to Public Finance management.

Management response.

Under IPSAS accrual the declared payables amounting to Ksh 2,965,410,323 includes payments that were cleared/paid in July 2025 amounting to Kshs 1,638,196,922. Therefore, actual pending bills recomputed amounts to Kshs. 1,327,213,401 hence debt to revenue ratio is 15%.

Committee Observation

The Committee observes that the county's pending bills to revenue ratio of 34% (before adjustment) exceeded the 20% limit set by Regulation 25(1)(d) of the PFM (County Governments) Regulations, 2015, indicating a high risk of default and unsustainable financial practices. The Committee notes the management's explanation regarding July payments.

Committee Recommendation

The Committee recommends that the county executive strictly adheres to the debt-to-revenue ratio limits prescribed in Regulation 25(1)(d) of the PFM (County Governments) Regulations, 2015, to ensure fiscal sustainability.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

1. Lack of an Off-site Data Recovery Centre

The County Executive does not have an offsite data recovery Centre to facilitate secure back up and retrieval of data in the event of unforeseen occurrences.

In the circumstances, the lack of an offsite data recovery system may adversely affect the optimal performance of the county executive should a disaster arise.

Audit issue

- i. Lack of an offsite data recovery center to facilitate secure back up and retrieval of data.

Management response.

The management responded that they have four backup locations spread in different offices but all within the County. Data from one office is backed up in a different office twice a week. The backup servers are located at four backup sites within the County. The County has an automated backup solution using Veeam Software that allows continuous backup to the identified backup locations eliminating the need for user intervention during backups ensuring timely backups. The County contacted ICT Authority back in 2023 for provision of offsite backup. The virtual storage server was created back in 2023 but the credentials were not shared with the County then. The virtual offsite backup server credentials have been shared and now the County has an offsite backup with ICT Authority. (The County is also in the processing of acquiring an offsite backup from Konza Technopolis Development Authority to be used for offsite back up. The County didn't have a lot of data as most of the processes were being done manually hence wasn't economical to have offsite back up. The County domain, emails and County systems like bursary, prequalification, revenue system, health management system is hosted on the cloud hence their data is in the cloud with a local backup.

Committee Observation

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The committee observes that the lack of an off-site data recovery centre is a significant weakness in the county's risk management and internal controls as required by Section 158 of the PFM (County Governments) Regulations, 2015. It exposes critical financial and operational data to loss in the event of a disaster.

Committee Recommendation

The committee recommends that the County Executive finalizes the process of securing and operationalizing an off-site data backup facility, as it has indicated is in progress, and provides evidence of the same to the Auditor-General within 60 days of adoption of this report.

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF
NYANDARUA COUNTY REVENUE FUND FOR THE FINANCIAL YEAR 2024/2025

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Basis for Qualified Opinion

1. Unsupported Revenue from Exchange and Non-Exchange Own Source Revenue

The Statement of financial performance and as disclosed in Note 10 and Note 11 reflects non-exchange own source revenue and exchange own source revenue amounts of Kshs. 284,749,168 and Kshs. 81,203,386 respectively. The relevant supporting documentation such as receipt vouchers, detailed revenue schedules, system-generated revenue reports, or bank statements were not provided for audit review.

In the circumstances, the source, accuracy and completeness of the reported revenue amounting to Kshs.365,952,554 from the two sources of revenue could not be confirmed.

Management Response.

The reported revenue amounting to Kshs.365,952,554 as reported by CRF includes all swipes from RoR into CRF in the financial year amounting to 363,790,714 and Ksh 2,161,840 that was RoR bank balance and was carried as a receivable from RoR.

However, the following issues were encountered at the time of Audit;

System challenges – The revenue system at the point of audit (BSK technologies) failed hence system-generated revenue reports could not be retrieved. Management has since adopted a new revenue collection system which more reliable.

Annex. 1a – Contract agreement between County Government of Nyandarua and Konza Technopolis.

