710. Deficiencies in Operations of Audit Committee and Internal Audit Function

As previously reported, review of the Audit Committee and internal audit operations revealed the following significant deficiencies undermining their effectiveness;

(i) The Audit Committee and the Internal Audit Department did not undergo professional external assessments of their effectiveness by a professionally recognized body or institution within the past three years contrary to Regulation 159(3) of the Public Finance Management (County Governments) Regulations, 2015.

(ii) Management had not developed policies, guidelines, or capacity-building initiatives for the Audit Committee contrary to Regulation 175 of the Public Finance Management (County Governments) Regulations, 2015 as guided by Gazette Notice Vol. CXVILTI— No.40 on Audit Committee Guidelines for County Governments dated 15th April, 2016, Audit Committee charter and Public Finance Management (County Governments) Regulations, 2015. Further, the customized internal audit manual/policy was not provided for audit verification.

(iii) The personal files of Audit Committee Members were not provided for audit; and therefore, it was not possible to confirm whether the members possessed the relevant qualifications, experience and skills-set required for oversight of the County Executive and met the requirements of Chapter Six of the Constitution of Kenya.

(iv) The County Executive appointed an Audit Committee comprising of three (3) members in 2016 and the chairperson who had been appointed and was in office during the first term had his appointment renewed in November, 2021. This contravened Regulation 170(2) of Public Finance Management (County Governments) Regulations, 2015 which requires that after expiry of every term, at least one third of the Committee to retire and not be eligible for reappointment.

(v) The Audit Committee failed to fulfil its critical oversight responsibilities, including monitoring the internal financial controls of the County Executive, reviewing the effectiveness of the internal audit function and failed to issue the required periodic and annual reports.

(vi) Both the Internal Audit Unit and the Audit Committee lacked independent budgets or authority to incur expenditure. This deprived the head of the Internal Audit Unit and the Audit Committee of operational independence, in contravention of Regulation 155 of Public Finance Management (County Governments) Regulations, 2015 which gives the Head of the Internal Audit unit in a County Government entity operational independence by requiring the Head of Internal Audit unit to report administratively to the Accounting Officer and functionally to the Audit Committee.

In the circumstances, the operational independence and effectiveness of the Internal Audit Unit and the Audit Committee could not be confirmed.

711. Weaknesses in Management of Fixed Assets

The assets register provided for audit did not include all the assets owned by the County Executive as most categories were left blank with no data. This was in breach of Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to maintain a register of assets under his or her control or possession that is accurate and complete.

Further, the assets were not tagged as a mechanism of tracking them and Management had not established policies and procedures on assets management as required by Regulation 132(2) of Public Finance Management (County Governments) Regulations, 2015 which provides that an Accounting Officer shall ensure that processes and procedures both electronic and manual are in place for the effective, efficient, economical and transparent use of the County Executive assets.

In addition, defective and unserviceable motor vehicles had been grounded in parking yards in the County for a long period of time. However, no explanation was provided as to why the unserviceable motor vehicles and transport equipment had not been boarded and earmarked for disposal. This was contrary to Section 163(1) of the Public Procurement and Asset Disposal Act, 2015 which requires that an Accounting Officer shall establish a Disposal Committee as and when prescribed for the purpose of disposal.

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

712. Weaknesses in Information Communication Technology Internal Control Environment

Review of Information and Communication Technology (ICT) environment revealed that Management did not carry out annual audit of software and applications contrary to Government ICT Standards (Systems and Applications Standard) and there was no evidence was provided to show that the Department of ICT, E-Government and Innovation undertook quarterly preventive maintenance for ICT Equipment in the County Executive.

Further, the Department of ICT, E-Government and Innovation through a letter dated 3 February, 2025 appointed an ICT Steering and ICT Strategic Committee. However, no evidence was provided indicating that the Committees held regular meetings to advice on ICT initiatives and direct the development of IT services and operational plans.

In addition, there was no approved ICT Policy, updated ICT Register, Disaster Recovery Plan and Information Security Management Framework and majority of staff used personal emails for official Government business.

In the circumstances, the effectiveness if internal controls over ICT governance could not be confirmed.

List of Unresolved Prior Year Matters

No	Unresolved Issues for 2023/2024
1.	Variance between Financial Statement Balances and Data in IFMIS Reports
2.	Domestic Travel and Subsistence Payment Vouchers Not Provided or And Others Not Supported
3.	Unsupported Expenses for Commissioning of Mama Rachel Hospital
4.	Unsupported Fuel, Oil and Lubricants
5.	Unsupported and Misclassified Expenditure on Foreign Travel
6.	Anomalies in Pending Bills-Unexplained Increase, Lack of Ageing, Delayed Payments
7.	Budgetary Control and Performance
8.	Failure to Observe Ethnic Balance on Staff Composition
9.	Irregularities in Recruitment of Employees
10.	Irregular Payment of Special House Allowance
11.	Irregular Payment of Acting Allowance
12.	Non-Compliance with a Third Rule on Salary Deductions
13.	Payment of ECD Teachers Outside IPPD
14.	Irregular Procurement of Staff Employee Insurance Covers
15.	Unsupported Payment of Staff Medical Insurance Cover
16.	ICT Equipment Purchased- Not In Use, Not Tagged
17.	Failure to Adhere to DANIDA Fund Agreements
18.	Late Disbursement of Funds to Health Facilities
19.	Failure to Disburse Funds to Health Facilities
20.	DANIDA Special Purpose Account with Three-Year Funds not Disbursed
21.	Failure to Prepare Facility Returns
22.	Irregular Outsourcing of Consultancy Services
23.	Construction of Hospitals-Stalled Hospitals,
24.	Irregularities on Road Projects Construction
25.	Irregularities in Rehabilitation of Civil Works
26.	Prolonged Delays in Construction of 64 Stadium
27.	Irregularities in Procurement of Mobile Phones and Laptops
28.	Irregular Extension of Consultancy Services in the Upgrading of 64 Stadium
29.	Misstatements, Irregularities and Illegalities in the Acquisition of Land
30.	Stalled Construction of Chebororwa Agricultural Training Centre
31.	Irregularities in Issuance of Certificates of Completion of Works
32.	Equipping of Call Centre
33.	Irregularities Purchase and Distribution of Certified Seeds
34.	Office of the County Attorney
35.	Lack of Perational and Secondary Power Back-Up

No	Unresolved Issues for 2023/2024
36.	Control Weaknesses in Asset Management
37.	Lack of Human Resource Policy, Procedures Manual, Risk Management Policy and Employee Code of Conduct
38.	Weaknesses in ICT Internal Control Environment
39.	Deficiencies in Operations of Audit Committee and Internal Audit
40.	Department of ICT Assets

COUNTY EXECUTIVE OF ELGEYO/MARAKWET – NO.28

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

713. Inaccuracies in Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.8,676,298,839 which differs with the corresponding Note 26 to the financial statements balance of Kshs.8,656,393,383 resulting in an unexplained variance of Kshs.19,905,456. Included in property, plant and equipment balance are assets from the Defunct Local Authorities balance of Kshs.568,889,166 which were not valued.

In the circumstances, the accuracy of the biological assets could not be confirmed.

714. Inaccuracies in Biological Assets

The statement of financial position reflects biological assets balance of Kshs.274,642,715 as disclosed in Note 30 to the financial statements. However, the recognition of biological assets failed to account for the change in fair value in biological assets arising from growth and valuation.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.8,676,298,839 could not be confirmed.

715. Misstatements in the Statement of Cash Flows

The statement of cash flows reflects cash flows from investing activities of NIL balance. However, casting of the statement of cash flows balances revealed cash out flows from investing activities balance of Kshs.7,727,881. In addition, the statement of cash flows reflects net increase in cash and cash equivalents of Kshs.256,614,859. However, casting of the statement cash flows disclosed net decrease in cash and cash equivalents of Kshs.240,188,338 resulting in a variance of Kshs.496,803,197.

In the circumstances, the accuracy and completeness of the statement of cash flows could not be confirmed.

716. Non-Disclosure of Returns of Unutilized Funds to County Revenue Fund

The statement of financial performance of the County Executive did not disclose returns to County Revenue Fund. However, the statement of performance of the County Revenue Fund and Note 9 to the financial statements reflect returns from County Executive balance of Kshs.17,775,994.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

Emphasis of Matter

717. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects an approved final budgeted receipts of Kshs.6,043,895,538 against actual receipts of Kshs.5,013,283,841 resulting in under-funding of Kshs.1,030,611,607 or 17% of the budget. However, the County Executive spent an amount of Kshs.4,748,941,101 against actual receipts of Kshs.5,013,283,841, resulting in an under-utilization of Kshs.264,342,740 or 5% of the actual receipts.

The under-funding of funds 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.

Other Matter

718. Unresolved Prior Year Audit Matters

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, review of their status during the audit indicated that twenty-two (22) issues remained unresolved as listed at the end of this report.

Other Information

719. There were no material issues relating to Other Information.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

720. Failure to Establish a County Budget and Economic Forum

As previously reported, the County Executive has not established a County Budget and Economic Forum. This contravenes Section 137 of the Public Finance and Management Act, 2012 which provides that a County Government shall establish a forum to be known as the Elgeyo/Marakwet County Budget and Economic Forum.

This forum is to provide a means for consultation by the County Government on preparation of County Plans, the County Fiscal Strategy Paper and the Budget Review and Outlook Paper for the County and matters relating to budgeting, the economy and financial management at the County level.

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

721. Excessive Budget Allocation to the County Assembly

Review of budget documents revealed that the County Assembly of Elgeyo/Marakwet was allocated an amount of Kshs.619,407,879 which is equivalent to 12% of the County Government's total revenue of Kshs.5,013,283,841. The approved allocation exceeded the statutory limit, as allocation should have amounted to Kshs.350,929,869 or 7% of the total county revenue. The excess allocation of 5% or Kshs.268,478,010 was contrary to the provisions of Regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015 which provides 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.

722. Inadequate Planning for Transition from Cash Basis to Accrual Reporting

The County Executive did not plan adequately to transition from cash basis of reporting to accrual reporting in accordance with The National Treasury's Circular No.3/2025 dated 14 April, 2025 which provides guidelines for the migration to accrual accounting in the Public Sector. The County Executive did not appoint a Steering Committee and a Project Manager to guide the transition process as required.

Further, transition roadmap, work plan or implementation framework were not developed to facilitate structured and timely migration to accrual reporting.

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

723. Acting Appointments Beyond the Stipulated Period

Review of the payroll and payment schedules revealed that seven (7) Senior County Executive officials have been in acting position beyond the stipulated six (6) months period. Two (2) officers; Director of Human Resources and Director of Alcoholic Drinks Control Fund, were in acting positions without official appointment letters to the acting positions. The Director of Supply Chain Management had been acting since 9 February, 2022 through an appointment letter dated 10 March, 2022, from the County Secretary/Head of County Public Service.

Further County Public Service Board did not provide any evidence to show efforts to recruit substantive holders of the above positions despite the prolonged acting appointments. This was contrary to Section 34(5)(b) of the Public Service Commission Act, 2017 (Revised 2023) which states that an officer may be appointed in an acting capacity for a period of at least thirty (30) days but not exceeding a period of six (6) months.

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

724. Non-Compliance with the Law on Casual Employment

Review of the payroll revealed that the County Public Service Board engaged ninety-five (95) employees at the Department for Lands and thirteen (13) employees at the Governor's Office on temporary basis on a three (3) months' renewable contract on 1 July, 2016. However, they have served continuously since then. The employees' terms of employment were not converted to permanent basis contrary to Section 37 of the Employment Act, 2007 which provides for conversion of the casual employment to regular employment terms for employees who have worked in an entity continuously for more than two (2) months.

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

725. Lack of Annual Recruitment Plans

Review of records revealed that the County Executive recruited fifteen (15) employees during the year. However, there was no recruitment plans to guide the recruitment process.

Further, no evidence was provided for review to prove that the recruitment was budgeted for. In addition, twelve (12) employees in the IPPD system were not in the employee list provided by Chief Officers, and were paid salaries amounting to Kshs.3,993,880 during the year under review. This was contrary to Section 59(1)(g) of the County Governments Act, 2012 which requires the County Public Service Board to facilitate the development of a coherent, integrated human resource planning and budgeting for personnel emoluments in counties.

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

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

Review of the Integrated Payroll and Personnel Database (IPPD) and Human Resources Information Systems (HRIS) for the County Government revealed several employees earned net salaries which were less than a third of their basic pay during the year as tabulated below;

Month	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
No. of Officers below a Third	163	154	146	371	260	2	98	123	135	120	142	19

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.

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

727. Audit of the Payroll

727.1. Irregular Budgeting of Employee Costs

A Special Audit established that the ratio of the budgeted compensation of employees to budgeted revenue exceeded 35% in the three (3) financial years which were reviewed and reported (2022 - 38%, 2023 - 43% and 2024 - 43%). This was contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which limits the County Governments' expenditure on wages and benefits to a maximum of 35% of total revenue for the year.

In addition, comparison of actual compensation of employee with actual revenue as reflected in the financial statements revealed that the County Executive also exceeded the thirty-five (35%) percent threshold in the previous three (3) financial years (2022 - 49%, 2023 - 52%, 2024 - 55%).

727.2. Irregular Engagement of County Employee

The Special Audit for the financial year 2023/2024 revealed that an employee was concurrently engaged by both the County Executive of Elgeyo/Marakwet and the County Executive of Turkana. The officer received a gross salary of Kshs.2,315,500 from the two County Executives. This was in breach of Section 26 of the Leadership and Integrity Act, 2012, which prohibits a full-time state officer from engaging in other gainful employment.

727.3. Irregular Payment of Salary Arrears

Special Audit for the year 2023/2024 revealed that seventy (70) employees were irregularly paid an amount of Kshs.15,547,510 monthly gross pay as arrears. The employees did not meet the eligibility criteria stipulated in Section 6.1 of the Compendium of Remuneration and Benefits which determines remuneration and benefits for state officers and other public officers serving in the County Executive.

727.4. Irregular Payment of Hardship Allowance

Special Audit for the financial year 2023/2024 revealed that seventeen (17) employees were overpaid hardship allowance totalling Kshs.632,400. The overpayment was a financial loss to the County Executive and ineffective use of public resources.

727.5. Failure to Withhold and Remit Statutory Deductions

Special Audit revealed that an amount of Kshs.348,000 in respect of PAYE was not deducted and remitted to Kenya Revenue Authority. Further, employee and employer contributions to the National Social Security Fund (NSSF) amounting to Kshs.656,640 was not remitted. This was contrary to Section 22(1)(a) of the Public Finance Management (County Governments) Regulations, 2015 which states that an Accounting Officer shall comply with any tax, levy, duty, pension, commitments and audit commitments as may be provided for by legislation. In addition, there were cases of delayed remittance of NHIF, PAYE and NSSF deductions. This exposed the County Executive to risk of being subjected to penalties and interest.

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

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

Review of the Integrated Payroll and Personnel Database (IPPD) records revealed that the County Executive had a total of 1,542 employees, out of whom 1,461 employees or approximately 95% were from the dominant community in the County. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, which stipulates 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 addition, the County Government recruited 15 employees during the year who were all from the local dominant ethnic community, an indication that Management was not making any effort to bridge the existing ethnicity gap. This contravenes Section 65(1)(e) of the County Governments Act, 2012, which requires that at least 30% of the vacant posts at entry level should be filled by candidates who are not from the dominant ethnic community in the County.

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

729. Irregularities in Training Management

Examination of human resource records in relation to trainings expenditure revealed that Management did not carry out training monitoring and evaluation, employee performance appraisals and training impact assessments during the year. This was contrary to Section H.3(1) of the Public Service Commission Human Resource Manual of May, 2016 which provides that training in the Public Service shall be based on training needs assessment.

Further, Section H.3(3) requires that selection of trainees for all training programmes will be based on identified needs and training for performance improvement that address individual, organizational and national goals. In addition, the criteria of selection of personnel to attend various trainings could not be established as the trainings offered were not linked to employee performance appraisals and identified skills gaps.

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

730. Inefficiencies in Revenue Management System

Review of contract documents for the Revenue Management System revealed that the County Executive contracted a Telcom Company for the design, deployment and operationalization of the County Revenue Management System at a contract of Kshs.27,719,658 payable in three (3) phases. The supporting documents revealed that the County Executive paid an amount of Kshs.17,517,718 to the Telcom Company that included a payment of Kshs.1,296,547 which represents a 4% share of revenue collected for the period from August, 2024 to May, 2025. However, the system modules for citizen self-service portal, enforcement and integration with banks and hospital systems were not operational and integration with the County's banking systems had not been implemented and manual reconciliations continued to be performed by revenue officers.

Further, the County Executive had not implemented a Hospital Revenue Management System for hospitals within the County that is linked to the County Revenue Collection System. The County was therefore not in a position to centrally oversee the revenue collection and reporting process for the health facilities.

In the circumstances, the value for money for the expenditure of Kshs.17,517,718 spent on the system could not be confirmed.

731. Long Outstanding Payables – Refundable Deposits and Prepayments

The statement of financial position reflects refundable deposits and prepayments balance of Kshs.93,654,265 as disclosed in Note 33 to the financial statements. Analysis of ageing balances revealed the status as follows; less than one (1) year Kshs.33,499,337; between 1-2 years Kshs.13,763,797; between 2-3 years Kshs.6,699,967 and over 3 years Kshs.39,691,164. This was contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulation, 2015, which provides that debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible that the county Government does not default on debt obligations.

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

732. Irregular Procurement of Air Ticketing Services

Included in the use of goods and services amount of Kshs.1,406,917,625 is foreign travel and subsistence amount totalling Kshs.5,250,573. However, review of procurement records revealed the following anomalies:

(i) The procurement plan for the financial year indicated that air ticketing services would be sourced through the Request for Quotation (RFQ) method. However, the services were procured through a framework agreement without documented justification or amendment to the procurement plan.

(ii) Seven (7) bidders responded to the framework bidding process contrary to Section 114(1)(c) of the Public Procurement and Asset Disposal Act 2015 and Regulation 102(1)(b) of the Public Procurement and Asset Disposal Regulations, 2020, which mandates inclusion of a minimum of seven alternative vendors for each category. However, only two (2) firms signed for the framework agreements with the County Executive. Further, no contract agreements were provided for the remaining five (5) bidders, raising concerns over the completeness and competitiveness of the framework arrangement.

(iii) Contrary to Regulation 101(2) of the Public Procurement and Asset Disposal Regulations, 2020, the use of the framework agreement appeared to restrict fair competition. All orders were issued to a single supplier, despite the existence of multiple vendors and the supplier was not among the 12 prequalified firms for air ticketing services.

(iv) Pricing terms were not clearly defined in the framework agreement. In addition, there was no documentary evidence of market surveys or value-for-money assessments before awarding contracts, contrary to Regulation 101(3)(a) of the Public Procurement and Asset Disposal Regulations, 2020, which prohibits awards where prices exceed indicative market rates.

(v) There was no evidence that mini-competitions were conducted among framework contractors as required by Regulation 103(4) of the Public Procurement and Asset Disposal Regulations, 2020. No written invitations, financial bids, or evaluation records were presented to confirm that contracts were awarded to the lowest evaluated tenderers.

(vi) The framework agreements did not specify essential details such as maximum quantities contrary to Regulations 102(1)(e) of the Public Procurement and Asset Disposal Regulations, 2020 which requires an estimate of the total volume or scope of work or quantity of purchases expected to be made for the duration of the framework agreement, as appropriate; and details on ceiling prices contrary to Regulation 106(5) of the Public Procurement and Asset Disposal Regulations, 2020, which requires that a procuring entity should ensure that the price or quantities for all the orders does not exceed any ceiling amount stated in the contract.

(vii) Further, the individual LPOs lacked detailed breakdown necessary to establish full cost as required by Regulation 106(2) of the Public Procurement and Asset Disposal Regulations, 2020 which requires that Individual orders shall include all the details required to establish the full cost or price for the delivery of goods, works or services.

(viii) The Head of Procurement did not prepare and submit the required quarterly reports on framework contract usage to the Accounting Officer and Internal Auditor as required by Regulation 134(3) of the Public Procurement and Asset Disposal Regulations, 2020.

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

733. Conflict Between County Act and National Laws

The County Executive in a bid to address development disparities through equality, equity and non-discrimination envisaged in Article 27 of the Constitution of Kenya, enacted specific local legislation to provide a framework for the allocation of funds to ward-based projects known as the Elgeyo Marakwet Development Act, 2015. However, review of the Act, revealed that there were sections that contradicted National Legislations such as the Public Procurement and Asset Disposal Act, 2015 and Public Finance Management Act, 2012 and Regulations, 2015.

In addition, there is a risk of voiding projects initiated through a County legislation that is in conflict with National legislation in accordance with Article 191(1) and (2) of the Constitution of Kenya, that clarifies on conflicts between National and County legislation

in respect of matters falling within the concurrent jurisdiction of both levels of Government. National legislation prevails over County legislation.