Lack of adequate capacity- Upon investigations management noted that the then designated receiver of revenue lacked adequate capacity to run RoR fund. This led to non-provision of key accounting documents including receipt vouchers, detailed revenue schedules and bank statements. Management has since appointed a new receiver of revenue to run the fund.

Committee Observations

- 1) the Accounting Officer failed to avail relevant supporting documentation, including receipt vouchers, detailed revenue schedules, system-generated revenue reports, or bank statements, for audit review.
- 2) The Committee noted that the management has since migrated to a new, more reliable revenue collection system and appointed a new Receiver of Revenue to address these gaps.

Committee Recommendations

1. **The Committee recommends that the County Governor undertakes administrative action against the officer(s) who failed to provide documents to the Auditor-General during the audit process in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provide a status report to the Auditor-General and the Senate within sixty (90) days of the adoption of this report.**
2. **The new revenue collection system be fully operationalised, tested, and integrated with IFMIS to guarantee real-time generation of reliable revenue reports.**

2. Variance in Revenue Reported under County Revenue Fund and Receiver of Revenue

The statement of financial performance and as disclosed in Note 10 and Note 11 reflect

non-exchange own source revenue and exchange own source revenue amounts of Kshs. 284,749,168 and Kshs. 81,203,386 respectively. However, the Receiver of Revenue (ROR) reported a figure of Kshs. 297,634,898 for non-exchange transactions – own source revenue and Kshs. 101,539,576 for revenue from exchange transactions – own source revenue, resulting variances of Kshs. 12,885,730 and Kshs. 20,336,190 respectively between the two Funds. No reconciliations were provided to explain the variances.

In the circumstances, the accuracy and completeness of the revenue amount of Kshs.365,952,554 reported in the CRF account could not be confirmed.

Management Response

The management noted the audit findings. Since they are under accrual basis of accounting, revenue is recognized as realized and unrealized. The Kshs.365,952,554 is the amount Disbursed by Receiver of Revenue (ROR) to County Revenue Fund (CRF) as realized revenue while Kshs.399,174,474 is the total revenue reported by Receiver of Revenue (ROR) as realized and unrealized. The variance of Kshs. 33,221,920 was due unrealized revenue under land and plot rates arrears as recorded as by Receiver of Revenue (ROR).

Committee Observation

The Committee observed that no reconciliations, or supporting schedules were provided by the Accounting Officer or the Receiver of Revenue to account for the discrepancies.

Committee Recommendations

- 1. The Accounting Officer ensures that all future financial statements are prepared on the basis of fully reconciled revenue figures between the County Revenue Fund and the Receiver of Revenue, and that any variances are fully disclosed in the notes to the accounts together with supporting explanations.**
- 2. The County Treasury and Receiver of Revenue establish and implement monthly reconciliation procedures between the County Revenue Fund and the Receiver of Revenue accounts, with signed reconciliation statements retained as part of the accounting records. These procedures shall be incorporated into**

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the County's financial regulations and IFMIS/Revenue Management System workflows.

3. Variance in Receivables Disclosed Under County Revenue Fund and Payables Disclosed Under Receiver of Revenue.

The statement of financial position and as disclosed in Note 16 to financial statements reflects receivables from non-exchange transactions balance of Kshs.373,338,426 which included Kshs.2,161,840, disclosed in Note 19 as balances in the revenue collection account which differs with the amount reflected in the financial statements of Receiver of Revenue as payables due to CRF amounting to Kshs. 72,305,630 resulting to unreconciled and unexplained variance of Kshs. 70,143,790 between the two sets of records.

In the circumstances the accuracy and completeness of receivables from non-exchange transactions balance to Kshs.373,338,426 could not be confirmed.

Management Response.

The County Revenue Fund financial statement was prepared under accrual basis of accounting. The balance of Kshs.2,161,840 was the only amount due from Receiver of Revenue being the ROR bank balance as at 30th June 2025.