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

734. Conflict of Interest by Members of the County Assembly

Members of the County Assembly (MCA) through the provisions of Section 17 of the Elgeyo/Marakwet Equitable Development Act, 2015 were also members of Ward Development Committees in their respective wards. Section 19 of the Elgeyo/Marakwet Equitable Development Act, 2015 grants the MCAs power to award tenders for ward-based contracts, monitoring and evaluating projects within the ward, ensuring compliance with the contract terms. It was therefore evident that the MCAs were involved in the County Executive functions which resulted to conflict of interest. This was contrary to Section (2)(a) and (b) of the County Governments Act, 2012 which requires that a member of the County Assembly shall not be directly or indirectly involved in the Executive functions of the County Government and its administration; or delivery of services as if the member were an officer or employee of the County Government.

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

735. Non-Compliance with Fiscal Responsibility Principles

The statement of financial performance reflected total receipts of Kshs.5,013,283,841 and actual expenditure of Kshs.4,748,941,101. However, employee costs totalled Kshs.2,635,956,505, representing approximately 53% of total revenue which exceeded the 35% ceiling prescribed under Section 15(2)(b) of the Public Finance Management Act, 2012 by 18%.

Further, the County Executive Committee (CEC) Member for Finance and Economic Planning did not set a limit on the County Government's expenditure on wages and benefits for its public officers, contrary to Regulation 25(1)(a)) of the Public Finance Management (County Governments) Regulations, 2015.

In addition, the County Executive spent an amount of Kshs.4,748,941,101, out of which an amount of Kshs.4,516,480,644 (95%) was recurrent expenditure and an amount of Kshs.232,460,457 (5%) was development expenditure. It was noted that the development spending fell below the 30% minimum threshold required by Section 15(2)(a) of the Public Finance Management Act, 2012 which mandates that at least 30% of National and County Government budgets must be allocated to development expenditure over the medium term, promoting fiscal responsibility by ensuring funds go to growth, not just recurrent costs.

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

736. Partial Funding of Projects

The County Executive initiated and awarded twenty-two (22) contracts totalling Kshs.50,627,805 that were not executed to completion. Management explained that the partial funding was due to inadequate allocation of funds. This was contrary to Section

53(8) of the Public Procurement and Asset Disposal Act, 2015 which requires that Accounting Officers shall not commence any procurement proceeding until satisfied that sufficient funds to meet the obligations of the resulting contract are reflected in its approved budget estimates. The Act further requires that an Accounting Officer who knowingly commences any procurement process without ascertaining whether the good, work or service is budgeted for, commits an offence under this Act.

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

737. Water Projects Verification

Physical inspection of sampled water projects during the month of July, 2025 revealed the following anomalies;

737.1. Muno Primary and Secondary School Borehole Project

The County Executive initiated a borehole project at Muno Primary and Secondary Schools at a contract sum of Kshs.3,123,000. However, there was no signage post installed at the project site. Therefore, Management did not disclose key project information such as name, contractor, source of funding, implementation timelines and cost, undermining transparency and limiting public oversight. In addition, the borehole area was unprotected since no fencing was done. This exposed the borehole infrastructure to the risk of environmental degradation, vandalism and posed safety concerns to school going children.

737.2. Kapsisi Water Project

The County Executive initiated Kapsisi Water Project at a contract sum of Kshs.3,101,900. However, there was no project signage erected at the site. In addition, the Water Project lacked perimeter fencing, making it vulnerable to tampering or misuse. Although the water source infrastructure appeared installed, no piping network had been extended to the targeted beneficiary communities. This limited access and denied residents the intended benefits of a clean and reliable water supply, which was the primary goal of the investment.

737.3. Cheminya Water Project

The County Executive initiated Cheminya Water Project at a contract sum of Kshs.2,497,250. However, it was noted that two (2) solar panels were missing at the Project and the solar-powered system installed to support the water project was incomplete, yet the panels were vital for powering pumps and ensuring continuous water flow.

In the circumstances, the value for money for the expenditure incurred on the water projects could not be confirmed.

738. Unsatisfactory Implementation of Works at Kapteren Health Centre

Review of records provided revealed that the County Executive entered into a contract with a local contractor in May, 2024 at a contract sum of Kshs.4,589,732 to construct

outpatient block and a septic tank at Kapteren Health Centre. However, physical verification carried out in the month of July, 2025 revealed the following anomalies:

(i) Iron sheets used in roofing was gauge 30 instead of gauge 28 provided for in the BQs.

(ii) Ablution block provided for in BQs and connection and piping of septic drainage were not done.

(iii) Leakages were noted on the roof, the contractor was not on site and the building was not in use.

(iv) There was no documentary evidence provided by the Project Implementation Committee on the Contract Management Plan that was to provide for review meetings, a risk register maintained to monitor all identified contract risks and their mitigation plan and a status report that include; executive summary report on performance of activities and budget; and any other issues relevant to the contract such as environmental and general observation on the performance rating.

(v) There were two (2) other blocks on the compound which were constructed to completion in 2013 and was meant to serve as maternity block and laboratory respectively. However, these two blocks had not been put to use.

In the circumstances, the Value for money on the outpatient block and septic tank at Kapteren Health Centre could not be confirmed.

739. Unsatisfactory Implementation of Works at Toror Health Centre

Review of contract documents revealed that procurement requisition for the project was approved on 3 May, 2024. The successful bidders signed a contract agreement with the County Executive on 3 June, 2024 at a contract sum of Kshs.2,499,900 for a contract period of ninety (90) days. On 1 August, 2024, the contractor requested for contract extension covering the period 2 August, 2024 to 30 December, 2024. This request was granted by the procuring entity on 5 August, 2024. Inspection and acceptance was done on 20 December, 2024 and payment certificate for the entire contract sum was raised by the contractor on 22 January, 2025.

However, physical verification carried out in month of July, 2025 revealed the following anomalies;

(i) There was no documentary evidence provided by the Project Implementation Committee on the contract Management Plan that was to provide for review meetings, a risk register maintained to monitor all identified contract risks and their mitigation plan and a status report that include executive summary report on performance of activities and budget; and any other issues relevant to the contract such as environmental and general observation on the performance rating.

(ii) The Project was delayed by thirty-six (36) weeks based on the initial contract delivery date and twenty-eight (28) weeks since the lapse of the contract extension period.

(iii) Leakages were noted on the roof and the building was not in use.

(iv) There was no access road to the facility.

(v) Ownership documents of the land on which the dispensary is located were not provided for audit review.

(vi) The Hospital serves less than ten (10) patients daily despite being a primary healthcare centre where patients are attended to at no cost. These low numbers may be as a result of the inaccessibility of the hospital and raises doubt if effectiveness feasibility was carried out before commencement of the project.

(vii) The contractor was not on site and there was no activity ongoing at the time of physical verification.

In the circumstances, the value for money incurred on the expenditure on the one bed-roomed staff house constructed at Toror Health Centre could not be confirmed.

740. Other Projects Implementation Follow-Up

The County Executive implemented several projects during the year out of which fourteen (14) projects with a total contract value of Kshs.102,429,488 were not properly implemented.

In the circumstances, the value for money on the expenditure for the above projects could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

741. Lack of Fixed Assets Register

Review of records revealed that the County Executive did not maintain a comprehensive fixed assets register detailing assets owned, their locations, acquisition dates, values and custodian's. This was contrary to Regulation 138(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires each County Government entity to maintain a register of all its assets in a form approved by the County Treasury.

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

742. Weaknesses in Information Communication Technology Internal Control Environment

Review of Information Communication Technology (ICT) internal control environment revealed that the County did not have in place; ICT Strategic Committee and a Steering

Committee to provide guidance to IT-related decision-making processes, ICT Business Continuity Plan and therefore, in case of a disaster, the County may not recover critical information resources hence adversely affect its operations and a documented training program to build ICT capacity.

Further, the server room had a dysfunctional air conditioning system did not have a biometric access control system, environmental monitoring system to monitor the humidity and temperature and a closed-circuit television (CCTV) system to monitor access to the server room.

In the circumstances, the existence of an effectiveness of the ICT controls could not be confirmed.

743. Deficiencies in Audit Committee Operations

Review of the audit committee revealed the following anomalies;

(i) An annual report on the review of the independence, performance and competence of the Internal Audit Unit was not published contrary to Regulation 159(2) of the Public Finance Management (County Governments) Regulations, 2015.

(ii) The Accounting Officer did not develop and submitted to the Chairman of the Audit Committee a response and action plan to the recommendations made in the audit reports.

(iii) The Accounting Officer, who was responsible for the implementation of audit recommendations, had not developed response and action plan on implementation of audit recommendations and submitted the same to the Chairperson of the Audit Committee.

(iv) The Audit Committee did not review and report to the Executive Management on the significant financial reporting issues and judgements made in connection with the preparation of the County Executive's financial statements.

(v) The Audit Committee did not review the County Executive's internal financial controls.

(vi) The Audit Committee did not perform an independent review of the financial statements to ensure the integrity and transparency of the financial reporting process during the period under review.

(vii) The Audit Committee did not monitor and review the effectiveness of the Internal Audit Function.

(viii) Management did not provide evidence that the Audit Committee had assessed the performance of the Head of Internal Audit, monitored Management's responsiveness to internal audit findings and recommendations, or evaluated the

effectiveness of the internal audit function within the County's risk management framework during the period under review.

(ix) One (1) Member of the Committee, who served in the previous committee, had his contract extended for a further period of three (3) years. However, no evidence was provided to show that the performance of the Member had been evaluated and that was reappointed based on the outcome of his performance appraisal.

(x) The Audit Committee did not issue periodic, annual and special/investigative reports and evidence that the same were made available to stakeholders.

(xi) The Audit Committee did not produce periodic reports to the Accounting Officer citing key issues affecting the operations of the County Executive during the period under audit.

(xii) The Audit Committee did not carry out a self-assessment and submitted to the Accounting Officer a report on its performance and achievements against its mandate, roles, duties, responsibilities, its composition, training, meetings, charter and performance to ensure that the Audit Committee met its objectives efficiently and effectively.

(xiii) The Audit Committee did not seek for feedback from the Senior Management on their effectiveness.

(xiv) Further, both the Internal Audit Unit and the Audit Committee did not have independent budgets or authority to incur expenditure. Instead, they relied entirely on the Office of the Governor under which they have been placed. This arrangement deprived the Audit Committee and Internal Audit operational independence, in contravention of Regulation 155 of Public Finance Management (County Governments) Regulations, 2015. The Regulation requires the Head of Internal Audit unit in a County Government entity to report administratively to the Accounting Officer and functionally to the Audit Committee.

(xv) At the time of audit in July, 2025, two (2) Members of the Audit Committee who were members of the Institute of Certified Public Accountants of Kenya (ICPAK) were not in good professional standing.

In the circumstances, the effectiveness of the Audit Committee to provide oversight to the County could not be confirmed.

744. Deficiencies in the Internal Audit Function

Review of the Internal Audit Department revealed the following anomalies;

(i) The Head of Internal Audit Department did not provide evidence of annual report of self-assessment of the effectiveness of the Internal Audit Department and annual review of the performance to County Treasury.

(ii) The Internal Audit Department did not carry out risk assessments neither did they have in place a risk register which was essential for effective internal audit.

(iii) The Internal Audit Unit did not undertake a professional assessment of its effectiveness by a professionally recognized body or institution in the last three (3) years.

(iv) The Head of Internal Audit Department did not submit to the Audit Committee a progress report summarizing; work performed in comparison with the approved Annual Work Plan, reports on consulting engagements undertaken and other special assignments, risks which Management had accepted to undertake and were not acceptable according to the Internal Auditor's opinion, major disagreements with Management, reports on cooperation between internal and external audit and periodic management accounts.

(v) There was no Organogram to inform operation structure and reporting relationships. In addition, it was noted that the Directorate had been placed under the Chief Officer in the Office of the Governor, and without a separate budget or authority to incur expenditure.

In the circumstances, the effectiveness of the Internal Audit Function could not be confirmed.

745. Manual Processing of Salary

The County Executive processed employee salaries totalling Kshs.230,406,186 using manual payrolls maintained in Excel spreadsheets. The use of manual payroll systems increases the risk of errors, omissions or manipulation due to lack of automated controls.

In the circumstances, the effectiveness of internal controls and integrity of salary payments could not be confirmed.

Unresolved Prior Year Matters

No.	Audit Issues for 2023/2024
1	Variances Between Financial Statements and IFMIS Records
2	Unsupported Health Facilities Operational Bank Balances
3	Unsupported Pending Bills
4	Unsupported Expenditure on Legal Services
5	Failure to Establish a County Budget and Economic Forum
6	Excessive Budgetary Allocation to the County Assembly
7	Failure to Operationalize the Office of the County Attorney
8	Failure to Adhere to Ethnic Diversity Requirement in Employment
9	Non-submission of Financial Statements for Level 4 Hospitals
10	Conflict in the Law - The Elgeyo Marakwet Equitable Development Act, 2015
11	Conflict of Interest by Members of County Assembly on the County Executive Functions
12	Partial Funding of Projects
13	Non-Compliance with the 35% Wage Bill
14	Stalled Proposed Maintenance of Chepkerengoi Road in Sengwer Ward
15	Irregular Funding of National Government Functions
16	Irregular Payment of College Fees for KMTC Students
17	Implementation of Projects with no Value for Money
18	Non-Adherence to One Third Pay Policy
19	Irregular Implementation of Income Generating Activity Program (IGA)
20	Understaffing of Internal Audit Department
21	Operational Shortcomings in the Audit Committee
22	Payroll Management for the County Executive of Elgeyo/Marakwet

COUNTY EXECUTIVE OF NANDI – NO.29

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

746. Inaccuracies in the Financial Statements

746.1. Unsupported and Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables opening Nil balance as disclosed in Note 32 to the financial statements. However, the ageing analysis for trade and other payables as disclosed in Note 32 reflects trade and other payables totalling Kshs.447,408,678 outstanding for more than one (1) year resulting in an unreconciled variance of Kshs.447,408,678.

Further, the statement of financial position reflects trade and other payables closing balance of Kshs.782,535,628. However, cash generated from operations at Note 40 to the financial statements reflects increase in payables of Kshs.504,314,600 resulting to an unreconciled variance of Kshs.278,221,028.

In addition, as disclosed in Note 32 to the financial statements, the ageing analysis revealed that a total of Kshs.193,227,263, Kshs.145,328,500 and Kshs.108,852,915 had been outstanding for 1-2 years, 2-3 years and over 3 years respectively all totalling Kshs.447,408,678. However, the balance was not supported with creditor's movement schedule.

746.2. Unsupported Refundable Deposits and Prepayments

The statement of financial position reflects Nil balance in respect of refundable deposits and prepayments as disclosed in Note 33 to the financial statements. However, the supporting ledger reflects a balance of Kshs.62,967,159.

Further, Note 21 to the financial statements reflects a deposits and retention bank account with Nil balance. The account is intended to hold deposit monies for payments to various suppliers and contractors. However, the cashbook and bank reconciliation statements for the account were not provided for audit verification.

746.3. Inaccuracies in Transfers from the County Revenue Fund

Note 6 to the financial statements reflects transfers from County Revenue Fund totalling Kshs.7,599,066,478, made up of recurrent account of Kshs.6,439,545,543 and development account of Kshs.1,159,520,935. However, the financial statements of the Nandi County Revenue Fund reflect transfers to the County Executive amount of Kshs.7,733,771,378 resulting in an unreconciled variance of Kshs.134,704,900.

746.4. Variances Between Employees' Cost and Payroll Amount

The statement of financial performance reflects employees' costs amount of Kshs.3,372,701,751 as disclosed in Note 9 to the financial statements. However, re-casting of payroll records revealed total employee costs of Kshs.2,833,070,772 resulting in an unreconciled variance of Kshs.539,630,979.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

747. Unsupported Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.1,168,875,445 as disclosed in Note 26 to the financial statements. However, the assets register in support the reported balance was not provided for verification.

Further, included in the balance is an amount of Kshs.6,471,120 in respect of purchasing two (2) parcels of land for amount of Kshs.550,000 and Kshs.5,921,120 respectively. However, no documentary evidence was provided to show successful registration of the parcels of land in the name of the County Executive. Further, the parcels of land purchased were not demarcated hence it was not possible to differentiate the actual portion purchased by the County Executive.

In the circumstances, the completeness, accuracy and ownership of property, plant and equipment balance of Kshs.1,168,875,445 could not be confirmed.

748. Unaccounted for Domestic Travel and Subsistence Expenditure

The statement of financial performance reflects use of goods and services amount of Kshs.2,635,125,855 as disclosed in Note 10 to the financial statements. Included in the expenditure is amount of Kshs.236,588,798 which relates to domestic travel and subsistence expenses. However, supporting documents for expenditure totalling Kshs.2,944,230 were not provided for audit.

In the circumstances, the completeness of the domestic travel and subsistence amount of Kshs.2,944,230 could not be confirmed.

749. Unsupported Subsidized Vocational Training Centers Support Grant

The statement of financial performance reflects other grants and subsidies amount of Kshs.351,034,826 as disclosed in Note 13 to the financial statements. Included in the expenditure is an amount of Kshs.13,310,000 in respect of transfers to vocational training centers. However, supporting documents including acknowledgement for received funds from the beneficiary institutions were not provided for audit confirmation.

In the circumstances, the regularity and completeness of transfers to vocational training centers totalling Kshs.13,310,000 could not be confirmed.

Emphasis of Matter

750. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final budgeted receipts and actual receipts on a comparable basis of Kshs.9,186,409,526 and Kshs.7,813,219,349 respectively, resulting in underfunding of Kshs.1,373,190,177 or 15% of the budget. However, the County Executive spent an amount of Kshs.7,579,385,582 against actual receipts of Kshs.7,813,219,349 resulting to underutilization of Kshs.233,833,767 or 3% of the actual expenditure.

The underfunding affected the implementation of planned activities and programmes and may have negatively impacted on the delivery of services to the public.

My opinion is not modified in respect of this matter.

Other Matter

751. Unresolved Prior Year Matters

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. Review of the status of implementation of the issues during the audit, revealed that fifty-seven (57) issues remained unresolved as listed at the end of this report.

752. Undisclosed Contingent Liabilities

The statement of financial position reflects Nil balance for contingent liabilities as disclosed in Note 44 to the financial statements. However, examination of contingent liabilities records revealed that the County Executive is exposed to substantial potential obligations and litigations estimated at Kshs.5,390,422 arising from claims lodged by contractors and suppliers for works performed, and goods, and services supplied over the last ten (10) years. Although the claimants assert that the amounts are due and payable, the County Executive disputes the validity of these claims and as a result, did not recognize and disclose the liabilities in the financial statements for the year ended 30 June, 2025. The absence of disclosure of these long-outstanding and potentially litigious claims was inconsistent with the requirements of the applicable financial reporting framework, which mandates the reporting of material contingent liabilities where the likelihood of outflow cannot be ruled out. The County remains exposed to significant financial and legal risks should the disputed claims be upheld.

Other Information

753. There were no material issues relating to Other Information.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

754. Non-Compliance with the Law on Fiscal Responsibility Principles on Wages

The statement of financial performance reflects employee costs amount of Kshs.3,372,701,751 as disclosed in Note 9 to the financial statements. This was equivalent to 44% of the reported revenue of Kshs.6,439,545,543 which was in excess of the threshold of 35% prescribed under Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015. Further, there was no evidence that the County Executive Committee Member for Finance and Economic Planning tabled a bill in the County Assembly to control the wage bill.

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

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

Review of payroll records revealed that the County Executive had a total of two thousand nine hundred and seventy (2970) employees out of whom one thousand eight hundred and fifty-nine (1,859) or approximately 63% were from the dominant ethnic community in the County. This was contrary to Section 7(2) of National Cohesion and Integration Act, 2008 which requires that no public establishment shall have more than one third of its staff from the dominant ethnic community.

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

756. Non-Compliance with the One-Third Rule on Basic Pay

Review of the monthly payrolls revealed that two hundred and one (201) employees received net pay of less than one-third of their basic salary. This was contrary to the provisions of Section 19(3) of the Employment Act, 2007, which provides that the total deductions made by an employer from an employee's wages shall not exceed two-thirds of such wages at any one time.

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

757. Acting Positions Beyond the Stipulated Period

Management paid three (3) members of staff an acting allowance for a duration exceeding six (6) months totalling Kshs.1,302,641. This was contrary to Section C.14(1) of the Public Service Commission, Human Resource Policies and Procedures Manual of May, 2016 which requires that when an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, the officer is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary not payable to an officer for more than six (6) months.

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

758. Payment of Salaries Outside Human Resource Integrated System

The statement of financial performance reflects employee costs amount of Kshs.3,372,701,751 as disclosed in Note 9 to the financial statements. However, review of payroll records revealed that the County Executive uses both Human Resource Integrated System (HRIS) and Excel sheets in processing of the payroll. The total employee costs paid outside the HRIS amounted to Kshs.85,202,776. This was contrary to Section 1.5.1 of The National Treasury Guidelines through the Financial Accounting Recording and Reporting Manual which requires that each County Government Department is responsible for populating the Integrated Payroll and Personnel Database (IPPD) with the information contained in these documents, issuing each appointee with a unique payroll number from the system and providing the appointee with a letter of appointment.

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

759. Unexplained Redundancies

Review of payroll records revealed a significant reduction in staff numbers from four thousand eight hundred and eighty-four (4,884) in the month of September, 2024 to two thousand nine hundred and ninety-nine (2,999) in the month of October, 2024 resulting to a decrease of one thousand eight hundred and eighty-five (1,885) staff. Management attributed the reduction to dismissals and terminations. However, the dismissal records accounted for one thousand eight hundred and sixty-three (1,863) staff, leaving an unexplained variance of twenty-two (22) staff whose employment status could not be confirmed. In addition, there was no documentary evidence provided to confirm the reasons for dismissal, compliance with the due process or whether the affected staff were issued with certificates of service as required by applicable laws and Human Resource Policies.

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

760. Irregular Payment to Council of Governors

The statement of financial performance reflects use of goods and services amount of Kshs.2,635,125,855 as disclosed in Note 10 to the financial statements. Included in the expenditure is an amount of Kshs.210,102,962 in respect of other operating expenses which includes an amount of Kshs.5,000,000 paid to the Council of Governors as contributions. This was contrary to Section 37 of Intergovernmental Relations Act, 2012 which provides that the operational expenses in respect of the Council 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.

761. Irregular Engagement of Legal Services

The statement of financial performance reflects use of goods and services expenses amount of Kshs.2,635,125,855 as disclosed in Note 10 to the financial statements. Included in the expenditure is an amount of Kshs.369,696,231 in respect of specialized materials and services which includes an expenditure of Kshs.41,972,940 relating to legal

costs payable to ten (10) Law Firms. Examination of expenditure records revealed that the engagement of the external legal services was not approved by the County Executive Committee. This was contrary to Section 16(1) of the Office of the County Attorney Act, 2020 which 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.

Further, procurement of the legal consultants was not conducted through a competitive process since the Law Firms were directly selected from the list of registered prequalified legal firms without evidence that all listed firms were given an equal opportunity to participate. This was contrary to Section 95(3) of the Public Procurement and Asset Disposal Act, 2015, which provides that a procuring entity shall invite tenders from only the approved persons who have been pre-qualified.

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

762. Unutilized Office Furniture

The statement of financial position reflects property, plant and equipment balance of Kshs.1,168,875,445 as disclosed in Note 26 to the financial statements. Included in the balance are additions during the year amounting to Kshs.1,350,873,095. The additions include an amount of Kshs.165,416,310 relating to supply of furniture and fittings to the Governor's office which had not been put into use one (1) year after the delivery, citing non-completion of the construction of the County Offices.

Further, the Inspection and Acceptance Committee report was not provided to confirm the quality and quantity of furniture was delivered.

In the circumstances, the value for money on the expenditure for the procured office furniture could not be confirmed.

763. Irregularities in the Procurement of Fuel and Lubricants

The statement of financial performance reflects use of goods and services amount of Kshs.2,635,125,855 as disclosed in Note 10 to the financial statements. Included in the expenditure is an amount of Kshs.114,554,330 in respect of fuel, oil and lubricants expenses. Review of payment records revealed that the County Executive entered into a framework agreement for supply and delivery of fuel and lubricants with seven (7) local firms. However, only four (4) firms supplied fuel and lubricants to the County Executive and 90% of the fuel was supplied by only two (2) of the suppliers. This was contrary to Regulation 101(2) of the Public Procurement and Asset Disposal Regulations, 2020 which requires that a procuring entity shall not use a framework agreement in such a way as to prevent, restrict or distort competition. No justification was provided why only two (2) firms supplied 90% of total fuel and lubricant supplies out of the seven (7) contracted firms.

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

764. Anomalies in Road Maintenance Expenses

The statement of financial performance reflects use of goods and services amount of Kshs.2,635,125,855 as disclosed in Note 10 to the financial statements. Included in the expenditure is an amount of Kshs.651,135,344 in respect of routine maintenance of roads which included an amount of Kshs.10,160,828 incurred on hiring of selected road maintenance equipment. However, review of expenditure records revealed the following anomalies:

(i) There were no need assessment reports showing the equipment required for every road works.

(ii) Detailed scope of work carried out in each of the roads and their estimated cost (work plan) was not provided for review.

(iii) Documents provided did not indicate the kilometers repaired, instead, the supporting documents only listed the specific roads where the works were undertaken without.

(iv) There were no daily machine utilization sheets showing machine hours worked and the output achieved.

(v) There were no measurement sheets to show how the billing for road maintenance work was done in proportion to the number of hours the equipment was hired. Further, there were no completion certificates.

(vi) Records of all County Executive machinery and the planned versus actual road works repaired by the Department through force account (in-house) including scope of works planned and achieved were not provided for verification. As a result, it was not possible to confirm whether the County Executive equipment performed tasks that were also contracted out, resulting in possible duplication of work.

(vii) The Department for Roads did not maintain an inventory of public roads under the County Government specifying the road names and length by surface in kilometres and their conditions including any records of works done on each road.

In the circumstances, value for money for the hire of equipment could not be confirmed.

765. Irregularities in Drilling of Boreholes

The statement of financial position reflects property, plant and equipment balance of Kshs.1,168,875,445 as disclosed in Note 26 to the financial statements. Included in the expenditure is an amount of Kshs.282,556,506 in respect of infrastructure, which includes an amount of Kshs.18,993,190 incurred in the construction of boreholes. However, the expenditure was not supported by detailed design reports, hydro-geological test surveys and environmental impact assessment reports for drilling of boreholes and land ownership documents where the boreholes were constructed. Further, permit from the Water Resource Authority (WRA) and water quality testing reports indicating whether the

parameters levels were within the recommended water quality standards set by WRA were not provided for audit.

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

766. Delayed Construction of County Aggregation Industrial Park

The statement of financial performance reflects other grants and subsidies amount of Kshs.351,034,826 as disclosed in Note 13 to the financial statements. Included in the expenditure is an amount of Kshs.77,751,287 in respect of County Aggregation Industrial Park (CAIP). However, review of contract agreement revealed that the County Executive contracted a local company to construct the Park at a contract sum of Kshs.520,003,128 with effect from 15 August, 2023. The award was made after the first advertised tender was non-responsive prompting a re-tender where five (5) firms submitted their tenders. However, the following anomalies were noted;

(i) The project was jointly funded by the National Government and the County Government. However, the level of funding by each Government was not clear since no agreements or commitment between the two (2) levels of Government was provided for audit.

(ii) No documentation was provided indicating that detailed feasibility study was conducted before commencement of the project including an environmental impact assessment.

(iii) The ownership documents for the land were not provided for review.

(iv) The performance bond expired on 26 February, 2024 and had not been renewed. The absence of a valid bond, exposes the project to possibility of loss should the contractor fail to deliver the project as per the contract terms.

(v) The Project Steering Committee was constituted on 19 May, 2023 for a term of six (6) months to oversee the Industrial Park project. However, the Committee's mandate had not been extended despite the project continuing beyond the initial six (6) months duration.

(vi) The contractor requested for variation of works to the sub- structure excavation depth and backfill depth of 1.2m to 2.7m at an additional cost of Kshs.39,547,500 or (8%) which was approved through a Professional Opinion dated 27 October, 2023, bringing the revised contract sum to Kshs.559,550,628. However, the variation was done before the lapse of one year. This is contrary to Section 139(3) of the Public Procurement and Asset Disposal Act, 2015 which provides that no contract price shall be varied upwards within twelve months from the date of the signing of the contract.

(vii) The project was scheduled for completion on 15 August, 2025. However, physical inspection conducted in the month of November, 2025 revealed that

work had stalled May, 2025, at only 30% completion level and the contractor was not on site.

In the circumstances, the value for money on the project could not be confirmed and Management was in breach of the law.

767. Delayed Completion Works at Kapsengere Hospital

As reported in the previous year, the County Executive entered into contract with a local contractor for the proposed completion works of Kapsengere Hospital (Phase II) in Terik Ward at a contract sum of Kshs.9,954,900 on 5 May, 2019. The contract duration was for three (3) months, effective from the date of the agreement and was expected to end by 5 July, 2019. However, despite budgetary allocation of Kshs.3,954,900 and Kshs.9,954,900 having been made in the financial year 2023/2024 and 2024/2025 respectively, the project had stalled for six (6) years.

Physical inspection conducted in the month of June, 2025 indicated that the project was handed over to a new contractor and site handed over on 10 June, 2025. However, the tender document and contract agreement for the new engagement was not provided for audit verification. Demolition of the defective ram was in progress. However, works not done included the ablution block, outpatient division building and site fencing.

In the circumstances, the value for money on the expenditure for the project could not be confirmed.

768. Delayed Completion Works at Chepterwai Sub-County Hospital

As reported in the previous year, the County Executive entered into a contract with a local contractor for proposed completion works at Chepterwai Sub-County Hospital Phase II on 31 March, 2022 at a contract sum of Kshs.41,538,221. The contract duration was twenty-four (24) months and was expected to end by 31 March, 2024. An amount of Kshs.10,990,472 had been paid in financial year 2023/2024 but the contractor was not on site. In the year under review, no budget allocation was made towards the project.

Further, physical inspection carried out in October, 2025 revealed that the contractor was not on site. The proposed works had not been completed and the project was behind schedule.

In the circumstances, the value for money on the project could not be confirmed.

769. Irregularities in the Construction of a Textile Training and Production Plant

As reported in the previous year, the County Executive had entered into a Memorandum of Understanding and contract agreement with Rivatex East Africa Limited on 16 January, 2018 and 12 February, 2019 respectively for the construction of a textile training and production plant at Mosoriot Centre. Subsequently, Rivatex East Africa entered into a contract with a local firm on 24 April, 2019 for the project on behalf of the County Executive. However, the contract agreement with Rivatex East Africa expired on 08 May, 2023 and the County Executive and the same Contractor signed an addendum

contract dated on 8 June, 2023 to complete the remaining works at a contract sum of Kshs.29,111,050. At the time of audit, works certified and paid for amounted to Kshs.27,116,606 leaving an unpaid balance of Kshs.1,994,444.

Further, the addendum contract included clauses were the County Executive agreed to settle outstanding amounts due to non-payment by Rivatex East Africa in certificates No.1 to 3 and contractual claims due to breach of contract amounting to Kshs.2,235,716 and Kshs.11,203,577 all totalling Kshs.13,439,293. However, payments listing showed that, on 8 May, 2025 an advocate was paid an amount of Kshs.15,894,846 on behalf of the contractor whose details were not provided for review.

In the circumstances, the value for money on the payment of Kshs.15,894,846 could not be confirmed.

770. Procurement Exceeding Threshold for Request for Quotation

Review of procurement records revealed that a supplier was awarded a contract to supply ten (10) motorcycles at a total cost of Kshs.4,844,735 through the Request for Quotation method. The contract value exceeded the maximum allowable threshold of Kshs.3,000,000 for use of Request for Quotation method set out in Regulation 106(5) of the Public Procurement and Asset Disposal Regulations, 2020.

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

771. Non-Operationalization of the Nandi Youth Service

The County Executive established the Nandi County Youth Service Act, 2019 for the operationalization of the Nandi Youth Service whose function was to train the youth to serve the County and employ its members to undertake tasks on the devolved functions. However, at the time of audit in November, 2025 the Service was not operational and no explanation was provided for failure to operationalize the Service.

In the circumstance, Management was in breach of law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

772. Training Conducted without Training Needs Assessment

The statement of financial performance reflects use of goods and services amount of Kshs.2,635,125,855 as disclosed in Note 10 to the financial statements. Included in the balance is Kshs.15,536,702 in respect of training expenses. However, the amount was not supported by training needs assessment (TNA), training plans, Departmental skills inventory records, courses approval and selection criteria contrary to the Human Resource Policies and Procedures Manual for the Public Service of May, 2016. Further, it was not clear how the officers were nominated for the respective trainings without

evidence of training projections based on the training needs assessment. In addition, Management did not prepare quarterly returns on trainings conducted during the year and evaluation of their effectiveness.

In the circumstances, the effectiveness of internal controls over the management of the training function could be confirmed.

773. Weaknesses in Management of Inventories

The statement of financial performance reflects transfer to other Government entities amount of Kshs.648,434,082 as disclosed in Note 11 to the financial statements. Included expenditure is an amount of Kshs.444,420,479 in respect of Health Departments' in kind contributions to health facilities for pharmaceuticals and non-pharmaceuticals. However, physical verification in selected Referral and Sub-County hospitals revealed that the health facilities lacked proper inventory management systems and relied on manual processes for receiving and managing drugs and non-pharmaceutical supplies. Further, the process flow-from receipts of drugs, transfer to the pharmacy and eventual issuance to patients was not documented.

Further, physical inspection and review of store records revealed that the County Executive did not have an inventory management and control system capable of providing real-time information on the location, condition, movement and reorder levels of stores. Instead, stores records were maintained manually, making it difficult to confirm the completeness, accuracy and accountability of inventory transactions.

In the circumstances, the effectiveness of internal controls over inventory management could not be confirmed.

774. Failure to Update Imprest Register

Examination of imprest registers revealed that the registers were not consistently updated with details relating to the date of imprest issuance and surrender.

In the circumstances, the effectiveness of internal controls over the management of imprest could not be confirmed.

775. Lack of Staff in the Internal Audit Department

Review of the operations of the County Executive revealed that the Internal Audit Unit had an approved staff establishment of ten (10) positions. However, audit examination noted that no substantive staff had been deployed to carry out the Internal Audit Function. This was contrary to Section 155(1)(a) of the Public Finance Management Act, 2012, which requires a County Government entity to establish appropriate arrangements for conducting internal audit in accordance with guidelines issued by the Public Sector Accounting Standards Board.

In the circumstances, the effectiveness of internal controls over the operations of the County Executive could not be confirmed.

776. Lack of Approved Internal Audit Plans

Review of the records revealed that there were no approved Internal Audit Plans contrary to Regulation 163(1)(a) and (b) and (2) of the Public Finance Management (County Governments) Regulations, 2015 which requires that Internal Audit planning shall be carried out on the basis of risk assessment and shall be set out in a three (3) year strategic plan, on the basis of which an annual internal audit activity plan shall be developed. The annual work plan developed should be submitted to the Audit Committee by 15th February each financial year and approved annual work plan shared with the Accounting Officer in sufficient time for inclusion in the budget of that entity.

In the circumstances, the effectiveness of Internal Audit Function and risk assessment could not be confirmed.

777. Weakness in Management of Fixed Assets

Review of Fixed Assets Management System revealed the following anomalies:

777.1. Lack of Assets Register

Review of records revealed that the assets register provided was incomplete and did not capture all assets owned by the County Executive. Several categories of assets details in the register were left blank with no corresponding data. This was contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015, which requires the Accounting Officer to maintain an accurate and complete register of assets under his or her control or possession.

777.2. Failure to Tag Assets

Audit inspection revealed that the County Executive's assets were not tagged to facilitate proper identification and tracking. Further, Management had not established policies and procedures on asset management, contrary to Regulation 132(2) of the Public Finance Management (County Governments) Regulations, 2015, which requires the Accounting Officer to ensure that both electronic and manual processes and procedures are in place for the effective, efficient, economical and transparent use of the County Government assets.

777.3. Non-Disposal of Obsolete and Unserviceable Assets

Audit inspection revealed that several defective and unserviceable motor vehicles had been grounded for a long time. However, Management did not provide satisfactory explanation for the failure to board and earmark these unserviceable motor vehicles and transport equipment for disposal. This was contrary to Section 163(1) of the Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer shall establish a Disposal Committee as and when prescribed for the purpose of disposal.

In the circumstances, the effectiveness of internal controls over asset management could not be confirmed.

778. Lack of a Risk Management Policy

Review of records revealed that Management had not developed a Risk Management policy. Further, no risk assessment was carried out during the year under review. This was contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015, which requires the Accounting Officer to ensure that the County Government entity develops risk management strategies, including fraud prevention mechanisms and establish a system of risk management and internal control that supports robust business operations.

In the circumstances, the effectiveness of Risk Management System in the County Executive could not be confirmed.

List of Unresolved Prior Year Matters

No.	Audit Issues for 2023/2024
1	Presentation, Accuracy and Completeness of Financial Statements
2	Presentation of the Financial Statements
3	Inaccuracies in Financial Statements
4	Payment of Un-Reconciled Salary Arrears
5	Unsupported Transfers to Youth Operation Account
6	Cash and Cash Equivalents
7	Voided Expenses Payments and Purchase Orders in IFMIS
8	Outstanding Imprests as per Imprest Register
9	Unsubmitted Financial Statements for Level-Four Hospitals
10	Budgetary Control and Performance
11	Unexplained Variances with Prior Year Comparative Amounts
12	Compensation of Employees
13	Employee with no Personal Files
14	Employees on Payroll beyond Retirement Age
15	Irregular Appointment and Promotion of Senior Officers
16	Unprocedural Hiring of Casual Workers
17	Staff Being Paid in Both IPPD and Manual Payrolls
18	Payment of Salaries Outside IPPD
19	Failure to Provide IPPD Payroll for the Month of September, 2023
20	Un- Authorized Payment of Allowances in Integrated Payroll and Personnel Database (IPPD)
21	Un- Authorized Payment of Hardship Allowance
22	Non-Remittance of Payroll Deductions
23	Irregular Payment of Emergency Call Allowance
24	Payment of Monthly Salary to Administration Police Officers
25	Failure to comply with One Third Rule on Basic Pay
26	Failure to Confirm to Ethnic Balance in the Staff Composition
27	Use of Goods and Services
28	Foreign Travel Expenses on Caucus Meetings
29	Failure to Remit National Industrial Training Authority (NITA) Training Levy
	Car Hire Services
30	Irregular Subscriptions to Council of Governors
31	Outsourcing of Legal Services
32	Procurement of Fuel and Lubricants
33	Ineligible Expenditure Under Kenya Informal Settlement Improvement Project (KISIP 2)
34	Acquisition of Assets
35	Construction of Nandi County Aggregation and Industrial Park
36	Delayed Completion of Construction of Avocado Agrregation Centre

No.	Audit Issues for 2023/2024
37	Proposed Construction of Perimeter Wall and External Works for the New Governor's Office
38	Construction of the Nandi Co-operative Creameries Kabiyet Phase III
39	Proposed Construction of the Modern Athletic Training Camp in Kapsabet
40	Stalled Proposed Completion Works at Kapsengere Hospital Phase II
41	Construction of Kobujoi Sub-County Hospital
42	Construction of Mother and Child Hospital (MCH) at County Referral
43	Construction of the Governor's Office Building-Nandi County Headquarters
44	Variation of Contract for the Proposed Construction at a Fresh Produce Market at Jua Kali Area,Kapsabet Town
45	Delayed Completion Works Phase ii for Chepterwai Sub-County Hospital
46	Delayed Operationalization of Kenya Devolution Support Project (KDSP) Funded Coffee Mill Project
47	Delayed Operationalization of Nandi County Textile and Apparel Unit
48	Fuel Expenses on Road Works by County Machinery
49	Unconfirmed Purchase of Office Furniture and General Equipment
50	Roads Projects Verification
51	Management of County Assets
52	Failure to Develop Organizational Chart
53	Weak Controls in Processing of Payments
54	Payment of Pending Bills Not Previously Disclosed
55	Lack of Independent Internal Audit Function
56	Timing of Audit Committee Meetings
57	Lack of Management Commitment to the Internal Audit Charter.

COUNTY EXECUTIVE OF BARINGO – NO.30

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

779. Non-Compliance with the Transitional IPSAS Reporting Requirements

Note 2 to the financial statements on Statement of Compliance and Basis of Preparation of the Financial Statements revealed that the County Executive had taken advantage of the transitional provisions under IPSAS 33. However, Management has not indicated the elements of the financial statements that have not been recognized and the steps being taken towards full compliance with IPSAS Accrual.

In the circumstances, the presentation and disclosure of the financial statements could not be confirmed.

780. Inaccuracies in the Financial Statements

Review of the financial statements revealed the following anomalies:

780.1. Variances in Transfers from County Revenue Fund

The statement of financial performance reflects transfers from County Revenue Fund (CRF) amount of Kshs.6,424,471,364 as disclosed in Note 6 to the financial statements. However, the CRF financial statements reflects transfer to the County Executive amounting to Kshs.6,249,193,488 resulting in an unreconciled variance of Kshs.175,277,876.