Committee Observations

- 1) the Committee observed that Management did not provide adequate reconciliation or supporting documentation to explain the significant variance between the receivables reported in the CRF and the payables reported by the Receiver of Revenue.
- 2) the Committee further noted a material inconsistency between the County Revenue Fund (CRF) records and those of the Receiver of Revenue (RoR). Whereas the CRF reflects a receivable balance of Kshs. 2,161,840 from the Receiver of Revenue, the financial statements of the Receiver of Revenue indicate payables due to the CRF amounting to Kshs. 72,305,630, resulting in an unexplained and

unreconciled variance of Kshs. 70,143,790.

Committee Recommendations

The County Executive Committee Member for Finance must enforce a strict monthly reconciliation between the CRF and the Receiver of Revenue. This is to ensure that all collected revenues are promptly deposited into the County Revenue Fund, as required by Section 109(2) of the PFM Act.

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4. Unreconciled Receivables from Non-Exchange Transactions

The statement of financial position and as disclosed in Note 18 to financial statements reflects account payables of Kshs.1,646,579,968 which relates to payable that are due to county executive. However, the amount differs with receivables from non-exchange transaction balance of Kshs.1,627,082,389 as disclosed in notes 23 of the county executive's financial statement, resulting to unreconciled variance of Kshs.19,497,579.

In the circumstances, the accuracy and completeness of receivables from non-exchange transaction of Kshs.1,627,082,389 could not be confirmed.

Management response.

Management noted the audit finding.

The County Executive financial statements were prepared using the IPSAS accrual accounting framework that requires recognition of all receivables. However, the County revenue fund serves the County executive, County Assembly and other County Entities such as FLLOCA, KDSP, KISIP, Municipalities that have special purpose accounts and prepare separate financial statements.

Since County Revenue Fund receives funds for many entities thus payables in CRF relates to all entities and not just the County executive. And in this case, the variance of Ksh19,497,579 between receivables reported by the County Executive and Payables reported by CRF relates to payables to FLLOCA fund by CRF since FLLOCA fund is a self-reporting entity.

Committee Observation

The Office of the Auditor General informed the Committee that the variance arose due to timing differences, which were subsequently reconciled and satisfactorily explained.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

Emphasis of Matter**Budgetary Control and Performance**

The statement of comparison of budget actual amounts reflects actual transfers from other government agencies amount of Kshs. 78,019,732 on comparable basis against a final budgeted balance of Kshs. 1,510,749,804. However, the Fund received conditional grants amounting to Kshs. 371,176,586

budgeted for in financial year 2024/25 after the closure of the financial year but reported in financial performance in financial year 2024/25 under accrual basis representing 70% revenue shortfall. Similarly, Kshs. 363,790,714 was received as own source revenue against a budgeted balance of Kshs.600,000,000.00 also representing a shortfall of about 39%.

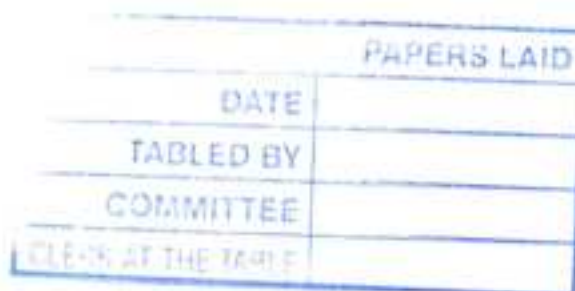
The under collection of the budget may have negatively affected the service delivery to the residents of Nyandarua County.

Audit issue one.

Conditional grants Short fall by 70%

Management response.

The short fall is attributed to:



Statement of comparison of budget actual amount is prepared under cash basis and only Ksh 78,019,732 had been received and reported as at 30th June 2025. Conditional grants amounting to Ksh 371,176,586 budgeted for in financial year 2024/ 25 were released after the closure of the financial year but was reported in financial performance for Fy 2024-25 under accrual basis while a balance of Kshs 1,061,553,486 was not honored in the year under review.

Date	Trn Ref	Amount	Source
10-Jul-25	FT25191TFJLS	5,630,625.00	DANIDA
17-Jul-25	FT2519828XGF	9,275,840.00	FLOOCA
4-Jul-25	FT25185QHNXM	32,309,300.00	KUSP
4-Jul-25	FT2518534RZ2	41,960,821.00	NAVCDP
8-Jul-25	FT25189BP4TL	132,000,000.00	KISIP
4-Jul-25	FT25185913X6	150,000,000.00	KISIP
		371,176,586	

Description	Amount
Fertilizer Subsidy Programme	121,624,039
Livestock Value Chains Support Project	135,210,000
Transfer of Library Services	2,865,209
Road Maintenance Levy Fund	(78,019,732)
Community Health Promoters Project	41,610,000
Conditional Grants from Development Partners	-
IDA (World Bank) - National Agriculture Value Chain Development Project (NAVCDP)	109,554,331
Sweden- Kenya Agricultural Business Development Project (KABDP)	10,918,919
DANIDA - Primary Health Care in Devolved Context	1,876,875
World Bank -Kenya Informal Settlement Improvement Project- KISIP II	6,462,533
World Bank- Financing Locally Led Climate Action Program (FLLOCA)- County Climate Resilience Investment Grant	126,724,160
Kenya Development Support Program Level 2	37,500,000
IDA (World Bank Credit) Kenya Urban Support Project (KUSP)-Urban Institutional Grant (IUG)	2,690,700

IDA (World Bank Credit) Kenya Urban Support Project (KUSP)-Urban Development Grant(UDG)	36,556,578
Balances brought forward	-
Road Maintenance Levy Fund	368,641
Kenya Devolution Support Programme	92,194,904
DANIDA - Primary Health Care in Devolved Context	174,752

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IDA (World Bank) - National Agriculture Value Chain Development Project (NAVCDP)	16,492,713
Nyandarua County Climate Change Fund	148,773,385
Nyandarua County Aggregation & Industrial Park	14,473,900
Unrealized Conditional Grants - 2023/24 FY	-
Livestock Value Chains Support Project	135,204,000
Transfer of Library Services	5,730,418
IDA (World Bank) - National Agriculture Value Chain Development Project (NAVCDP)	67,543
World Bank Grant for Climate Smart Agriculture Project (KCSAP)	90,000,000
Sweden- Agricultural Sector Development Support Programme (ASDSP) Level II	2,499,617
Total	1,061,553,486

Audit issue two.

Short fall of own source revenue by 39%.

Management response.

The short fall of own source revenue is attributed to harsh economic realities leading to reduced own source revenue.

Committee Observation

The Committee observed that;

- 1) the county entities did not receive exchequer releases from the National Treasury on time.
- 2) the Committee noted that the county executives did not meet their own source revenue collection targets. This challenge hampered budget implementation in the affected county entities.
- 3) Most Counties fail to undertake public participation on supplementary budgets that exceed 10% of the budget contrary to Section 135 (7) of the PFM Act, 2012 and Regulation 39(9) of the PFM (County Government) Regulations, 2015.

Committee Recommendations

The Committee recommends that; -

1. **The National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate.**
2. **the County Executive puts in place measures to enhance its own generated revenue in order to meet its revenue target and address revenue shortfalls.**
3. **County Assemblies to exercise their powers as outlined in Article 201 of the Constitution to ensure budgets are realistic and espouse people's aspirations.**

Other matter

Unresolved Prior Year Matters

The progress on follow-up on Auditor's recommendation section of the financial statement reflects three (3) issues raised in the previous year's audit report which remained unresolved as at 30 June, 2025. These issues include Inaccuracies in the Fund Closing Balance, Inaccuracies in Own Source Revenue Amount and Budgetary Control and Performance.

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Management response.