780.2. Inaccuracies in Comparative Balances

The statement of financial position reflects property, plant and equipment and trade and other payables balances of Kshs.881,683,630 and Kshs.395,618,423 and as disclosed in Note 26 and Note 32 to the financial statements respectively. Review of the previous year 2023/2024 audited financial statements revealed comparative balances of Kshs.9,537,819,993 and Kshs.455,035,776 in respect of summary of non-current assets register and pending accounts payables respectively omitted in the financial statements.

780.3. Misstatements of Comparative Balances

The statement of changes in net asset reflects net assets balance of Kshs.713,979,712 which includes comparative balances of Kshs.407,379 and Kshs.346,752,659 in respect of recognition of assets and liabilities during the year. However, review of Annex 6 and Note 20 to the financial statements of the prior year audited financial statements revealed summary of fixed assets register and other important disclosures comparative balances of Kshs.9,537,819,993 and Kshs.455,035,775 for various assets held by the County

Executive and other pending accounts payables resulting in unreconciled variances of Kshs.9,537,412,614 and Kshs.108,283,117 respectively.

780.4. Misstatement in the Statement of Cash Flows

The statement of cash flows reflects purchase of property, plant and equipment balance of Kshs.939,080,551. However, Note 26 to the financial statements reflects additions balance of Kshs.969,142,528 resulting in an unreconciled variance of Kshs.30,061,977. Further, the statement reflects a balance of Kshs.172,868,402 in respect of cash and cash equivalents as at 1 July, 2024 which differs with the comparative balances and prior year audited financial statements balance of Kshs.422,596,884 resulting in an unreconciled variance amounting to Kshs.249,728,482.

In the circumstances, the accuracy, completeness, presentation and disclosures of the balances in the financial statements could not be confirmed.

780.5. Misclassification and Unsupported Purchase of Land

The statement of financial performance reflects use of goods and services amount of Kshs.1,530,206,456 as disclosed in Note 10 to the financial statements which includes other expenses amounting to Kshs.214,664,151. Included in the expenditure is an amount of Kshs.2,800,000 used to purchase parcels of land using direct procurement method. However, supporting documents including tender documents, ad hoc committee that negotiated for the purchase of land and special reports to the Public Procurement Regulatory Authority (PPRA) on the use of direct method of procurement and land sale agreement were not provided for audit. Further, the purchased land was expensed under use of goods and services instead of capitalizing under property, plant and equipment contrary to the accounting policies.

In the circumstances, the accuracy and completeness of the balances in the affected statements could not be confirmed.

781. Unsupported Expenditure

The statement of financial performance reflects use of goods and services amount of Kshs.1,530,206,456 as disclosed in Note 10 to the financial statements which includes domestic travel and subsistence amount of Kshs.498,576,120. However, the amount includes land adjudication expenditure of Kshs.10,500,000 which was not supported with public notice declaring the area as an adjudication section, claims submitted by land owners, demarcation and surveying report, minutes of dispute resolution committee and the adjudication record.

Further, the use of goods and services which includes routine maintenance of vehicles and other transport equipment amounting to Kshs.46,325,653. However, supporting documents including payment vouchers, driver defects report, maintenance logbook and pre or post mechanical inspection reports were not provided for audit.

In the circumstances, the accuracy and completeness of the use of goods and services amount of Kshs.56,825,653 could not be confirmed.

782. Unreconciled and Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.395,618,423 as disclosed in Note 32 to the financial statements. However, review of the County Government Budget Implementation Review Report for the year 2024/2025 dated August, 2025 by the Controller of Budget revealed a balance of Kshs.346,300,000 resulting to an unreconciled variance of Kshs.49,318,423.

Further, the balance includes an amount of Kshs.3,998,100 in respect of land adjudication fees, land use plan and cadastral survey for Maji Mazuri Market Center. However, supporting documents including land adjudication reports indicating number of parcels adjudicated, size or acreage of each parcel, registered owners or claimants and encumbrances or restrictions were not provided for audit. In addition, a balance of Kshs.511,340 was electricity bill incurred by Kabarnet Municipality recorded as a payable in the Department for Lands.

In the circumstances, the accuracy, completeness and existence of trade and other payables balances of Kshs.395,618,423 could not be confirmed.

783. Irregular Transfer to Other Government Agencies

The statement of financial performance reflects transfers to other Government entities amount of Kshs.435,904,382 as disclosed in Note 11 to the financial statements. However, review of the IFMIS payment details revealed that fifty-seven (57) transfers totalling Kshs.6,113,300 were irregularly made to suppliers and individuals who ordinarily were not expected to be paid under this account.

In the circumstances, the accuracy, completeness and regularity of transfers to other Government entities amounting to Kshs.6,113,300 could not be confirmed.

Emphasis of Matter

784. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.7,820,657,918 and Kshs.6,424,471,364 respectively, resulting to under-funding amount of Kshs.1,396,186,554 or 18% of the budget. However, the County Executive spent an amount of Kshs.6276,518,849 against actual receipts of Kshs.6,424,471,364 resulting in an under-utilization of Kshs.147,952,515 or 2% of actual receipts.

The under-funding 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.

Other Matter

785. Unresolved Prior Year Matters

In the previous year's audit report, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in the Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status revealed that twenty-four (24) audit matters listed at the end of this report remained unresolved as at 30 June, 2025.

Other Information

786. There were no material issues relating to Other Information.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

787. Non-Compliance with Facility Improvement Financing Act, 2023

Review of County revenue records for six (6) Level 4 and Level 5 Hospitals revealed that the facilities collected a total amount of Kshs.261,068,892 and transferred the entire amount to the County Revenue Fund. However, an amount of Kshs.259,161,101 was reimbursed to the hospitals leaving a balance of Kshs.1,907,791.

Further, the Facility Improvement Financing (FIF) revenues were deposited into the general County revenue accounts instead of the designated Facility bank accounts. This was contrary to the provisions of Section 20(1) and Section 22(8) Section 5, Section 7, of the Facilities Improvement Financing Act, 2023 which requires that all revenues collected by health facilities be retained in designated FIF accounts and utilized strictly for approved operational and improvement activities.

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

788. Non-Compliance with the Law on Fiscal Responsibility Principle Wages

The County Executive incurred a total of Kshs.3,630,411,370 on employees' costs which was 57% of the total County revenue of Kshs.6,424,471,364. This was contrary to Section 107(2)(c) of the Public Finance Management Act, 2012 and Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which provides that County Government wages and benefits shall not exceed 35% of total County Government revenue for the year.

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

789. Irregular Payment of Personal Allowances

The statement of financial performance reflects compensation of employees amounting to Kshs.3,630,411,370 and as disclosed in Note 9 to the financial statements. Included in the expenditure is an amount of Kshs.482,000 incurred on extraneous allowances to fifty-five (55) employees without approval. This was contrary to the Salaries and Remuneration Commission Circular referenced SRC/TS/JE/CG/3/33/6 VOL III (30) of 8 July, 2020 which identified the allowances and benefits applicable to employees in County Governments.

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

790. Irregular Re-Designation of Staff

Review of the human resource documents and the payroll revealed that Management re-designated seven (7) officers during the year under review. However, there was no proof of existing vacancies and the County Public Service Board did not conduct any interviews to assess the suitability of the candidates. This was contrary to Section B.21(3) of the Public Service Commission Human Resource Policies of May, 2016 which requires that suitability interview be conducted for officers who are moving from one cadre to another but not within the same job family and should be limited to positions in the first two (2) entry levels in any cadre. Further, the redesignation with continuous service will be allowed only for technical cadres whose job specifications are similar for both graduate and non-graduate officers.

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

791. Employment Contracts without Gratuity Provisions

Review of the human resource records revealed that ninety-one (91) officers were employed on contract and were qualified to receive gratuity at the end of their contract periods. However, review of the employment and contract documents revealed that provision of payment of gratuity was not included in the contracts signed. This was contrary to Section L.15 of the County Human Resource Manual, 2013 which stipulates that an Officer is eligible for the grant of a pension or gratuity under the Pensions Act only upon retirement from the service of the County Government in any of the following circumstances: age not less than fifty (50) years; abolition or re-organization of office; ill-health or public interest.

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

792. Irregular Engagement of Casual Employees

The statement of financial performance reflects compensation of employee amount of Kshs.3,630,411,370 as disclosed in Note 9 to the financial statements which includes an amount of Kshs.94,621,495 in respect of basic wages of temporary employees. However, records provided for audit revealed the following unsatisfactory matters:

(i) There was no approved staff establishment showing deficiency of staff to be filled by the casuals or formal requests done from the Departmental Heads on the need

for engaging casuals. This was contrary to Section B.5(2) of the County Human Resource Manual, 2013 which requires that all vacancies should be declared in a prescribed format which shall include: the number of vacancies; when the vacancy occurred; whether the vacancy is within the authorized establishment and other relevant details.

(ii) There were no approvals by the County Public Services Board, authorizing Departments to recruit casual employees' contrary to Section 74 of the County Governments Act, 2012 which provides that the County Public Service Board shall regulate the engagement of persons on contract, volunteer and casual workers in its public bodies and offices.

(iii) Review of records in respect of how temporary employees were hired, the work for which they were hired to do, terms and conditions of services, and master rolls showing attendance of the casual workers were not provided for audit review. The existence of the temporary employees and their work stations could therefore not be confirmed. This was contrary to Section 74 of the County Governments Act, 2012 which requires that the County Public Service Board shall regulate the engagement of persons on contract, volunteer and casual workers, staff of joint ventures and attachment of interns in its public bodies and offices.

(iv) Further, Management did not maintain temporary employees' payroll and instead made the payments to other County staff for onward transmission to the respective employees in cash. This was contrary to Section 74(1) of the Employment Act, 2007 which stipulates that an employer shall keep a written record of all employees employed by him, with whom he has entered into a contract under this Act.

(v) Records of statutory monthly deductions on wages such as Pay-As-You-Earn (PAYE), Social Health Insurance Fund (SHIF) and National Social Security Fund (NSSF) or remittance to the respective statutory organizations were not provided for audit. This was contrary to Section 37(1) of the Income Tax Act Cap 470 which requires an employer paying emoluments to an employee to deduct and account for the tax as may be prescribed by the commissioner. Regulation 4 of the National Social Security Fund, 2014 which provides that an employer shall pay contributions to the Pension Fund in respect of each employee in his or her employment as prescribed in Section 20 of the Act and Regulation 22(1) of the Social Health Insurance Regulations, 2024 which provides that an employer shall deduct the contribution of a salaried contributor and submit the contribution to the Authority on behalf of the employee at the rate provided in Regulation16 by the ninth day of each month.

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

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

The County Public Service Board recruited eleven (11) officers in various Departments who were all from the dominant ethnic community in the County. This was contrary to Section 65(1)(e) of the County Governments Act, 2012 which requires that at least thirty

percent should be filled by candidates who are not from the dominant ethnic community in the County.

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

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

Review of the Integrated Personnel Payroll Data (IPDD) for the month of April, 2025 revealed that a total of forty-four (44) employees earned net salary lower than a third of their basic salary. This was contrary to Section C.1 (3) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which prohibits public officers from overcommitting their salaries beyond two thirds of their basic salaries and Section 19(3) of the Employment Act, 2007. The affected employees may suffer pecuniary embarrassment.

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

795. Irregularities in Projects Implementations

795.1. Unconfirmed Projects Implementation Status Reports

The Project Implementation Status Report provided for audit on several projects lacked management details including: approved budgets, name of contractors, tender and contract numbers, contract period commencement and completion dates of contracts, payment certificate numbers and dates, certified amounts to date, accumulated payments to date, amounts un-paid to date and status of the projects. This was contrary to Regulation 129(3) of the Public Finance Management (County Governments) Regulations, 2015 which provides that an Accounting Officer shall put in place efficient and effective systems to monitor and report on non-financial performance for his or her County Government entity's individual programmes and projects.

Further, Monthly Progress Reports of projects for the Departments were not maintained to confirm budgeted expenditure for the twelve (12) Departments totalling Kshs.2,679,271,318. This was contrary to Section 152 of the Public Procurement and Asset Disposal Act, 2015 which requires the Head of the Procurement Function to prepare Monthly Progress Reports of all procurement contracts of the procuring entity and submit them to the Accounting Officer.

795.2. Delay in Completion of the Kabarnet Referral Hospital Surgical Block

The County Executive entered into a contract for the proposed erection and completion of a surgical ward at a contract sum of Kshs.152,567,399 in two (2) phases amounting to Kshs.62,594,619 and Kshs.89,972,781 being implemented in 2022/2023 and 2023/2024 respectively. The contract duration was fifty-seven (57) weeks with commencement and completion dates of 1 June, 2023 and 30 June, 2024 respectively. However, the contract was not completed as stipulated in the contract and the contractor was given an extension to 30 June, 2025 to complete the works. Further, contract records indicated that the contractor had been paid an amount of Kshs.130,940,598 equivalent to 85% of the

contract sum between February and April, 2025. Physical inspection carried out in July, 2025 revealed that the works had not been completed.

795.3. Stalled Projects

The status report for stalled projects over years reflected twenty-four (24) stalled projects with a budget of Kshs.1,330,957,775 and payments totalling Kshs.131,056,053 having been made by the time the projects stalled. This was contrary to Section 151(2)(a) of the Public Procurement and Asset Disposal Act, 2015 which requires the contract implementation team appointed to manage complex and specialized procurement contracts by monitoring the performance of the contractor and ensure that all delivery or performance obligations are met or appropriate action's taken by the procuring entity in the event of obligations not being met. The stalled projects expose the County Executive to loss of assets and funds through wasteful expenditure, legal disputes and cost escalation due to inflationary pressures.

795.4. Failure to Utilize Completed Dispensaries

Review of the Project Implementation Status Report for the year under review revealed that several dispensaries were completed. However, physical inspections in July, 2025 revealed that six health namely; Korelach, Sugut, Ngaina, Chewara, Loyeya and Seretion remained unused despite having been completed at a combined total cost of Kshs.20,654,214 due to lack of essential equipment and staffing.

795.5. Lack of Comprehensive Register of County Roads

Appendix VIII on fixed assets register reflects a balance of Kshs.969,142,528 which includes an amount of Kshs.620,379,159 in respect of road infrastructure. However, the County Executive did not maintain an inventory of public roads specifying the roads and their classifications, names and length by surface and details indicating the number of kilometers of road works done. This was contrary to Regulation 170(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that that an Accounting Officer of a procuring entity shall be responsible for maintaining a register of assets under his or her control or possession.

In the circumstances, the value for money on the above projects could not be confirmed and Management was in breach of the law.

796. Non- Compliance with Procurement Laws

796.1. Lack of Procurement Plan

Review of procurement records in the Department for Water and Irrigation, and Agriculture, Livestock and Fisheries revealed that goods, works and services totalling Kshs.108,962,196 and Kshs.37,265,356 respectively were procured during the year under review. However, expenditure amounting to Kshs.14,109,657 and Kshs.3,555,983 respectively were not supported by an approved procurement plan. This was contrary to

Regulation 40(3) of the Public Procurement and Asset Disposal Regulations, 2020 which stipulates that the Head of user Department shall submit an Annual Departmental Procurement Plan to the Accounting Officer prior to the commencement of the financial year and shall be implemented in accordance with the timelines set out therein.

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

796.2. Irregular Procurement of Motor Cycles

The County Executive entered into a contract for the proposed purchase of eight (8) motorbikes at a cost of Kshs.2,999,998 for Silale Ward. However, the purchases were not supported with market surveys reports and logbooks were provided for audit. This was contrary to Section 54(2) of the Public Procurement and Asset Disposal Act, 2015 which provides that standard goods, services and works with known market prices shall be procured at the prevailing market price.

796.3. Procurement Outside e-Procurement System

The County Executive entered into a contract for the proposed construction of County Aggregation and Industrial Park at a contract sum of Kshs.435,606,305. However, the procurement was done outside the Government e-Procurement System. This was contrary to Regulation 49(2) of the Public Procurement and Asset Disposal Act, 2020 which provides that the conduct of procurement procedures for the supply of goods, works and services shall be carried out by a procuring entity using an E-procurement system which is integrated to the state portal.

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

796.4. Construction of Guest House at Eldama Ravine Agricultural Training Institute

Review of the procurement and projects records revealed that a local contractor was awarded a contract for the construction of a guest house at Eldama Ravine Agricultural Training Institute at a cost of Kshs.19,722,320 with commencement date of 3 April, 2017 and expected completion date of 12 March, 2018. However, records provided for audit revealed that the contractor had been paid a cumulative sum of Kshs.16,845,510 or 85% of the contract sum but the project was incomplete. Further, there were no budgetary allocations and provisions during the year under review resulting to further project implementation delays.

In addition, performance security amounting to Kshs.986,118 was issued on 23 June, 2017 which expired on 20 June, 2018 without renewal. This was contrary to Section 142(2) of the Public Procurement and Asset Disposal Act, 2015 which provides that in case the contract is not fully or well executed, the performance security shall unconditionally be fully seized by the procuring entity as compensation without prejudice to other penalties provided for by the Act.

In the circumstances, the value for money on the construction of a guest house amounting to Kshs.19,722,320 could not be confirmed and Management was in breach of the law.

796.5. Irregularities in Procurement of Works, Goods and Services for Agriculture, Livestock and Fisheries Department

Review of procurement records in the Department revealed that various procurements were undertaken during the year under review. However, the following irregularities were noted:

(i) The Department awarded contracts for the supply of acaricides, fertilizers and coffee seeds and Kaimugul cattle renovation works at cumulative contract sum of Kshs.5,123,300. However, review of the procurement records revealed that the contractors failed to provide valid business permits which was a precondition for award of the contracts. This was contrary to Section 55 (1)(c) of the Public Procurement and Asset Disposal Act, 2015 which provides that a person is eligible to bid for a contract in procurement or an asset being disposed, only if the person satisfies the following criteria the person, if a member of a regulated profession, has satisfied all the professional requirements.

(ii) Review of the procurement records revealed that a contract for the renovation of Sigerger cattle dip at Kabartonjo ward was awarded to a local contractor at a contract sum of Kshs.650,000. However, the Company did not have a Tax Compliance Certificate. This was contrary to Section 55(1)(f) of the Public Procurement and Asset Disposal Act, 2015 which provides that a person is eligible to bid for a contract in procurement or an asset being disposed, only if among others has fulfilled tax obligations.

(iii) The construction of County Aggregation and Industrial Parks at Kimose, Mogotio Sub-County was awarded at a contract sum of Kshs.435,606,305 with an amount of Kshs.21,782,306 paid during the year under review. The project commenced on 21 November, 2023 with an expected completion date of 20 June, 2025. However, the contract period had expired and the project was incomplete with no renewed extension period and the performance security bond expired on 30 December, 2024.

(iv) The construction of Kapicha Gate House was awarded at a contract sum of Kshs.999,780. The project commenced on 21 August, 2023 with an expected completion date of 9 October, 2023. The contractor requested for project extension on 1 December, 2023, two (2) months after the expiry of the contract. The contractor was granted an extension for the project from 10 December, 2023 to 30 June, 2024. However, the project was incomplete as at 30 June, 2025.

(v) The construction and branding of entry and exit point at Cheplon was awarded at a contract sum of Kshs.2,957,465. The project commenced on 22 February, 2024 with an expected completion date of 22 May, 2024. On 8 August, 2024, the contractor requested for project extension, two (2) months

after the contract had expired. The request was granted by the Chief Officer, Tourism and Wildlife on the 4 December, 2024 and the contract was extended to 20 December, 2024. However, the project was incomplete as at 30 June, 2025.

(vi) The Department procured three (3) smart phones at a cost of Kshs.799,500 through Local Purchase Order dated 19 February, 2024. However, the supplier's delivery notes and the Inspection And Acceptance Committee Reports did not indicate, the serial numbers of the smart phones supplied. This was contrary to the provisions of Section 48(3) of the Public Procurement and Asset Disposal Act, 2015 which provides that the Inspection and Acceptance Committee shall immediately after the delivery of the goods, works or services inspect and where necessary, test the goods received; inspect and review the goods, works or

(vii) services to ensure compliance with the terms and specifications of the contract. Further, market survey was not conducted to confirm that the price charged of an amount of Kshs.266,500 per unit was within the prevailing market rates. In addition, the asset register confirming the smart phones were taken on charge and distribution list signed by the recipients were not provided for audit.

(viii) The County Executive spent an amount of Kshs.88,733,565 on purchase of certified seeds, breeding stock, and live animals for research. However, the expenditure was not supported with documents including report on user needs, feasibility studies to determine the viability of the proposed agricultural projects within the County, valid nursery phytosanitary inspection certificate, distribution schedules, animal movement permits, evidence of accreditation of private companies by the Agriculture, Fisheries and Food Authority or other relevant Government bodies. This was contrary to Paragraph 3.13(2) of the Agricultural Policy, 2021 which provides that the National and County Governments will promote demand driven research in crops, livestock and fisheries management and development.

In the circumstances, the value for money on the acquisition of the assets and services amounting to Kshs.121,045,916 could not be confirmed.

797. Non-Compliance with Climate Change Financing

Review of the Baringo County Climate Change Fund financial statements revealed that the County Executive transferred and spent an amount of Kshs.362,953,924 and an amount of Kshs.198,116,312, respectively, in respect of climate change activities. However, the following anomalies were noted:

797.1. Non-Disclosure of the Expenditure Incurred on Climate Change Projects

Review of Appendix vi to the financial statements revealed that the County Executive implemented six (6) projects. However, the expenditure incurred on the projects was not disclosed as required by the Public Sector Accounting Standards Board Financial Reporting Template.

797.2. Lack of Monitoring and Evaluation Reports

There were no environmental and social impact assessment reports. This was contrary to Regulation 21(1) of the Public Finance Management (Baringo County Climate Change Fund) Regulations, 2023 which provides that the County monitoring and evaluation committee shall monitor and evaluate projects.

797.3. Lack of Policies for Extractive Industries

There were no policies or regulatory framework that guides the extraction of natural resources that contributes to low carbon climate resilience development. In the absence of extraction policies, there is likelihood of environmental exploitation and loss of revenue. This was contrary to Section 2.2 of the Baringo County Climate Change Policy, 2020 on sector specific impacts of climate change in the County which indicates that natural resources extraction contributes to and is vulnerable to climate change.

797.4. Lack of Validation of Project Proposals

There were no recommendations of the County Steering Committee on project validation process after receiving the project proposals from the Ward Committees. This was contrary to Regulation 18(l) of the Public Finance Management (Baringo County Climate Change Fund) Regulations, 2023 which requires the County Steering Committee to undertake a project validation process after receiving the project proposals from the Ward Committees and either approve the project proposals and communicate their decision to the respective Ward Committee; rejected project proposals with reasons given in writing and communicate this decision to the respective Ward Committee; or instruct the respective Ward Committee to make necessary amendments to a project proposal and approve the amended project proposal within a further two (2) weeks from the date of re-submission.

797.5. Lack of Reports on Community Consultation Fora

There were no reports of the Ward Committees on Community Consultation Fora. This was contrary to Regulation 16(l) of the Public Finance Management (Baringo County Climate Change Fund) Regulations, 2023 which requires that each Ward Committee shall convene community consultation fora in at least, three (3) administrative locations in the Ward before the financial year starts and Regulation 16(3) of the Public Finance Management (Baringo County Climate Change Fund) Regulations, 2023 which provides that the Ward Committees shall prepare a report on the Community Consultation Fora. The lack of relevant information may impair users' ability to rely on the financial statements for informed decision-making.

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

798. Failure to Construct Governor's and Deputy Governor's Official Residences

The County Executive failed to construct or prioritize the construction of the Governor's or Deputy Governor's official residences in breach of the Salaries and Remuneration Commission circulars referenced SRC/TS/CGOVT/3/61/VOL.V(44),

SRC/TS/CGOVT/3/61/VOL. V (52) and SRC/ADM/11 setting the deadline for leasing and paying of rent for official residences for the two (2) public officers as 30 June, 2022.

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

799. Long Outstanding Refundable Deposits

The statement of financial position reflects refundable deposits balance of Kshs.91,007,264 as disclosed in Note 33 to the financial statements. Included in the balance were long outstanding deposits totalling Kshs.38,759,988 dating back to the year 2020. This was contrary to Regulation 106 of the Public Finance Management (County Governments) Regulations, 2015 which provides that, unless otherwise exempted by an Act of Parliament, any deposit which has remained unclaimed for five (5) years, with the approval of the County Executive Committee Member, be paid into County Revenue Fund and thereafter the County Executive Committee Member may refund the deposit to any person entitled thereto, if he or she is satisfied that the claim is authentic.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

800. Failure to Undertake Valuation for Assets under Comprehensive Insurance Covers

The statement of financial position reflects property, plant and equipment balance of Kshs.881,683,630 as disclosed in Note 26 to the financial statements. However, the assets were not valued regularly and reconciled with the insurance policy schedule before renewal. Further, the valuation reports for assets under comprehensive insurance covers were not provided for audit.

In the circumstances, the effectiveness of internal controls to safeguard the County Executive's assets could not be confirmed.

801. Lack of Training Needs Assessment

The statement of financial performance reflects use of goods and services amount of Kshs.1,530,206,456 as disclosed in Note 10 to the financial statements which includes an amount of Kshs.20,555,405 in respect of training expenses. However, the expenditure was not supported with training needs assessments as required by Section I.3(2) of the County Public Service Human Resource Manual, 2013 which provides that, training in the County Public Service shall be based on Training Needs Assessment which shall be conducted every two (2) years in each County Department. Further, Section I.3(1) of the County Public Service Human Resource Manual, 2013 provides that County Departments shall prepare training projections based on Training Needs Assessment to guide the training committees in nominating officers for training.

In the circumstances, effective identification of training needs assessment to guide the training committees in nominating officers for training could not be confirmed.

802. Incomplete Assets Register and Lack of Project Coordination Committee

The statement of financial position reflects property, plant and equipment balance of Kshs.881,683,630 as disclosed in Note 26 to the financial statements. However, the Project Co-ordination Committee had not been constituted as a prerequisite to guide on identification and valuation of assets and liabilities under the International Public Sector Accounting Standards Accrual Accounting basis. Further, there was no comprehensive assets register that reflects asset details including description, reference or identification numbers, date acquired, purchase cost, location, nature and use including current status, details of ownership documents for the land, buildings and transport equipment consisting of title deeds and log books.

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

803. Failure to Maintain Inventory Register

The statement of financial performance reflects use of goods and services amount of Kshs.1,530,206,456 as disclosed in Note 10 to the financial statements which includes amounts of Kshs.15,740,780, Kshs.12,610,965, Kshs.58,937,141, Kshs.216,405,606 and Kshs.214,664,151 in respect of utilities, communication, hospitality supplies and services, specialized materials supplies and services and other expenses respectively. However, review of the supporting documents revealed that Management did not maintain inventory register for goods and services procured and consumed and record of quantities received, issued, or balances in stock. This was contrary to Regulation 133(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that an Accounting Officer shall be responsible for the proper custody, care and use of Government inventories under their control, including imported goods in vessels awaiting discharge and in customs warehouses awaiting clearance.

In the circumstances, the effectiveness of internal controls in the management of stores and inventory could not be confirmed.

804. Ineffectiveness of Internal Audit Functions and Audit Committee

Review of the internal audit reports and Audit Committee minutes revealed the following unsatisfactory matters:

(i) There was no evidence of an action plan presented to the Chairperson of the Audit Committee on how the auditee intended to implement the recommendations from the Internal Audit Department. Further, there was neither a report on the implementation status of recommendations made by the internal audit, nor follow-up on the recommendations to ensure they were implemented. This was contrary to Regulations 165(1)(2) of the Public Finance Management (County Governments) Regulations, 2015.

(ii) The Audit Committee held a total of two (2) meetings within the year under review contrary to Public Sector Accounting Standards Board (PSASB) requirement that audit committees within public sector entities meets at least quarterly.

(iii) The internal audit did not provide a report on the assessment of its own effectiveness through an internal performance appraisal. This was contrary to Regulation 159(1) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that each year the Head of Internal Audit Unit shall assess its own effectiveness through an internal performance appraisal and shall carry out annual review of performance of the internal audit activity commenting on its effectiveness in the annual report to the County Treasury.

(iv) There was no evidence that the Audit Committee followed up on the implementation of the recommendations of the internal and external auditor's contrary to Regulations 168(b) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the audit committee shall follow up on the implementation of the recommendations of the internal and external auditors.

(v) Review of personal files for staff in the internal audit unit revealed that six (6) staff were employed in the Department, whereas, the staff establishment and strategic plan showed thirteen (13) staff resulting to a shortage of eight (8) staff in the Unit to discharge its mandate effectively. This was contrary to Regulation 155(2)(a) of the Public Finance Management (County Governments) Regulations, 2015 which provides that an Accounting Officer shall ensure that the organizational structure of the internal audit unit facilitates the entity to accomplish its internal audit responsibilities.

In the circumstances, effectiveness of internal controls in the Internal Audit Department and in the Audit Committee could not be confirmed.

List of Unresolved Prior Year Matters

No.	Audit Issues for 2023/2024
1.	Inaccurate Non-Financial Assets
2.	Variance between Financial Statements and IFMIS
3.	Unsupported Maintenance of Motor Vehicle and other Transport Equipment
4.	Unsupported Bank Accounts
5.	Unclaimed Deposits
6.	Unauthorized and Unutilized Water Projects
7.	Unsupported Legal Fees
8.	Budgetary Control and Performance
9.	Unreconciled Pending Bills
10.	Inadequate Disclosure of Performance Information in the Annual Report
11.	Implementation of Recommendations by Legislative Committees and Audit
12.	No Adherence to Two Third Rule of Basic Pay Salary Rule
13..	Non-Compliance with Law on Fiscal Responsibility on Wage Bill
14.	Non-Compliance with Ethnical Composition
15.	Irregular Engagement of Casuals
16.	Construction of Markets and Sheds at Kapsoo
17.	Installation of Floodlights
18.	Stalled and Delayed Projects
19.	Delayed Construction of Infrastructure Projects
20.	Roads Projects Implementations Report
21	Incomplete Referral Hospital Surgical Ward
22	Procurement of Certified Seeds, Bleeding Stock and Live Animals
23	Audit of Climate Change
24	Internal Audit and Function of Audit Committee

COUNTY EXECUTIVE OF LAIKIPIA – NO.31

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

805. Variances in Transfer to Other Government Entities Amount

The statement of financial performance and Note 9 to the financial statements reflect an amount of Kshs.418,357,458 in respect of transfers to other Government entities. Included in the amount are transfers totalling Kshs.20,010,951 to three (3) County Government entities which were at variance with the amounts disclosed in the entities' respective audited financial statements totalling Kshs.22,460,000 as tabulated below;

County Entity	County Executive's Financial Statements Amount (Kshs)	Entity's Financial Statements Amount (Kshs)	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**	**22,400,000**	

In the circumstances, the accuracy and completeness of the transfers to other Government entities amount of Kshs.20,010,951 could not be confirmed.

806. Unsupported Trade Payables Balance

The statement of financial position and Note 15 to the financial statements reflect trade and other payables balance of Kshs.1,935,664,585. The balance includes trade payables totalling Kshs.1,154,508,149, which were not supported by requisitions, local purchase/service orders, invoices, delivery notes, signed contract agreements, description of the project and/or project locations and supplier reconciliations.

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 the circumstances, the accuracy and completeness of the trade and other payable balance of Kshs.1,154,508,149 could not be confirmed.

807. Lack of Asset Ownership Documents

The statement of financial position reflects property, plant and equipment balance of Kshs.35,778,986,723 which as disclosed in Note 14 to the financial statements includes land and buildings valued at Kshs.32,166,169,389 and Kshs.3,156,256,882 respectively. However, Management did not provide ownership documents such as title deeds, allotment letters, or lease agreements to support these balances.

In the circumstances, the accuracy, completeness, ownership and existence of land and buildings valued at Kshs.32,166,169,839 and Kshs.3,156,256,882 could not be ascertained.

Emphasis of Matter

808. 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 in underfunding of Kshs.808,429,760, or 12% of the budget. However, the County Executive spent an amount of Kshs.5,722,126,550 against actual receipts of Kshs.6,103,450,954, resulting in an under utilization of Kshs.381,324,404, or 6% of the actual receipts.

The underfunding affected the planned activities of the County Executive and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Other Matter

809. 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 eleven (11) issues or given any explanation for the delay in resolving the issues as at 30 June, 2025 as detailed in the table below:

No.	Audit Issues for 2023/2024
1	Non-Compliance with the Law on Fiscal Responsibility on Wage Bill
2	Non-Compliance with the Third of Basic Salary Rule
3	Non-Compliance to the Law on Ethnic Composition
4	Irregularities in the Procurement and Delivery of Dialysis Equipment
5	Irregular Payment of Allowances to Laikipia County Administration Police Welfare Account

No.	Audit Issues for 2023/2024
6	Pending Bills Not Paid as First Charge
7	Failure to operate Fully on the E-Procurement Platform
8	Ineffective Internal Audit Department
9	Action on Internal and External Audit Reports by the Audit Committee
10	Failure to Tag Assets
11	Non -disposal of Obsolete and Unserviceable Assets

Other Information

810. There were no material issues relating to Other Information.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

811. Non-Compliance with Data Protection Requirements

Review of County records revealed 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 was 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.

812. Failure to Construct the Official Residences of the Governor and Deputy Governor

Review of County records revealed that the County Executive had not constructed or made budgetary provision for the construction of an official residence for the Governor and the 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 to have been commissioned by 30 June, 2022. In the absence of an official residence, the Governor and Deputy Governor continued to draw monthly house allowance amount of Kshs.300,000 totalling Kshs.3,600,000 annually, which was irregular and contrary to the SRC guidelines.

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

813. Irregularities in the Procurement 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 observations;

813.1. 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 for Administration. However, there were only two (2) competing bidders who were not in the procurement category of 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.

813.2. 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 for 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 thirty (30) days from the date of issue.

813.3. Legal Expenses

Included in the use of goods and services amount is other operating expenses totalling Kshs.60,341,363 which further include 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 County Executive Committee contrary to Section 16(1) of the County Attorney Act, 2020 and Section 91 of the Public Procurement and Asset Disposal Act, 2015, which establishes open tendering as the preferred method of procurement.

Further, the procurement was not supported by Ad-hoc Evaluation Committee Minutes, Head of Procurement professional opinion and service requisitions from the user Department.

In addition, although the Integrated Payroll Personnel Database (IPPD) indicated that the County Executive had a Legal Officer and a Legal Advisor, it was not explained why they could not execute their mandate to represent the Executive on legal matters for which the services were outsourced from external legal firms.

In the circumstances, the value for money on the above expenditures could not be confirmed.

814. Non-Compliance with the Law on Staff Ethnic 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(1) and (2) of the National Cohesion and Integration Act, 2008, which requires public establishments to represent the diversity of the people of Kenya in the employment of staff and not to have more than one-third of its staff from the same ethnic community.

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

815. Non-Compliance with the Persons with Disabilities Act, 2025

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 persons with disabilities. This was contrary to Section 5(1)(e) of the People with Disabilities Act, 2025 which states that 'every county government shall promote the inclusion of persons with disabilities in the county public service by putting in place measures to ensure that at least five per centum of the employment positions are filled by persons with disabilities.

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

816. Non-Compliance with the Law on Fiscal Responsibility Principles on Wages

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's expenditure on wages and benefits for its public officers shall not exceed 35% of the County Government's total revenue.

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

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

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 stipulates 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 made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

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

818. Failure to Settle Long Outstanding Payables

The statement of financial position and Note 15 to the financial statements reflect trade and other payables balance 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 indicate that payables amounting to Kshs.1,310,222,624 have been outstanding for over three (3)

years. This was contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulation, 2015 which provides that debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible that the county Government does not default on debt obligations.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

819. Lack of Key Information Communication and Technology Governance Structures and Policies

The County Executive did not have an Information Communication Technology (ICT) strategic committee, an active ICT steering committee and a formally approved ICT security policy to ensure data confidentiality, integrity, and availability. The absence of these critical governance structures and policies indicated a significant weakness in the County's ICT governance and risk management framework.

In the circumstances, the County's ICT environment was exposed to risks of data breaches, operational disruptions and non-compliance with regulatory requirements.

820. Weak System of Internal Controls over Management of Fixed Assets

The statement of financial position and Note 14 to the financial statements reflect property, plant, and equipment balance of Kshs.35,778,986,723. However, review of records revealed the following weaknesses:

820.1. Lack of Land and Buildings Register

The County Executive did not maintain a register of land and buildings during the year under review. This exposes County land and buildings to loss through grabbing or misappropriation and inefficient land management and planning.

820.2. 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 for Health, two (2) under the Department for Agriculture and one (1) each under the Department for Infrastructure, Department for Water and Environment, and Department of Administration respectively. 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.

820.3. Incomplete Assets Register

The asset register 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 was incomplete, undermining the reliability of the asset information presented in the financial statements.

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

COUNTY EXECUTIVE OF NAKURU – NO.32

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

821. Inaccuracies in the Financial Statements

821.1. Irregular Transfer to Other Government Agencies

The statement of financial performance reflects transfers to other Government entities amount of Kshs.2,122,942,239 as disclosed in Note 11 to the financial statements. However, review of the Integrated Financial Management Information System (IFMIS) payment details revealed that three hundred and thirty-eight (338) transfer payments amounting to Kshs.725,862,918 were irregularly charged to transfers/grants to other Government agencies, instead of payments to suppliers or individuals. The transfers/grants to other Government agencies accounts are supposed to transfer funds from one Government agency to another and not to suppliers or individuals.

In the circumstances, the accuracy, completeness and regularity of the transfers to other Government entities amounting to Kshs.725,862,918 could not be confirmed.

821.2. Unsupported Adjustments Balance

The statement of changes in net asset reflects total net assets balance of Kshs.25,079,839,418 which is net off an amount of Kshs.794,430,677 in respect of adjustments made in the opening balance. However, the adjustment was not supported with journal entries and a schedule of the transactions related to the adjustments.

In the circumstances, the accuracy and completeness of net assets balance of Kshs.25,079,839,418 could not be confirmed.

822. Property, Plant and Equipment Without Ownership Documents

The statement of financial position reflects property, plant and equipment balance of Kshs.23,168,922,681 as disclosed in Note 26 to financial statements. However, review of the property, plant and equipment records revealed that there were two hundred and eighteen (218) motor vehicles which did not have log books and eight hundred and seventy-eight (878) parcels of land without title deeds or allotment letters. No explanation was provided for the absence of ownership documents for the motor vehicles and the parcels of land.

Further, review of the land register revealed that ten (10) parcels of land had been encroached by illegal settlers and private developers. However, Management had not taken any action to reclaim or settle the matter and acquire the title deed for the encroached parcels of land.

In the circumstances, the accuracy, completeness and ownership of the property, plant and equipment balance of Kshs.23,168,922,681 could not be confirmed.

823. Unaccounted for Disbursements to Another County Fund

The County Executive Receiver of Revenue - Revenue Statements under the statement of revenue and disbursements reflects an unexplained disbursement to another County Fund amount of Kshs.1,960,729,790. However, accountability for the funds was not provided by way of financial statements of the recipient or the beneficiary Fund. Further, Management did not provide a detailed schedule indicating the particulars of the Fund to which the funds were disbursed.

In the circumstances, the completeness and regularity of the disbursements to an unexplained another County Fund amounting to Kshs.1,960,729,790 could not be confirmed.

824. Long Outstanding Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.703,353,351 as disclosed in Note 22 to the financial statements. However, review of the ageing analysis revealed that an amount of Kshs.602,408,309 or 86% of the total receivables have been outstanding for more than three (3) years making their recoverability doubtful. Management did not provide any evidence of measures the County Executive had put in place to ensure recovery of the long outstanding debts. Further, Management did not make any provision for bad and doubtful debts in the financial statements.

In the circumstances, the accuracy of receivables from exchange transactions balance of Kshs.602,408,309 could not be confirmed.

825. Inaccuracies in Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.6,486,082,856 as disclosed in Note 32 to the financial statements. However, review of the supporting ledger reflects a balance of Kshs.5,843,012,764 resulting in an unexplained and unreconciled variance of Kshs.643,070,092.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.6,486,082,856 could not be confirmed.

826. Unsupported Intangible Assets

The statement of financial position reflects intangible assets balance of Kshs.221,518,856 as disclosed in Note 27 to the financial statements. However, the intangible assets balance was not supported with a detailed schedule indicating the nature and state of the intangible assets.

In the circumstances, the accuracy and completeness of the intangible assets balance of Kshs.221,518,856 could not be confirmed.

827. Non-Compliance with Facility Improvement Financing Act, 2023

Review of County Executive revenue records for level 4 and 5 hospitals revealed that the sixteen (16) Facilities in the County collected an amount of Kshs.1,797,785,103 but transferred Nil amount to the County Revenue Fund. Further, transfer records indicate that an amount of Kshs.1,797,785,103 was disbursed to the sixteen (16) Hospitals from the Facility Improvement Fund (FIF) collection account. However, the Hospitals financial statements reflected a total amount of Kshs.1,726,121,564 as having been received from the FIF account resulting in an unexplained undisbursed amount of Kshs.71,663,539.

Further, the County Government of Nakuru - Receiver of Revenue statements reflects transfers to another County Fund (FIF) amount of Kshs.1,960,729,790 which was at variance with the County Executive's records amount of Kshs.1,797,785,103 resulting in an unexplained variance of Kshs.162,944,687. The inconsistency between the various records was not explained by Management.

In addition, the Facility Improvement Financing (FIF) revenues were deposited into the general county revenue accounts instead of the designated Facility bank accounts. This was contrary to the provisions of Section 20(1) of the Facilities Improvement Financing Act, 2023 which requires that all revenues collected by health facilities be retained in designated FIF accounts and utilized strictly for approved operational and improvement activities.