Management is progressively resolving prior year issues as raised, attached is the audit recommendation implementation matrix

Committee Observation

The committee observed that issues from previous financial years had not been resolved

Committee Recommendations

- 1. the County Executive should implement the Senate recommendations in the Auditor General's report for the Financial Year 2023/2024 adopted by the Senate.**
- 2. the County executive complies with section 53 of the Public Audit Act, 2015 by taking action on the issues raised by the Auditor General and submits a report to the Auditor General within 90 days of the adoption of this report.**
- 3. The County Executive should engage with the Office of the Auditor-General to address and resolve any outstanding matters.**
- 4. The Auditor General should list any unresolved audit paragraphs in the report of the subsequent financial year.**

Basis for Conclusion

Lack of Exchequer Release Notifications

The statement of financial performance and as disclosed in Note 6 to the financial statements reflect exchequer releases amount of Kshs. 5,936,522,424 collected into the County Revenue Fund. However, the County Treasury did not provide for audit verification, the exchequer release notifications issued to the Accounting Officer.

In the circumstances, the existence and effectiveness of the internal controls regarding exchequer releases could not be confirmed.

Management Response.

Management responded that notification is necessary when departments have their own bank accounts. Funds requisition and payment processing in the County is centralized and domiciled in the County treasury. Therefore, it is not necessary to issue exchequer release notifications to departmental accounting officers.

Committee Observation

The Committee noted that delays in receiving exchequer releases from the National Treasury and under-collection of own source revenue hindered optimal program implementation and effective budget execution.

Committee Recommendation

1. The National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate
2. The County executive puts in place measures to enhance its own generated revenue to meet its revenue target and address revenue shortfalls.

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REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF NYANDARUA COUNTY RECEIVER OF REVENUE FOR THE FINANCIAL YEAR 2024/2025

Audit Questions

1. **Un-reconciled variance between Own Source Revenue Reported in Receiver of Revenue (ROR) and County Revenue Fund (CRF)**

The statement of revenue and disbursements reflects total revenue from non-exchange and exchange transactions of Kshs. 297,634,898 and Kshs. 101,539,576 respectively totaling to Kshs. 399,174,474. However, this differs with corresponding County Revenue Fund (CRF) amounts of Kshs. 284,749,168 and Kshs. 81,203,386 totaling to Kshs. 365,952,554 resulting to un-reconciled variance of Kshs. 33,221,920.

In the circumstances, the accuracy and completeness of total revenue of Kshs. 399,174,474 could not be confirmed.

Management Response

- a) The revenue statements were prepared in accordance with the accrual basis of accounting method. Thus, indicating both realized and un-realized revenue.
- b) The statement of revenue and disbursements reflects total revenue of Kshs. 399,174,474 being realized revenue of Kshs. 365,952,554 and unrealized revenue (from land and plot rates arrears) of Kshs. 33,221,920.
- c) County Revenue Fund statement reflects only the actual/realized revenue of Kshs. 365,952,554.

Committee Observation

The committee observed that the accounting officer did not provide the evidence to support the issue raised.

Committee Recommendation

1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;
2. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.
3. The Head of Treasury ensures that proper records are maintained and reconciliations are performed monthly in line with Regulation 90 of the PFM (County Governments) Regulations, 2015.

2. Unsupported County Own Generated Revenue

The statement of revenue and disbursements reflects total County Own Generated Revenue of Kshs. 399,174,474 which was not supported by sufficient and appropriate documentation in form of invoices or serialized receipt, collection control sheets and cashbooks for the various income streams.

In the circumstances, the accuracy and completeness of own source revenue amounting to Kshs. 399,174,474 could not be confirmed.

Management Response

- a) During the year under review, revenue collection was supported by two systems namely; BSK and Laifom. Both systems were able to generate serialized invoices and issue serialized receipts once payment was completed. These two systems could also categorize revenue into the various revenue streams among other features.
- b) The receiver of revenue has delegated revenue collection to 7 (seven) regions across the County each headed by a Sub County revenue officer. These officers report on weekly basis to the receiver of revenue.

Their report includes a summary of revenue per stream, the collection method (system used), the method of payment (which bank or Mpesa), and the collection control sheets issued.