In the circumstances, the accuracy and completeness of County revenue amounting to Kshs.1,797,785,103 could not be confirmed.

828. Transactions Included in Integrated Financial Management Information Systems Payments System but not in the Payment Details Report

Review of the Integrated Financial Management Information System (IFMIS) payments report processed against the payments made revealed that there were seven hundred and eight (708) transactions amounting to Kshs.787,431,649 which were paid in IFMIS but not captured in the IFMIS payment details report as at 30 June, 2025.

In the circumstances, the accuracy and completeness of the transactions amounting to Kshs.787,431,649 could not be confirmed.

Emphasis of Matter

829. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total receipts budget and actual on a comparable basis amount of Kshs.23,980,402,312 and Kshs.19,534,080,837 respectively resulting in under-funding of Kshs.4,446,321,475 or 19% of the budget. Further, the statement reflects that the County Executive spent an amount of Kshs.12,116,116,256 against actual receipts of Kshs.19,534,080,837 resulting in an under-utilization of Kshs.7,417,964,581 or 38% of the actual receipts.

However, no explanation was provided for budget utilization difference exceeding 10% contrary to Section 164 (2) (a) (iv) of the Public Finance Management Act, 2012 which requires a County Government entity to present appropriation accounts showing a statement explaining any variations between actual expenditure and the sums voted.

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

My opinion is not modified in respect of this matter.

Other Matter

830. 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 and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the County Executive for the financial year 2024/2025 revealed that forty-one (41) issues remained unresolved as listed at the end of this report.

831. Closure of Nakuru War Memorial Hospital

As reported in the previous year, the Nakuru War Memorial Hospital sits on a parcel of land measuring approximately 11.25 Hectares and also hosts Nakuru County Referral and Teaching Hospital, Nakuru Annex Hospital and State House landing field or helipad. The land was leased to War Memorial Hospital for ninety-nine (99) years from 1 May, 1922 which has since expired.

However, the facility which is a Level 4 Hospital has remained closed for three (3) years and remained idle after the expiry of the lease due to ownership wrangles between the County Executive of Nakuru and War Memorial Hospital Management which is the subject of an ongoing court case. The Hospital has various installations, equipment, buildings and other assets which are worth millions of shillings and which the National and County Governments have invested over the years. These assets risk becoming obsolete or unserviceable, being stolen and misappropriated due to the closure of the Hospital.

Other Information

832. There were no material issues relating to Other Information.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

833. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.6,486,082,856 as disclosed in Note 32 to the financial statements. However, review of ageing analysis revealed that a balance of Kshs.1,478,761,394 or 23% of the total payables have been outstanding for more than one (1) year. This was contrary to Section 53 (8) of the Public Procurement and Asset Disposal Act, 2015 which states that 'an Accounting Officer shall not commence any procurement proceedings until satisfied that sufficient funds to meet the obligations of the resulting contract (s) are reflected in the approved budget estimates. Further, failure to clear trade payables in the year to which they relate distorts the budget of the following year as they constitute a first charge on the budget. In addition, the County Executive runs the risk of incurring significant and unquantified costs of interest and penalties associated with delays in settling the invoiced bills.

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

834. Non-Compliance with the Law on Fiscal Responsibility Principles on Wages

The statement of financial performance reflects expenditure on employee costs amounting to Kshs.6,590,685,950 as disclosed in Note 9 to the financial statements. The amount constitutes 42% of the total revenue amount of Kshs.15,593,236,618. This was 7% above the limit allowed by Regulation 25 (1) (a) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the limit set by the County Executive Committee Member with the approval of the County Assembly on 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.

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

Review of the Integrated Personnel Payroll Data (IPPD) payroll for the year under review revealed that a total of one thousand one hundred and sixty-six (1,166) employees earned net salary lower than a third of their basic salary. This was contrary to Section 19(3) of the Employment Act, 2007 which stipulates 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 made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

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

836. Payment of Salaries Outside the Integrated Personnel Payroll Data

Review of the Integrated Personnel Payroll Data (IPPD) payroll revealed that salaries and wages for one thousand four hundred and fifty-seven (1,457) casual employees totalling Kshs.286,945,211 were paid outside the IPPD system. This was contrary to Treasury Circular No.13/2019 of 28 August, 2019 which provides that the allocation of personnel emoluments must be supported by Integrated Personnel Payroll Data (IPPD) and each public entity will be required to provide this information to support personnel requirements.

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

837. Avoidable Costs incurred on Court Decrees

Review of legal records provided for audit revealed that several legal cases filed in court against the County Executive were decreed in the interest of the claimants. Further, the County Executive was instructed by the Court to pay a total amount of Kshs.180,736,467 in respect of the Court decrees out of which an amount of Kshs.66,472,548 had been paid leaving balance of Kshs.112,721,131 outstanding. The County Executive lost an amount of Kshs.180,736,467 arising from court rulings in favor of claimants due to poor Management decisions.

In the circumstances, prudent management decisions in handling legal cases by Management could not be confirmed.

838. Project Implementation Status

Review of the Project Implementation Status report for the year revealed that a total of three hundred and twenty-five (325) projects with contract costs totalling Kshs.2,729,019,918 were at various stages of completion as detailed below.

(i) One hundred and twelve (112) projects with a total contract sum of Kshs.1,854,582,378 had extended beyond the expected dates of completion. Management did not provide any explanation for the delays in completion and evidence of action taken against the contractors for delayed completion of projects.

(ii) Three (3) projects with a total contract price of Kshs.17,932,735 had stalled at different stages of completion. However, Management did not provide the strategies to have the projects completed or any action taken against the contractors for failure to execute the projects to completion within the stipulated time in the contract agreement.

(iii) Fifty-seven (57) projects with a total contract cost of Kshs.137,999,172 were awarded to various contractors during the year under review. However, none

of the projects listed in this category had started during the year under review. Management did not provide explanations why the projects were awarded and not initiated.

(iv) One hundred and fifty-three (153) projects with an estimated cost of Kshs.718,505,638 were budgeted for the financial years 2023/2024 and 2024/2025. However, review of the procurement records revealed that the projects were still in the early stages of procurement at the time of audit in October, 2025. Management did not provide explanations for the delayed project implementation which would lead to low budget absorption.

In the circumstances, the value for money on resources spent on the incomplete, stalled and projects not started could not be confirmed.

839. Delayed Completion of Projects

The statement of financial position reflects property, plant and equipment balance of Kshs.23,168,922,681 which includes work in progress balance of Kshs.4,177,860,829 in respect of the on-going, incomplete and delayed projects. However, the following issues were identified in respect of the projects;

839.1. Delays in Completion of Inpatient and Outpatient Block at Mai Mahiu Level 4 Hospital - Naivasha Sub-County

Review of the project files and procurement records revealed that Management entered into a contract with a local company for the proposed construction of an outpatient and inpatient block at Mai Mahiu Level 4 Hospital in Naivasha Sub-County which was to be implemented in two (2) phases. Phase one (1) was awarded at a contract sum of Kshs.154,528,397. The contract period was forty (40) weeks and the contract agreement was signed on 28 December, 2020 and was fully paid.

Phase two (2) was awarded to the same company at a contract sum of Kshs.68,166,204. The contract was signed on 28 June, 2024 and the contract period was thirty-two (32) weeks with the contractor being paid an amount of Kshs.11,941,071 as per the certificate of payment No.1 dated 16 September, 2024. However, physical inspection carried in the month of June, 2025 revealed that although the contractor was on site, not much progress had been realized. Review of the acceptance certificate form revealed that the percentage of work done was at 32% with more than 100% of time lapsed.

839.2. Incomplete Construction of Outpatient Block at Molo Level 4 Hospital

The statement of financial position reflects property, plant and equipment balance of Kshs.23,168,922,681 which includes work in progress amount of Kshs.4,177,860,829 for on-going and incomplete projects. Review of the project files and procurement records revealed that Management entered into a contract with a local company on 26 April, 2021 for the construction of an outpatient block at Molo Level 4 Hospital at a contract sum of Kshs.150,095,777. Further, two (2) payments of Kshs.12,086,126 and Kshs.12,042,041

all totalling Kshs.24,128,167 were made in relation to interim payment certificate Nos.7 and 8 respectively for works done. However, physical inspection of the project carried out in the month of June, 2025 revealed that there were no major works done and the contractor was not on site. In addition, the drainage works were incomplete, landscaping, clearing of construction and excavation debris was not done.

839.3. Stalled Projects Implemented by the Health Department

Review of the Health Department Project Implementation Status report revealed that four (4) projects started in the previous years with total sum cost of Kshs.159,702,024 had stalled at different stages of execution. The projects had extended beyond the expected dates of completion. However, Management did not provide documents supporting the extension of the contract period and explanations for the delays or termination of the contracts.

839.4. Stalled Construction of Outpatient Block at Njoro Level 4 Hospital

Review of the project files and procurement records revealed that Management entered into a contract with a local company on 28 December, 2020 at a cost of Kshs.148,902,024 and a contract period of forty (40) weeks for the construction of an outpatient block at Njoro Level 4 Hospital. Review of the project file and procurement records revealed that payments amounting to Kshs.119,944,848 or 80% of the contract sum had been paid. However, the Project Implementation Status indicated that the contract was terminated since the contractor had abandoned the site.

839.5. Incomplete Construction of Outpatient Department Block at Olenguruone Sub-County Hospital

Review of the project files and procurement records revealed that Management entered into a contract with a local company for construction of an outpatient department block at Olenguruone Sub-County Hospital which was implemented in two (2) phases. Phase one (1) was awarded at a contract sum of Kshs.19,984,065. The contract period was eighteen (18) weeks and the contract agreement was signed on 28 February, 2020 and the contractor was paid the full amount of the contract sum.

Further, phase two (2) was awarded to the same company at a contract sum of Kshs.19,988,315 for finishing works with the contractor having been paid the full amount of the contract price. However, as at the time of the audit in October, 2025 the works were incomplete and the project was behind schedule.

839.6. Stalled Construction of High-Altitude Training Facility in Keringet Ward

Review of the project files and procurement records revealed that Management entered into a contract with a local company for the construction of the proposed construction of high attitude training facility in Keringet Ward Nakuru County which was signed on 10 February, 2021 at a contract sum of Kshs.121,997,573 for a contract period of forty-two (42) weeks. Review of the project file and procurement records revealed that payments amounting to Kshs.110,024,225 or 90% of the contract sum had been made

as at 31 May, 2025 including an amount of Kshs.13,936,277 paid during the year under review. However, physical inspection of the project revealed that the contractor had not completed the works and was not on site. Further no documents were provided to support extension of time that had been granted in form of request for extension of time, approvals from project engineers and a letter of no objection.

In addition, the title deed for the land on which the project was constructed was not provided for audit to confirm ownership by the County Executive.

839.7. Stalled Construction of Dormitories, Kitchen, Dining Area and a Shed at the High-Altitude Training Centre in Keringet

Review of the project files and procurement records revealed that Management entered into a contract with a local company for construction of two (2) dormitories, kitchen, dining area and a shed at the high attitude training facility in Keringet Ward. The tender was awarded on 23 February, 2021 at a contract price of Kshs.16,999,852 and payments amounting to Kshs.13,966,085 or 82% of the contract sum made as at 31 May, 2025. However, physical inspection of the works revealed that the project was incomplete and the contractor was not on site.

In the circumstances, value for money for the expenditure amounting to Kshs.13,966,085 could not be confirmed.

839.8. Incomplete Mechanical Works and Borehole Drilling at The High Attitude Training Centre in Keringet

The County Executive entered into a contract with a local company for mechanical works and borehole drilling at the high attitude training center in Keringet Ward - Kuresoi South Sub-County on 22 May, 2023 at a contract price of Kshs.18,431,860 with expected completion date of 22 November, 2023. Payments amounting to Kshs.15,552,830 or 84% of the contract sum had been made as at 31 May, 2025. However, physical inspection of the works revealed that the project was incomplete as equipping and water treatment, plumbing and drainage works for ablution block and external water reticulation and lawn irrigation works were not done.

839.9. Incomplete Construction of Nakuru County Treasury Headquarters

Review of the project files and procurement records revealed that Management entered into a contract with a local company for the construction of the Nakuru County Treasury Headquarters on 2 December, 2020 for a period of ninety-six (96) weeks with expected completion date of 1 December, 2022 at a contract sum of Kshs.886,630,388. During the year under review, the contractor was paid a total amount of Kshs.156,496,439 resulting in cumulative total payments of Kshs.842,228,974 or 95% of the contract price, as at 30 June, 2025. However, physical inspection carried out on 11 June, 2025 revealed that the project was about 90% complete having nearly taken thirty (30) months after the original contract period lapsed.

839.10. Incomplete Construction of Naivasha Smart Fish Market

The statement of financial position reflects property, plant and equipment balance of Kshs.23,168,922,681 which includes work in progress balance of Kshs.4,177,860,829 in respect of the on-going and incomplete projects. Review of the project files and procurement records revealed that Management entered into a contract with a local company for construction of the proposed construction of Naivasha Smart Fish Market at a cost of Kshs.80,000,000. The project was to be financed by stakeholders from East Africa Grain Council and County Government of Nakuru with both contributing a total amount of Kshs.70,000,000 to cater for the works and Kshs.10,000,000 for boundary walls and external paving respectively. The agreement also included Jomo Kenyatta University of Agriculture and Technology which was to provide the Bills of Quantities (BQs). The project commenced on 3 January, 2022. However, physical inspection carried out during the month of June, 2025 revealed that the works were behind schedule, incomplete and the contractor was not on site. Payment records revealed that the contractor had been paid the full amount of Kshs.80,000,000 but the market had not been completed and was not in use.

In the circumstances, value for money on expenditure amounting to Kshs.1,392,302,912 spent on stalled, ongoing and incomplete projects could not be confirmed.

840. Community Boreholes Sunk on Land with Doubtful Ownership

Review of the project files and procurement records revealed that the Department of Water, Environment, Energy, Climate Change and Natural Resources during the year awarded tenders to various contractors to supply pipes and fittings and drill boreholes. As at 31 May, 2025, the Department had spent an amount of Kshs.194,568,159 on the project's funds for equipping, drilling and fencing of sixty-four (64) boreholes within the County in the various sub-counties. However, review of the supporting documents revealed that all the boreholes were sunk on land which did not have community ownership documents. In addition, ten (10) boreholes which had been drilled were not in use and were lying idle.

In the circumstances, the value for money on the expenditure amounting to Kshs.194,568,159 spent on the projects could not be confirmed.

841. Lack of Value for Money from the Installed Revenue Management System

The County Executive entered into an agreement with a supplier on 1 December, 2020 for the supply, installation, configuration and commissioning of the Integrated Revenue Collection Management System at a contract sum of Kshs.34,510,000. According to the terms of reference (TORs) the vendor was to ensure that the County Executive maximized the revenue. However, review of revenue records revealed that there has been no much improvement in the revenue collection since its installation. Further, Clause 3.1.2 of the contract agreement states that upon completion of the supply, the client shall be paid 4.3% of the total revenue processed and collected through the system on a monthly basis.

During the year under review, the vendor was paid a total of Kshs.42,772,154 being 4.3% of the total revenue collected per month, for the year under review. However, Management did not demonstrate that the County Executive's revenue collection had improved significantly from the previous year's collections as was envisaged in the TORs of the contract yet the Consultant was being paid a fee of 4.3% on total revenue collected on a monthly basis.

In the circumstances, the value for money on the amount of Kshs.42,772,154 spent on the Integrated Revenue Collection Management system could not be confirmed.

842. Irregularities in the Construction of County Aggregation and Industrial Park

The contract for the construction of Nakuru County Aggregation and Industrial Park was awarded in the financial year 2023/2024 at a contract sum of Kshs.464,221,150 and was to be financed by the County Government and the National Government. However, the ownership documents for the land on which the aggregation and industrial park had been constructed were not provided for audit. It was explained that the County Government entered into an agreement with Egerton University for the County Government to use the land, but the agreement was not provided for audit. Further, the feasibility study reports and details of the intended works were also not provided for audit review. This was contrary to Regulation 75(1) of the Public Finance Management (County Governments) Regulations, 2015 states that, "it shall be the responsibility of the County Treasury to ensure that any project approved for financing through grants - has been approved by the Accounting Officer; and the project feasibility study report has been inspected and approved by the relevant County Government entity".

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

843. Lack of Policies and Procedures for Land Management in the Department of Lands

The Department of Lands did not have in place policies and procedures relating to land management and guidelines on land acquisition, use, control, protection, maintenance and disposal.

Further, review of the land register provided for audit revealed that the register was missing key information including parcel numbers for some of the parcels of land, details of ownership of the parcels of land and their estimated market value.

In the circumstances, existence of effective policies and procedures relating to land management could not be confirmed.

844. Lack of Annual Recruitment Plans

Review of the Integrated Personnel Payroll Data (IPPD) payroll for the year revealed that one hundred and ninety-six (196) officers were appointed and integrated into the payroll. However, there were no annual recruitment plans provided by the departments. Further, no evidence was provided as proof that budgetary availability had been sought from County Assembly before recruitment process was started. This was contrary to Section B.2 (1) of the Human Resources Policies and Procedures Manual fo Public Service, 2016 which states that public entity shall prepare Human Resource Plans to support achievement of goals and objectives in their Strategic plans. The plans shall be based on comprehensive job analysis and shall be reviewed every year to address emerging issues and needs.

In the circumstances, effectiveness of internal control mechanisms over human resource management could not be confirmed.

List of Unresolved Prior Year Matters

No.	Audit Issues for 2023/2024
1	Undisclosed Decrease in Retention Money
2	Inaccuracies in the Compensation of Employees
3	Unsupported Expenditure on Domestic Travel and Subsistence
4	Unsupported Training Expenses
5	Misclassification of Foreign Travel and Subsistence Expenditure
6	Misclassification of Routine Maintenance-Other Assets Expenditure
7	Misclassification Purchase of Office Furniture and General Equipment Expenses
8	Unconfirmed Cash and Bank Balances
9	Inaccuracies in the Summary of Non–Current Assets Register
10	Closure of Nakuru War Memorial Hospital
11	Budgetary Control and Performance
12	Authenticity of Pending Bills
13	Unresolved Prior Year Matters
14	Project Implementation
15	Payment of Court Decrees
16	Unsupported Legal Fees
17	Delay in the Construction of Treasury Headquarters
18	Voided Transactions
19	Acquisition of Land by the Department of Lands
20	Project Verification - Department of Water and Irrigation
21	Implementation of Contracts – Department of Youth, Gender, Sports and Social Services
22	Delay in Implementation of Menengai and Kiamaina Water Project
23	Delay in Implementation of Rapland Water Project
24	Lack of Feasibility Study for the Construction of County Aggregation and Industrial Park (CAIP)
25	Ineffective and Uneconomical Use of Completed Projects – Department of Health
26	Irregular Procurement of Drugs and Medical Supplies
27	Proposed Construction of Outpatient Block at Molo Level 4 Hospital
28	Proposed Construction of Outpatient Block at Njoro Level 4 Hospital
29	Irregular Payment of Salaries Outside the Integrated Payroll and Personnel Database (IPPD)
30	Non-Compliance with Law on Recruitment of Staff Living with Disabilities
31	Irregular Engagement of Casuals

No.	Audit Issues for 2023/2024
32	Non-Compliance with Law on Ethnic Composition
33	Payroll Deductions in Excess of Two-thirds of Basic Pay
34	Irregular Operation of Accounts in Commercial Banks
35	Retention of Employees Beyond the Mandatory Retirement Age
36	Assets Without Ownership Documents
37	Supply, Installation and Commissioning of the Revenue Management System
38	Construction of High-Altitude Training Facility Keringet Sports Center
39	Failure to Establish Departmental Training Committees
40	Compensation of Employees Beyond the Set Threshold
41	Lack of an Inventory Management System for the Health Stores

COUNTY EXECUTIVE OF NAROK – NO.33

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

845. Non-Compliance with Transitional IPSAS Reporting Requirements

Note 2 to the Financial Statements on Statement of Compliance and Basis of Preparation of the financial statements, Management refers to the use of the transitional provisions under IPSAS 33 but does not specify which elements of the financial statements have not been recognized and do not outline the steps being taken to achieve full compliance with IPSAS Accrual requirements.

In the circumstances, the financial statements as prepared and presented are not in compliance with IPSAS reporting framework.

846. Unsupported Expenditure on Rentals of Produce Assets

The statement of financial performance reflects use of goods and services amount of Kshs.4,341,684,224 as disclosed in Note 10 to the financial statements. Included in the amount is Kshs.249,892,223 in respect of rentals of produced assets which further includes an expenditure of Kshs.32,651,486 spent on hiring of motor vehicles and ambulance services. However, the payment was not supported with local purchase orders, invoices, daily motor vehicle movement schedules and signed work tickets for the motor vehicles.