Committee Observation

The Committee observes with grave concern that the county's own-generated revenue of Kshs. 399,174,474 million could not be confirmed due to a complete lack of supporting documentation (daily/monthly returns, official receipts, system reports). This points to a systemic failure in revenue collection, accounting, and internal controls. The decline in revenue from key streams like cess and parking fees, despite overall growth, suggests possible revenue leakages, contravening the public officer's duty to safeguard revenue under Section 79 of the PFM Act, 2012.

Committee Recommendations

1. The Office of the County Governor undertakes administrative action

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against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;

2. The Ethics and Anti-Corruption Commission (EACC) undertake an investigation into the responsible officer(s) with a view to recommending their prosecution for committing the offences stipulated under Section 62(1)(b) and (c) of the Public Audit Act, Cap. 412B, and for violations of the provisions of Regulation 210(k) of the Public Finance (County Governments) Regulations, 2015.
3. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under sections 32 and 33 of the Accountants Act CAP 531 and provides a status update to the Senate within 60 days of adoption of this report.

3. Unconfirmed Cash Balance

The statement of financial position and as disclosed in Note 31 to the revenue statements reflects a cash and cash equivalents balance of Kshs. 2,161,241 for the five (5) bank accounts maintained by the Receiver of Revenue at five commercial banks. However, cashbooks and bank reconciliation statements were not provided to support the balances as required by Regulation 90(1) of PFM (County Government) Regulations, 2015

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs. 2,161,241 could not be confirmed.

Management Response

The cash and cash equivalent balance of Kshs. 2,161,241 was made up of cash and

bank balances as follows;

S/NO.	Method of payment	Amount (KSHS.)
1.	Equity Bank A/C No. 0620261016673	1,823,611
2.	Co-operative Bank A/C No. 01141468609500	25
3.	KCB Bank A/C No. 1140736779	1,867
4.	Family Bank A/C No. 037000015899	0
5.	Diamond Trust Bank A/C No. 0016376002	302
6.	MPESA Balances	335,435
7.	Cash at Hand	600
	Total	2,161,241

Committee Observation

The committee observed that the accounting officer did not provide the evidence to support the issue raised.

Committee Recommendations

1. The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;
2. The Institute of Certified Public Accountants of Kenya (ICPAK) undertakes disciplinary procedure (s) under section 32 and 33 of Accountants Act CAP 531 and provide a status update to the Senate within 60 days of adoption of this report.
3. The Head of Treasury ensures that proper records are maintained and reconciliations are performed monthly in line with Regulation 90 of the PFM (County Governments) Regulations, 2015.

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4. First-time Adoption of IPSAS 33 and Transitional Provisions

The cover page of the financial statements indicated that the financial statements were Transitional IPSAS financial statements/prepared in accordance with the accrual basis of accounting method under the International Public Sector Accounting Standards (IPSAS) instead of indicating one option that was adopted. Further, Note 2 to the financial statements and statement of management responsibilities did not indicate that these are transitional financial statements.

In addition, the Receiver of Revenue did not disclose the specific transitional provisions and measures being undertaken towards full compliance with IPSAS Accrual Contrary to IPSAS 33 which explicitly requires an entity that utilizes any transition exemptions to clearly disclose the transition provisions that it has applied.

In the circumstances, the financial statements did not comply with the reporting template as prescribed by the Public Sector Accounting Standard Board.

Management Response

Management noted the audit finding that the financial statements were Transitional IPSAS financial statements. Management agrees that, this was not clearly indicated in the financial statements cover page and note 2. This was an omission well noted and shall be rectified in the subsequent financial statements.

Management is committed to ensuring adherence to the reporting standards.

Committee Observation:

The Committee observes that the Accounting Officer failed to adhere to the financial reporting formats prescribed by the Public Sector Accounting Standards Board (PSASB). The failure to properly disclose the elements not recognized and the steps towards full compliance undermines the transparency and comparability of financial statements required by Section 194 of the PFM Act.