Further, included in the amount is an expenditure of Kshs.34,760,515 relating to expenses incurred during the financial year 2023/2024 which were not disclosed as part of the outstanding pending bills as at 30 June, 2024. This was contrary to Regulation 97(1) of the Public Finance Management (County Governments) Regulations, 2015, which requires the Management of the County to report only transactions which take place within the financial year up to 30 June. As a result, the rentals of produced assets expense has been overstated by Kshs.34,760,515.

In the circumstances, the accuracy, occurrence and completeness of the rentals of produced assets amounting to Kshs.67,412,001 could not be confirmed.

847. Unsupported Payment of Fuel, Oil and Lubricants

The statement of financial performance reflects expenditure on use of goods and services amount of Kshs.4,341,684,224, which as disclosed in Note 10 to the financial statements includes an amount of Kshs.98,489,800 in respect of fuel, oil and lubricants. However, the contracted supplier details, fuel statements and consumption records for the County Executive were not provided for audit review. Further, there were no internal control measures regarding the requisition, approval and receipt of fuel or evidence of

reconciliation of the fuel register, work tickets, total fuel expenses and monthly fuel expense returns by various Departments to the County Headquarters. In addition, the fuel payment vouchers and supporting schedules were not provided for audit review. Therefore, the basis upon which the fuel expense was included in the financial statements was not clear.

In the circumstances, the accuracy and completeness of fuel, oil and lubricants amounting to Kshs.98,489,800 expenditure on could not be confirmed.

Emphasis of Matter

848. Budgetary Control and Performance

The statement of comparison of budget and actual amounts - recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.17,490,542,593 and Kshs.14,907,575,149 respectively, resulting in under-funding of Kshs.2,582,967,444 or 15% of the budget.

The under-funding 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.

Other Matter

849. Unresolved Prior Year Matters

In the previous years' audit report, several issues were raised under the 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, respectively. Review of the status during audit of the County Executive in 2024/2025 revealed that thirty (30) issues as detailed at the end of this report remained unresolved.

Other Information

850. There were no material issues relating to Other Information.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

851. Irregular Use of Manual Payroll

Review of expenditure on employee compensation for the financial year 2024/2025 revealed that the County Executive operated two parallel payroll systems, excel-based

manual payroll and the Government approved Integrated Payroll and Personnel Database (IPPD) integrated with the Human Resource Information System (HRIS). Payroll records indicated that gross payments totalling Kshs.17,040,129 were processed through the manual payroll system.

Further, there was no adequate supporting documentation to confirm whether the employees paid through the manual system were genuine and the payments were duly authorized.

This was contrary to Section 149(1) of the Public Finance Management Act, 2012 which provides that an Accounting Officer is accountable for ensuring that the resources of the entity for which the officer is designated are used in a way that is lawful and authorized and effective, efficient, economical and transparent.

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

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

Review of the County master roll and human resources records revealed that out of five thousand two hundred and eighty-six (5,286) employees currently engaged by the County Executive, three thousand six hundred and ninety-four (3,694) or 70% are from the same dominant ethnic community. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which stipulates that no public establishment should employ more than one-third of its staff from the same ethnic community.

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

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

Review of the County Executive payroll data revealed that there were several employees whose salary was less than one third of their basic pay for a number of months during the year under review. This was contrary to Section 19(3) of the Employment Act, 2007 which stipulates 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 made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

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

854. Delayed Completion of Projects

The County Executive entered into contract agreements with several contractors for the construction and rehabilitation of ten (10) roads to bitumen standards as well as murram and graveling at a total cost of Kshs.632,059,513. Physical inspection of the projects and review of records revealed that as at the time of the audit in July, 2025, the projects were either stalled, incomplete or abandoned. Payment records and vouchers revealed that as

the time of the audit, the County Executive had paid a total of Kshs.470,982,011 to the respective contractors.

The general conditions of contract require contractors to submit monthly payment applications to the Project Manager giving sufficient details of the work done and materials on site. However, this was not done as required.

Further, the following observations were made in respect of the execution of the projects and payments made:-

854.1. Proposed Upgrading of Nairagie-Enkare Market Road

During physical verification in July, 2025, it was noted that the market road being tarmacked measured approximately 1.4km and not 2km as indicated in the contract documents. Review of the contract documents revealed that under bill No.1, provisions were made for a project supervision vehicle, insurance for the project vehicle and project supervision amounting to Kshs.8,000,000, Kshs.500,000 and Kshs.1,000,000, respectively. However, no evidence was provided to confirm that the project engineer and Project Implementation team supervised the works.

Further, review of the bills of quantities revealed that the item for spreading and compacting natural gravel for the sub-base was charged twice at Kshs.3,000,000, resulting in overstatement of the bills of quantities and inflating the project cost.

854.2. Upgrading of Narok Township Roads to Bitumen Standard

Review of the contract documents revealed that the contractor was required to erect three publicity signboards at a total cost of Kshs.150,000 and allocate Kshs.1,500,000 for project supervision. However, only two (2) signboards were erected and no evidence was provided to confirm how the amount of Kshs.1,500,000 for project supervision was utilized.

Further, the contractor received payments totalling Kshs.29,887,550 comprised of Kshs.3,097,560, Kshs.5,672,070, Kshs.5,545,720, Kshs.13,972,200 and Kshs.1,600,000 for cement and lime treated subgrade and subbase and base, culvert and drainage works, bituminous surface treatment and surface dressing, bituminous mixes, and road furniture respectively. However, physical verification of the project in July, 2025, noted that there was no evidence of lime treated subgrade as only natural stones were visible on the surface.

In addition, the drainage works on the roads were not completed to the required standard, bitumen surface treatment and dressing had not been carried out as there was no bitumen on the site and no evidence of bituminous mixes having been used. Similarly, road furniture had not been installed despite the contractor having been paid for the items. It was not possible to determine how the payments were approved without verification of completion of actual works.

In the circumstances, there is high risk that the projects will not be delivered within the contractual period and that value for money in the implementation of the project may not be achieved.

855. Delayed Commencement of Planned Projects

Review of procurement documents submitted for audit revealed that the County Executive awarded eleven (11) construction and civil works amounting to Kshs.238,573,432, for the construction of the footbridges and box culverts in various locations. The contracts were scheduled to commence on 18 March, 2025 with an implementation period of six (6) months. However, as at the time of the audit in July, 2025, the signing of the contracts for the projects had not been done and the contractors were not mobilised to site. Management did not provide satisfactory explanations for the delays in executing the contracts or commencing the projects.

In the circumstances, value for money for the above projects amounting to Kshs.238,573,432 could be not be confirmed.

856. Irregular Funding of National Government Projects

Review of records revealed that included in the construction of roads expenditure is an amount of Kshs.303,765,850 incurred on construction and routine maintenance of three (3) roads which fall under the jurisdiction of National Government Road Agencies as detailed in the table below:

Road Project	Contract Value (Kshs)	Agency Responsible
Maasantare Junction Ololulunga Centre	82,479,886	Kenya Rural Roads Authority
Nairagie Enkare Junction - Nairagie Enkare	95,509,809	Kenya Rural Roads Authority
Maasai Mara University Road	125,776,155	Kenya Urban Roads Authority
Total	**303,765,850**	

Management did not provide letters of approval from the relevant agencies and evidence of written agreement between the two levels of Government detailing the level of technical, financial, and capacity building support expected from National Government agencies as stipulated in Article 187 of the Constitution of Kenya.

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

857. Non-Compliance with Climate Change Regulations

Review of County Executive's processes and operations in regards to compliance with the Environment and Climate Change Amendment Act, 2023 revealed that the County Executive had not fully implemented the laws, regulations and policies on climate change.

Further, the Departments have not aligned their operations with the Long-Term Low Emissions Development Strategy (LT-LEDS) 2022-2050 as evidenced by lack of adoption of the renewable energy(solar) in water supply, non-adoption of climate-smart agriculture practices and solar powered street lighting. This was attributed to low levels of awareness and budgetary constraints that have hampered alignment with the Low Emissions Development Strategy.

In addition, Management did not report on the Greenhouse Gas Emissions or carbon credit projects within the County Executive. Similarly, while stakeholders were engaged through various committees and forums, there were no documentation on their contributions. There was also inordinate delay by the County Executive in disbursing allocated funds for FLLoCA programs which hampered the timely realization of intended climate finance benefits.

In the circumstances, the County Executive did not fully comply with climate change regulations, laws and policies.

858. Failure to Implement e-Procurement System

The County Executive spent substantial amounts in acquisition of goods, works and services. However, the County Executive had not implemented the e-Procurement system hence goods, works and services were procured through manual procurement system. This was contrary to Executive Order No.2 of 2018 which directed all public procuring entities to conduct all procurement processes through the e-procurement module on the IFMIS system, effective from 1 January, 2019.

Further, Regulation 49(2) of the Public Procurement and Asset Disposal Regulations, 2020 requires that e-procurement procedures for the supply of goods, works and services to be carried out by a procuring entity using an e-procurement system which is integrated to the state portal.

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

859. Non-Compliance with the Law on Access to Information

The County Executive did not prepare quarterly reports on Access to Information Implementation or Access to Information (ATI) Register as it was not provided for audit review. Further, the institutional work plan detailing access to information programs and activities, sensitization, and staff training initiatives on ATI implementation was not provided. This was contrary to Section 27 of the Access to Information Act, 2016 which requires every Government reporting institution through its Information Access Officer to

prepare and submit an Annual Access to Information Report compiled from all quarterly reports prepared at the end of every financial year.

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

860. Stalled Projects

860.1. County Aggregation Industrial Park

The contract for the construction of County Aggregation Industrial Park at Limanet, Narok Town was awarded to a local contractor on 21 July, 2023 at a contract sum of Kshs.450,017,750. The contractor was scheduled to commence works on 24 August, 2023 for a contract period of twenty-eight (28) weeks with the expected completion date of 10 April, 2024. However, audit inspection conducted in July, 2025 revealed that ninety-six (96) weeks after the lapse of the contract start date, the project had stalled. Further, there was no work in progress apart from only a partial perimeter wall and the contractor was not on site, indicating abandonment of the project. In addition, the contractor was issued with Certificate No.1 dated 20 March, 2024 by the Department for Roads, Public Works and Transport for payment of Kshs.2,034,643 and advance payment of Kshs.24,000,000.

No explanation was provided for the delay in the completion of the contract and Management did not provide evidence of any approved extension of the contract period.

860.2. Ewaso Ng'iro Barter Market

The contract for the construction of Ewaso Ng'iro barter market and supporting facilities in Naroosura/Maji/Moto Ward was awarded to a local contractor on 9 August, 2024 at a contract sum of Kshs.60,667,501. The contract signed on 12 August, 2024 was to run for a period of six (6) months with expected completion date of 12 February, 2025 and a Local Purchase Order was issued on the same date.

Audit inspection of the project in July 2025, ten (10) months after commencement of the project, revealed that the project had stalled. Interview with the site caretaker revealed that the contractor vacated the site in September, 2024.

In the circumstances, Delayed completion of projects beyond the contract period may result in cost escalations and may negatively impact service delivery to the public.

861. Irregular Transfer of Funds to Mara Operation Account

Review of the Integrated Financial Management Information System (IFMIS) payment details for the year under review indicates that four (4) transactions amounting to Kshs.11,000,000 were paid from recurrent bank account sub-item under the Mara Operations account. However, the payments related to transfers made to organizations that were not Government agencies or entities. This was contrary to Section 154 (1) of

the Public Finance Management Act, 2012 which prohibits an Accounting Officer from authorizing transfers of an amount that is appropriated - for transfer to another County Government entity or person; for capital expenditure except to defray other capital expenditure; or for wages to non-wage expenditures.

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

862. Irregular Transfer of Funds to Narok Kajiado Economic Block

Review of expenditure records for the year revealed that an amount of Kshs.8,000,000 was transferred to the Narok Kajiado Economic Block (NAKAEB). However, the transfers were unauthorized since they were not included in the approved budget for the year.

Further, the transfers were made without any set conditions or formal agreement and no verifiable documentation was provided in support of the Narok Kajiado Economic Block's constitutional mandate. This was contrary to Section 104 (1) of the County Governments Act, 2012 which prohibits public funds to be appropriated outside a planning framework developed by the County Executive Committee and approved by the County Assembly.

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

863. Delay in Completion of Health Facilities

863.1. Narok County Referral Hospital Block

As previously reported, the completion of the construction of the Narok County Referral Hospital block has delayed far beyond the expected completion period as detailed in the table below:

No.	Project Details	Contract Amount(Kshs)	Amount Paid by 30 June, 2025 (Kshs)	Expected Completion Date	% Completion
1	Proposed New Hospital Block and Mortuary at Narok County Referral Hospital.	637,680,794	621,338,949	09 August, 2021	90%
2	Mechanical, Electrical, Engineering Services and Associated Works for New Narok County Referral Hospital Block	469,614,655	289,797,960	18 July, 2022	65%
	Total	**1,107,295,449**	**911,136,909**		

At the time of audit in July 2025, Management explained that the initial contract had been terminated. However, no documentary evidence was provided such as request by the Head of Procurement Unit for the termination of the contract, an approval by the Accounting Officer for the termination of the contract, the reasons for the termination and

the resultant costs of terminating the contract and a complex and specialized contract implementation team recommendation for the contract termination.

Further, the Hospital was not in use three (3) years after the expected completion date despite the payments amounting to Kshs.911,136,909 having already been made to the contractor.

863.2. Lolgorian Level 4 Hospital

The Sub-County Hospital expansion project commenced on 25 January, 2022 for a contract period of twelve (12) months at a contract sum of Kshs.89,539,451. The completion date was to be 24 January, 2023. Review of payments records as at 30 June, 2025 revealed that the contractor had been paid an amount of Kshs.40,000,000 against the certificate raised for work done of Kshs.38,236,410 resulting in an overpayment of Kshs.1,763,590.

Further analysis revealed that the second certificate of works undertaken was signed by the County Works Officer, the County Engineer and approved the works for payment despite pending works valued at Kshs.8,730,132 implying that payments were authorized for incomplete works.

Physical inspection of the Hospital project in July, 2025, revealed that the contractor was not on site. There was no evidence of contract extension or formal termination despite the contract period having expired more than two and a half years earlier in January, 2023.

In addition, it was observed that although a fully equipped theatre and three (3) fully furnished wards with a bed capacity of one hundred and fifty (150) beds were commissioned in June, 2022, the facilities remained unutilised, as at the time of the audit in July, 2025.

In the circumstances, value for money for the expenditure on the Hospital facilities and equipment could not be confirmed.

864. Unremitted Retirement Benefits Contributions

Review of records provided for audit revealed that the County Executive owed an amount of Kshs.1,911,131,070 to County Pension Fund, Local Authorities Pension Fund nd LAP Funds which comprise of principal outstanding contributions and interest balance of Kshs.134,981,919 and Kshs.1,776,149,151.

However, Management has not made any effort to clear the outstanding balances which continue to attract penalties. Further, continued non-remittance constitutes a persistent material breach and may adversely affect the ability of pension funds to meet retirement benefit obligations to the retiring employees. This was contrary to Regulation 22(2) (a) of the Public Finance Management (County Governments) Regulations, 2015 which requires Accounting Officers to comply with statutory obligations including taxes, levies, duties, pensions, commitments and audit commitments as provided for by legislation.

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

865. Grounded Assets Managed by Contracted Service Provider

During physical inspection of machinery in the custody of a contracted service provider, it was observed that despite significant expenditure by the County Executive for maintenance and servicing, eight (8) equipment were not in use and were grounded. Management did not provide mechanical engineers' reports to confirm the current condition of the machines.

Further, the County Executive had purchased six (6) concrete mixers 400L units and two (2) reversing drum concrete mixers which were found idle and deteriorating in the yard. It was not explained why the equipment was acquired if it was not intended for use. The mixers were also not tagged or marked as County Executive property.

In addition, it was observed that the County Executive was providing office space to the service provider within a county facility, yet no documentation was provided for the arrangement. There was no evidence of rent payments or any benefits to the County Executive, despite the service provider being paid over Kshs.300,000,000 annually to manage the equipment.

In the circumstances, value for money for the expenditure and effective management of the County Executive's equipment may not be achieved.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

866. Lack of an Updated Assets Register

The statement of financial position reflects property, plant and equipment balance of Kshs.47,478,479,580 as disclosed in Note 26 to the financial statements. Review of records revealed that, the County Executive spent an amount of Kshs.4,670,847,435 on acquisition of computers, printers, and other IT equipment. However, an updated asset register showing all the assets in its possession were not provided for audit review. Further, the fixed assets register did not disclose the opening balances and additions for each asset category including key details such as acquisition dates, acquisition cost, depreciation rates applied, accumulated depreciation and the net book value. In addition, no proper tagging system has been put in place for clear identification of the assets owned by the County Executive.

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

867. Lack of Fraud and Risk Management Strategies

The County Executive did not have a Fraud Management Policy in place to assist in detecting and preventing fraud during the year under review. Further, there was no Risk Management Policy or strategy in place, leaving the County Executive without approved processes and guidelines to mitigate operational, legal and financial risks contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015.

In addition, the County Executive did not have Disaster Recovery Plan or Business Continuity Plan which outline measures for maintaining operations during unplanned service disruptions. Management also had not instituted policies and procedures to guide key financial processes and controls for the management of personnel and related expenditure. Similarly, Management did not perform formal risk assessments during the financial year.

In the circumstances, Management may not be in a position to evaluate, rank and prioritize critical risks and channel resources effectively toward mitigating identified risks.

868. Ineffective Internal Audit Function and Audit Committee

Review of records provided for audit revealed that the County Executive's Internal Audit Department did not have an approved internal audit charter, an approved annual audit plan and independent budget or authority to incur expenditure.

Further, the risk assessment and internal audit reports for the year under review were not provided including the minutes of the Audit Committee indicating supervisory oversight of the internal audit function. In addition, the recruitment and operationalization of the Audit Committee had not been done at the time of the audit in July, 2025.

In the circumstances, there was no effective system in place to monitor the County Executive's governance and accountability processes and control environment to provide objective advice on risk management, internal controls, regulatory compliance and governance matters.

869. Weak Information and Communication Technology Controls

Review of the County Executive's Information and Communication Technology (ICT) Environment revealed lack of an approved ICT Policy. Management had not assessed the impact of system outage or disruptions to the ICT systems and had not developed Information Technology Disaster Recovery Plan. Further, ICT Strategic Committee had not been established to provide governance on ICT matters.

Therefore, in case of a disaster, the County Executive could experience significant delays or disruptions in activities and may not recover or restore critical infrastructure services and systems, affecting all operations that depend on the Information Communication Technology.

In the circumstances, the integrity, security, and reliability of the County Executive's financial data and Management Information System could not be confirmed.

870. Weak Controls Related to Voided Transactions

Review of the Integrated Financial Management Information System (IFMIS) records revealed that various transactions were processed and subsequently voided or cancelled during the year under review. However, the transactions were not supported with relevant documentation such as payment vouchers, authorization or justification for voiding, journal vouchers for reversing the transactions and records of final payments.

In the circumstances, the effectiveness of internal controls related to recording of financial transactions could not be confirmed.

List of Unresolved Prior Year Audit Matters

No.	Audit Issues of 2023/2024
1	Inaccuracies in Pending Account Payables
2	Unsupported Expenditure on Tagging of Rhinos
3	Unsupported Reallocation of Expenses
4	Unsupported Payments to Contractors
5	Budgetary Control and Performance – Underfunding and Underutilization
6	Irregularities in Payment of Legal Fees
7	Irregular Funding of National Government Projects
8	Noncompliance with One Third Rule on Basic Salary
9	Irregular Recruitment of Staff
10	Irregular Secondment of Employees
11	Noncompliance with the law on Staff Ethnic Composition
12	Non-Reservation of at Least 30% of Procurement to Disadvantaged Groups
13	Irregular Hire of Ambulance Services
14	Delayed Completion of Narok County Referral Hospital and New Narok County Medical School
15	Supply and Delivery of Earth Moving Machines
16	Lack of Effective Citizen Participation I Planning and Budgeting
17	Failure to Establish County Climate Change Fund
18	Unremitted Retirement Benefits Contribution
19	Irregular Payment to Council of Governors
20	Nugatory Payments
21	Irregular Transfer of Funds to Narok Kajiado Economic Block
22	Irregular Grants to Narok Water and Sanitation Company Limited
23	Irregular Operation of Account in Commercial Bank
24	Payment of Salaries through Manual System
25	Lack of Audit Committee and Effective Internal Audit Function
26	Lack of Updated Assets Register for ICT Equipment
27	Lack of Fraud and Risk Management Strategies
28	Weak Information Communication Technologies
29	Failure to Recover Advance Payment from Contractors
30	Obsolete and Unserviceable Assets

COUNTY EXECUTIVE OF KAJIADO – NO.34

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

871. Unsupported Receivables from Non-Exchange Transactions

The statement of financial position and as disclosed in Note 23 to the financial statements reflects receivables from non-exchange transactions opening balance of Kshs.2,501,193,082. However, the supporting ledgers of the balance were not provided for audit.