Committee Recommendation:

The Accounting Officer to present the financial statements for FY 2025/2026 strictly in the format prescribed by PSASB. A detailed analysis of the elements of the

financial statement not yet recognized, and a clear timeline for full compliance with IPSAS Accrual, must be appended to the next financial statements as required by IPSAS 33 and good accounting practice.

5. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.850,000,000 and Kshs. 653,584,835, respectively resulting to under-collection of Kshs.196,415,165 or 23% of the budget.

In the circumstances, under collection affected the planned activities and may have impacted negatively on service delivery to the public.

Management Response

Management noted the audit finding. County had projected to collect 850 million in 2024/2025 financial year. However, for the period under review, Kes 653,584,835 million was collected. The under collection was due to the following reasons.

- a) County had projected to receive Kes. 63 million from The National Treasury in contribution in lieu of rate (CIROL).
- b) Unfavorable climate condition affected revenue emanating from produce cess. Nyandarua is well known as food basket of the County. Potatoes production contributes substantial amount in revenue generation inform of cess fees in our cess barriers. Very few lorries carrying potatoes were recorded than anticipated.
- c) Reduced Nyandarua County Finance Act charges. During finance Bill preparation, County had proposed to raise fees and charges by 10%. The protested National Government's finance bill by GENZs affected Nyandarua County proposed finance bill. During Finance Bill public participation forums, public demanded the finance Act of Financial year 2022/2023 to be used.

Committee Observation

The Committee observed that;

1. the county entities did not receive exchequer releases from the National Treasury on time.

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2. the Committee noted that the county executives did not meet their own source revenue collection targets. This challenge hampered budget implementation in the affected county entities.
3. Most Counties fail to undertake public participation on supplementary budgets that exceed 10% of the budget contrary to Section 135 (7) of the PFM Act, 2012 and Regulation 39(9) of the PFM (County Government) Regulations, 2015.

Committee Recommendation

The Committee recommends that; -

1. The National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate.
2. the County Executive puts in place measures to enhance its own generated revenue in order to meet its revenue target and address revenue shortfalls.
3. County Assemblies to exercise their powers as outlined in Article 201 of the Constitution to ensure budgets are realistic and espouse people's aspirations.

6. Unresolved Prior Year Matters

The progress on follow-up on Auditor's recommendations section of the revenue statements reflects that the following issues raised in the previous year's audit report remain unresolved as at 30 June 2025;

Management Response

The summary of the prior year audit matters and the managements responses to those matters is as detailed below;

	Financial	Audit Issue	Management Response	Annexures

	Year			
1.	2023/2024	Long Outstanding Arrears of Revenue	The County government gave notice to the public with outstanding arrears (land/plot rates) through advertisement made in large circulating newspaper on 19th October 2024 to pay the arrears within two months period (19th October 2024 to 19th December 2024). This was an effort to recover long outstanding debt to woo the public to clear their debts.	Annexure 7 copy of newspaper advertisement and The Kenya gazette
2	2023/2024	Unsupported County Own Generated Receipts	Nyandarua County had automated revenue collection. When payments were made, the County Pay system generated serialized dated receipts.	Annexure 8 System generated receipts report.
3	2023/2024	Inaccurate Disbursement to County Revenue Fund	Management noted the audit finding. The variance was as a result of year end cutoff date. ROR cutoff date was on 30th June 2024 while treasury closing date was extended due to delay of	Annexure 9 A reconciliation of County Fund Account.

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			release of funds by exchequer.	
4	2023/2024	Unsupported revenue arrears	The hospital arrears for 2023/2024 financial year of Kes. 77,998,028 details were provided. This included amount due, and patient details.	
5	2023/2024	Budgetary Controls and performance	Management noted the audit finding. However, for the period under review own source revenue (OSR) was over estimated. County had projected to collect from Own Source Revenue to a tune of Kes. 1.225 billion. This was corrected through the adoption of a realistic own revenue estimation method based on last financial year collections. In 2024/2025 financial year, County projected collection from OSR of kes. 850 million	Annexure 10 Revenue Budget 2024/2025 Financial Year

6	2023/2024	Un-budgeted revenue	In 2023/2024 Financial year, Library services were devolved to County Government in the course of the year. This had not been anticipated when preparing the revenue target/budget. This was resolved in 2024/2025 financial year.	Annexure 11 Revenue Budget 2024/2025 Financial Year
7	2023/2024	Irregular operation and opening of Bank Account	In the year 2023/2024, County Government opened a revenue collection account in Diamond Trust Bank. An approval was given by CECM Finance through a Letter Authorizing Opening Bank Account in Diamond Trust Bank.	Annexure 12 Authority Letter to open bank account from CEC M finance to Diamond Trust Bank.

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8	2023/2024	Non-appointment of Receiver of Revenue and Revenue Collectors	Receiver of revenue was appointed by CECM Finance through a Letter of appointment reference letter NYA/FEP&ICT/HR 5/VOL 1 (144). Director of revenue was appointed as per section 157 (2) of Public Finance Management Act 2012	Annexure 13 Receiver of Revenue Appointment Letter
9	2023/2024	Revenue spent at source	Nyandarua County developed a regulation under Kenya gazette supplement no.9 on 18th July 2023. Clause 5 (b) the regulations state the sources of fund to support agriculture institution activities. These include funds generated by the institutions.	Annexure 14 The Public Finance Management (Nyandarua County Agricultural Institutions
				Revolving Fund) Regulations, 2023

10	2023/2024	Irregular Revenue Collection and Management System Extension	Clause 2 of the contract between Nyandarua County and BSK Global Technology Ltd, included the criteria of contract extension. Report from technical Committee which was appointed and opinion from head of supply chain formed the base of the extension of the contract.	Annexure 15 BSK Global Technology Ltd Contract Agreement and Head of Supply chain Management opinion.
11	2023/2024	Failure to Automate all revenue collection streams	Nyandarua County had automated 95% of revenue streams. The county is in process of automation all revenue collections. This will be achieved after implementing a contracted new revenue system.	
12	2023/2024	Lack of Updated Valuation roll	The County government is in the implementation of valuation roll. CECM Land, Physical Planning, Housing and Urban Development tabled a cabinet memo on implementation of Valuation roll.	Annexure 16 Cabinet Memorandum on implementation of valuation roll.

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13	2023/2024	Lack of fraud Management Strategies	The County Government had prepared Management strategies and is in draft stage	Annexure 17 Nyandarua IC T Strategic plan.
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Committee Observation

The committee observed that issues from previous financial years had not been resolved

Committee Recommendations

The Committee Recommends that—

1. the County Executive implements the recommendations of the Committee in its report on the Report of the Auditor General on Financial Statements for Vihiga County Executive for the Financial Year 2023/2024 as adopted by the Senate and reports to the committee within sixty (60) days of the adoption of this report;
2. the account officer complies with section 53 of the Public Audit Act by taking the relevant steps to implement the recommendations of the Senate on the report of the Auditor-General and submits a report to the Senate within ninety (90) days of the adoption of this report;
3. the County Executive engages with the Office of the Auditor-General to address and resolve any outstanding matters; and
4. the Auditor General lists any unresolved audit issues in the report of the subsequent financial year.

Other Information

Lack of Risk Management policy

The Receiver of Revenue did not have a risk management policy or strategy in place and therefore, had no approved processes and guidelines on how to mitigate operational, legal and financial risks

Management Response

Nyandarua County has a draft risk management policy and was presented to the county Assembly for adoption and approval. Once the policy will be approved, it will be implemented in all sectors.

Committee Observation

The committee observes that the absence of an approved risk management policy and disaster recovery plan is a failure to establish a key component of good governance and internal control as required by Section 158 of the PFM (County Governments) Regulations, 2015.

Committee Recommendation

The Committee recommends that the Accounting Officer for all county entities should put in place a risk management policy and disaster recovery plan within sixty (60) days from the adoption of this report and submit the same to the Auditor General.

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