In the circumstances, the accuracy and completeness of the receivables from non-exchange transactions opening balance of Kshs.2,501,193,082 could not be confirmed.

872. Unsupported Adjustments in the Statement of Changes in Net Assets

The statement of changes in net assets reflects adjustments (to recognize assets and liabilities) balance of Kshs.133,287,878. Further, the statement reflects capital fund additions negative balance of Kshs.2,854,609,720. However, supporting documents for the adjustments were not provided for audit.

In the circumstances, the accuracy and completeness of the statement of changes in net assets could not be confirmed.

873. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects cash outflows from operating activities amounting to Kshs.107,526,229 in respect of use of goods and services. The amount is reflected as negative balance which implies that there was an overpayment for goods and services which was not justified. Further, the statement reflects net cash flows from operating activities amount of Kshs.1,388,581,400 which includes an adjustment of Kshs.340,983,877 as disclosed in Note 40 to the financial statements in relation to increase in inventories. However, no disclosure note was included in the financial statements to explain the adjustment.

In the circumstances, the accuracy and completeness of the statement of cash flows could not be confirmed.

874. Unconfirmed Trade and Other Payables

The statement of financial position reflects a balance of Kshs.4,174,866,983 in respect of trade and other payables as disclosed in Note 32 to the financial statements. However, the payables schedule provided for audit did not provide a movement schedule for the pending payables during the year indicating the balance brought forward from previous years, additions during the year, bills paid during the year and outstanding trade and other payables as at 30 June, 2025.

In addition, payables totalling Kshs.812,164,056 or approximately 19% of the total payables had been outstanding for over three (3) years, an indication that the payables were not treated as a first charge on the County Revenue Fund in the succeeding years. No explanation was provided for not settling the debts or the measures put in place to settle the bills.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.4,174,866,983 could not be confirmed.

875. Unsupported Property, Plant and Equipment Balance

The statement of financial position and as disclosed in Note 26 to the financial statements reflects property, plant and equipment balance of Kshs.1,357,867,605. However, the balance was not supported by a fixed assets register. Further, the depreciation charge for the year amount of Kshs.218,499,332 was not supported by an accounting policy to guide on the depreciation of various classes of assets as required by the Accounting Standards.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.1,357,867,605 could not be confirmed.

Emphasis of Matter

876. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.13,018,989,469 and Kshs.7,345,726,037 respectively, resulting in under-funding of Kshs.5,673,263,431 or 44% of the budget. However, the County Executive spent an amount of Kshs.5,744,336,822 against actual receipts amount of Kshs.7,345,726,037 resulting in under-utilization of Kshs.1,601,389,208 or 22% of the actual receipts.

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

My opinion is not modified in respect of this matter.

Other Matter

877. 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 audit of the County Executive in the financial year 2024/2025 revealed that the following matters remained unresolved;

	Audit Issues for 2023/2024
1	Incomplete Projects
2	Non-Operationalization of Municipalities of Kajiado, Ngong and Kitengela
3	Legal Expenses
4	Staff Ethnic, Gender and Persons Living with disabilities Composition
5	Lack of an Approved Staff Establishment
6	Non-Compliance with the One-Third Basic Salary Rule

Other Information

878. There were no material issues relating to Other Information.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

879. Non-Compliance with the Development Expenditure Threshold

The statement of comparison of budget and actual amounts reflects total expenditure amounting to Kshs.7,320,703,769 comprising of amounts of Kshs.5,744,336,832 and Kshs.1,576,366,937 for recurrent expenditure and development expenditure respectively. The development expenditure of Kshs.1,576,366,936 was approximately 22% of the total expenditure. This was contrary to Regulation 25(1)(g) of the Public Finance Management (County Governments) Regulations, 2015 that stipulates that pursuant to Section 107(5) of the Act, the County Executive 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.

880. Irregular Engagement of Casual Workers

The statement of financial performance reflects an amount of Kshs.4,650,645,574 in respect of employee costs which, as disclosed in Note 9 to the financial statements includes an expenditure of Kshs.9,650,000 paid to casual workers across different Departments. However, review of the human resource records revealed that payment vouchers provided for audit were not supported by daily attendance registers or job cards approved by the responsible supervisors. Further, there was no evidence provided to confirm that the County Public Service Board was involved in recruitment of casuals or approved their engagement. This was contrary to Section 74 of the County Governments Act, 2012 that requires the County Public Service Board to regulate the engagement of persons on contract, volunteer and casual workers in its public bodies and offices.

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

881. Unsatisfactory Implementation of Projects

The County Executive through various Departments entered into contracts for implementation of various projects across the County. However, review of sampled projects files and physical inspection of nine (9) projects valued at Kshs.116,797,538 revealed various discrepancies leading to unsatisfactory mplementation of the projects.

In the circumstances, value for money spent on the above projects could not be confirmed.

882. Stalled Project for the Construction of County Aggregation and Industrial Park

The County Executive through the Department for Trade, initiated construction of County Aggregation Industrial Park in the financial year 2023/2024, to be funded at a cost of Kshs.500,000,000 which was a joint contribution of Kshs.250,000,000 each by the County Government and the National Government. However, the County Executive budgeted for an amount of Kshs.250,000,000 which was revised downwards to Kshs.30,000,000 in the supplementary budget.

Review of procurement records revealed that, the contract was awarded to a contractor at a sum of Kshs.487,548,670 as per the contract agreement signed on 19 September, 2023 to be implemented within a period of ten (10) months. Further, an invoice dated 14 February, 2024 revealed that the contractor requested payment of Kshs.25,702,571 for Certificate No.1, being payment of 16% of work completed. However, payment records to the contractor were not provided.

Further, the site meeting and Inspection Committee Report held and issued on 20 February, 2024 and Progress Report indicated that there was slow execution of the project. In addition, physical inspection carried out in October, 2025 revealed that the contractor had abandoned the project. The graded, graveled roadworks, office control room and generator room were overgrown with grass and various materials like block of stones meant for foundation works were still at the site, exposed to risk of theft as the larger part of the land remained unfenced or uncontrolled.

Although Management had explained that the delay was occasioned by failure by the National Government to release its part of the contribution towards the project which affected the implementation of the project as required, no measures were put in place to ensure completion of the project.

In the circumstances, final implementation of the project and value for money could not be confirmed.

883. Failure to Prepare and Submit Quarterly Reports.

Review of the County Executive quarterly reports for the period ending 31 March, 2025 revealed that the statement of receipts and disbursements, and a statement of arrears of

revenue were not prepared and submitted to the County Treasury. This was contrary to Regulation 64(1) and (4) of the Public Finance Management (County Governments) Regulations, 2015 which require the Accounting Officer or receiver of revenue or collector of revenue shall prepare and submit the quarterly reports to the County Treasury not later than the fifteenth day after the end of each quarter.

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

884. Irregular Payment to Council of Governors and Maa Regional Economic Block

Review of payment details and other supporting documents revealed that Management paid amounts of Kshs.1,000,000 and Kshs.500,000 to the Council of Governors and Maa Regional Economic Blocs respectively. This was contrary to Section 37(b) of the Intergovernmental Relations Act, 2012 which requires 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 regulations.

885. Irregularities in Procurement Planning and Reporting

Review of documents in respect of the procurement process revealed that, there was no evidence of preparation of quarterly reports on the implementation of the Annual Procurement Plan and submission to the County Committee Member for Finance. This was contrary to Regulation 40(6) of the Public Procurement and Asset Disposal Regulations, 2020 which requires an Accounting Officer of a procuring entity to prepare quarterly reports on the implementation of the Annual Procurement Plan and submit it to the Cabinet Secretary or County Executive Committee Member for Finance or person responsible for the procuring entity or the governing body, as the case may be.

Further, there was no evidence to confirm that preparation of the Annual Procurement Plan was preceded by an undertaking of a market survey. This was contrary to Regulation 71(3) of the Public Procurement and Asset Disposal Regulations, 2020 which requires that when estimating the value of the goods, works or services, the Accounting Officer should ensure that the estimate is realistic and based on up-to-date information on economic and market conditions.

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

886. Irregular Funding of Project Under the National Government Function

The County Executive through the Department for Education, Vocational Training, Youth and Sports entered into a contract for the fencing of Ilikushin and Oloilalei Primary Schools in Imaroro at a contract sum of Kshs.5,909,736 and construction of Oloolaiser High School gate at a contract sum of Kshs.1,911,573. However, the projects fall under the functions of the National Government. This was contrary to the fourth schedule of the

Constitution of Kenya, which places Primary and Secondary Schools under the functions of the National Government.

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

887. Supply of Medical Equipment to Non-Operational Dispensary

The County Executive through Kitengela Municipality procured medical equipment at a cost of Kshs.2,936,600 for Sholinke Dispensary vide contract agreement dated 28 February, 2025 which was paid in May, 2025. Physical inspection carried out on 28 May, 2025 revealed that the structure was incomplete. Although Management explained that the medical equipment was held in safe custody in another facility awaiting operationalization of the Dispensary, no explanation was provided as to why the medical equipment was procured for a facility that was not complete. This was contrary to Section 153(1) of the Public Finance Management Act, 2012 that requires the Accounting Officer to manage assets in such a way as to ensure that the County Government entity achieves value for money in acquiring, using or disposing of those assets.

In the circumstances, Management was in breach of the law and value for money on the expenditure of Kshs.2,936,600 could not be confirmed.

888. Delay in Construction of County Government Headquarters Complex

The County Executive awarded a contract for the construction of the County Government of Kajiado Headquarters Complex at a contract sum of Kshs.492,646,852. The contract agreement was signed on 20 June, 2024 and the contract was to be implemented within one hundred and four (104) weeks commencing 15 November, 2024 to 15 November, 2026. Review of records provided for audit revealed that the contractor was paid an amount of Kshs.98,529,370 being an advance amount paid at the rate of twenty percent (20%) of the contract sum.

Further, the project consultant through a letter raised concerns in relation to delayed works. The letter noted that as of 13 February, 2025 with four (4) months of the contract period lapse, only two percent (2%) of the total works had been accomplished signalling delayed works and the need for revision of the workplan. However, audit inspection carried out in May, 2025 revealed that there were no works going on as the contractor had abandoned the site. Further, the foundation works were not completed and heaps of metallic materials for blinding works and erection of pillars were left lying at the project site.

In the circumstances, value for money on the expenditure for Kshs.98,529,370 could not be confirmed.

889. Failure to Retain Facilities Improvement Funds at the Hospitals

Review of revenue records obtained from Level 4 and Level 5 health facilities revealed that seven (7) health facilities collected a total amount of Kshs.253,680,164 towards the

Health Facilities Improvement (FIF). Out of this amount, a total of Kshs.190,325,503 was transferred to County Revenue Fund. However, the County Treasury reimbursed a total of Kshs.177,163,167 to the health facilities resulting in a deficit of Kshs.13,162,336. 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 was in breach of the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

890. Lack of Audit Committee and Ineffective Internal Audit Function

Review of the Internal Audit Work Plan revealed that, although the Internal Audit Function had planned to carry out thirteen (13) audits during the financial year under review, the Unit managed to complete five (5) of the planned audits. Further, there was no Audit Committee in place. This was contrary to Section 155(5) of the Public Finance Management Act, 2012 which provides that a County Government entity shall establish an internal auditing committee whose composition and functions are to be prescribed by the regulations.

In the circumstances, the effectiveness of the Internal Audit Function in carrying out oversight role in the County Executive could not be confirmed.

891. Lack of Risk Management Policy and Disaster Recovery plan

Review of records and information provided by Management in relation to internal controls revealed that the County Executive lacked an approved Risk Management Policy. Further, the County Executive did not have a Disaster Recovery and Business Continuity Plan contrary to the provisions of Regulation 158(b)(1) of the Public Finance Management (County Governments) Regulations, 2015. In addition, there was no evidence that a formal risk assessment was conducted during the year under review.

In the circumstances, the effectiveness of Management in addressing emerging risks and assure continuity of business operations in case of a disaster could not be confirmed.

892. Weakness in Information Technology Control Environment

Review of the County's Information Communication Technology (ICT) environment revealed that the County Executive lacked a formal approved ICT Policy. Management explained that the Policy had already been formulated but was yet to be approved by the Executive Committee. Further, the County Executive was operating without an IT Steering Committee and an up-to-date approved IT Strategic Plan.

In the circumstances, the efficiency and effectiveness of Information Communication Technology Controls could not be confirmed.

893. Unsatisfactory Sectoral Report

Review of records provided by the County Executive Climate Change Unit for audit indicated that Management was yet to establish measurement reporting and verification (MRV+) system that will be able to gather data and reports on sectoral greenhouse gas emissions for the National Inventory. This implies that the Climate Change Unit has not been able to file the required reports on mitigation, adaptation actions and benefits with the National Council. Further, no annual reports had been submitted to the National Council on status and progress of performance and implementation of assigned Climate Change duties.

In the circumstances, the efficiency and effectiveness of the Unit in measurement and providing timely reports on sectoral greenhouse gas emissions for the National inventory could not be confirmed.

COUNTY EXECUTIVE OF KERICHO – NO.35

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

894. Unsupported Opening Balances

The statement of financial position reflects total assets and total liabilities opening balances of Kshs.606,588,886 and Kshs.1,211,995,248, respectively, resulting in negative net assets opening balance of Kshs.605,406,362. However, the balances were not supported by the Transition Project Co-ordination Committee report. Further, the listing of the assets and liabilities was not provided for audit review.

In addition, the statement reflects property, plant and equipment opening balance of Kshs.345,658,601. However, the amount is at variance with the balance of Kshs.15,560,830,144 reflected in the summary of non-current assets register for the previous year resulting in variance of Kshs.15,215,171,543.

In the circumstances, the accuracy and completeness opening balances could not be confirmed.

895. Variance in the Use of Goods and Services Expenditure

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects use of goods and services amounting to Kshs.2,171,715,695. However, the amount includes various expenditure items totalling Kshs.174,583,661 at variance with the supporting general ledgers that had a total amount of Kshs.172,521,661 resulting in unreconciled variance of Kshs.2,062,000.

In the circumstances, the accuracy and completeness of use of goods and services amounting to Kshs.2,062,000 could not be confirmed.

896. Inaccuracies in Employee Costs

The statement of financial performance reflects employee costs amounting to Kshs.3,388,084,170. However, the corresponding Note 9 to the financial statements reflects an amount of Kshs.3,387,953,221 resulting unreconciled variance of Kshs.130,949. Further, the payroll and supporting schedules for employee costs reflects an amount of Kshs.3,335,801,370 resulting in unreconciled variance of Kshs.52,282,800.

In the circumstances, the accuracy and completeness of employee costs amounting to Kshs.52,413,749 could not be confirmed.

897. Inaccuracies in Transfers to Bomet Water and Sanitation Company Limited

The statement of financial performance reflects transfer to other Government entities amounting to Kshs.502,651,539 as disclosed in Note 11 to the financial statements. The amount includes transfers to Bomet Water and Sanitation Company Limited totalling Kshs.18,433,620. However, review of records revealed that only two (2) payments of Kshs.7,500,000 each were made on 21 August, 2024 and 21 January, 2025 respectively all totalling Kshs.15,000,000 resulting in unreconciled variance of Kshs.3,433,620. Further, the records of Bomet Water and Sanitation Company Limited reflected receipts amounting to Kshs.15,000,000.

In the circumstances, the accuracy and completeness of transfers to Bomet Water and Sanitation Company Limited amounting to Kshs.3,433,620 could not be confirmed.

898. Inaccuracies in Transfers to National Agricultural Value Chain Development Project

The statement of financial performance reflects transfer to other Government entities amounting to Kshs.502,651,539. The amount includes transfers to National Agricultural Value Chain Development Project (NAVCDP) amounting to Kshs.144,514,015 as disclosed in Note 11 to the financial statements. However, the amount was at variance with the Integrated Financial Management Information System (IFMIS) payment details balance of Kshs.89,383,098 resulting in unreconciled variance of Kshs.55,130,917.

Further, the Project's opening bank balance at 1 July, 2024 was Kshs.134,927,319, while during the year the Project received an amount of Kshs.144,514,015 and the closing bank balance was Kshs.413,304 which indicates that the total expenditure for the Project was Kshs.279,028,030. However, the respective expenditure returns together with the related accountability supporting documents were not provided for audit review.

In the circumstances, the accuracy and the completeness of the transfers to National Agricultural Value Chain Development Project amounting to Kshs.55,130,917 could not be confirmed.

899. Unsupported Property, Plant and Equipment Balance

The statement of financial position and as disclosed in Note 26 to the financial statements reflects property, plant and equipment balance of Kshs.854,402,767. However, no depreciation was charged on property, plant and equipment in the year. This was contrary to Policy 4(d) of the summary of significant accounting policies to the financial statements which provides that all property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Further, the assets register and listing of assets in support of the disclosed balance were not provided for audit review.

In addition, the balance includes an expenditure amounting to Kshs.4,851,724 incurred on the purchase of 0.5 hectares of land for the construction of a ward office at Kapsurer

Ward. However, the title deed for the land was not provided for audit review. Similarly, the amount of Kshs.854,402,767 includes work-in-progress totalling Kshs.137,299,890 whose details of the nature of works, commencement date, expected date of completion, name of the contractor engaged, contract amount, interim certificates and progress reports were not provided for audit verification.

Further, the property, plant and equipment balance included an amount of Kshs.2,100,000 in respect of motor vehicles additions during the year which was at variance with the respective IFMIS payment details expenditure of Kshs.6,000,000 resulting in unreconciled variance of Kshs.3,900,000.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.854,402,767 could not be confirmed.

900. Unsupported Intangible Assets Balance

The statement of financial position and as disclosed in Note 27 to the financial statements reflects intangible assets balance of Kshs.20,316,233 which relates to additions in the year under review. However, review of payment records revealed that software items that were procured during the year amounted to Kshs.13,873,100 resulting in variance of Kshs.6,443,133. Further, the names of software procured, their purpose or function, where they operate from and the installation and hand over reports were not provided for audit review. In addition, payment vouchers in support of software payment amounting to Kshs.1,500,000 made during the year were not provided for audit review.

Similarly, the intangible assets were not amortized as required. This was contrary to Policy 4(g) of the summary of significant accounting policies to the financial statements which provides that the intangible assets are stated at cost less accumulated amortization and impairment losses.

In the circumstances, the ownership, accuracy and completeness of intangible assets balance of Kshs.20,316,233 could not be confirmed.

901. Undisclosed Trade and Other Payables Balance

The statement of financial position and as disclosed in Note 32 to the financial statements reflects trade and other payables balance of Kshs1,884,953,574. However, the amount excluded twenty-one (21) Court awards made against the County Executive over the years totalling Kshs.69,083,118 which had not been paid and there was no evidence of appeal by Management. Further, the amount had not been disclosed as a contingent liability as required.

In addition, the balance of Kshs.1,884,953,514 did not include payables to Kenya Medical Supplies Authority (KEMSA). However, collaborative evidence from KEMSA revealed that the County Executive owed the Authority an amount of Kshs.61,140 for medical supplies which was not disclosed in the financial statements.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.69,144,258 could not be confirmed.

902. Inaccuracies in Accumulated Surplus

The statement of financial position reflects accumulated surplus balance of Kshs.188,862,932. The balance includes opening surplus amount of Kshs.173,161,379 as reflected in the statement of changes in net assets. However, the previous years audited financial statements reflected surplus amounting to Kshs.229,908,705 resulting in a variance of Kshs.56,747,326.

Further, the balance includes an unexplained and unsupported negative adjustment to recognize assets and liabilities amount of Kshs.778,567,740 as reflected in the statement of changes in net assets. However, the adjustments amount was at variance with the negative net assets operating balance totalling Kshs.605,406,362 reflected in the statement of financial position resulting in variance of Kshs.173,161,378.

In the circumstances, the accuracy and completeness of the accumulated surplus balance of Kshs.188,862,932 could not be confirmed.

903. Unsupported Printing, Advertisement and Information Supplies

The statement of financial performance reflects use of goods and services amount of Kshs.2,171,715,695 as disclosed in Note 10 to the financial statements. The amount includes printing, advertising and information supplies and services expenditure of Kshs.31,258,398. However, payment documents in support of payments totalling Kshs.19,376,766 were not provided for audit review.

In the circumstances, the accuracy and completeness of printing, advertising and information supplies and services amounting to Kshs.19,376,766 could not be confirmed.

904. Unsupported Insurance Costs

The statement of financial performance reflects use of goods and services amounting to Kshs.2,171,715,695 as disclosed in Note 10 to the financial statements which includes insurance costs totalling Kshs.82,439,739. The insurance costs includes an amount of Kshs.40,939,739 incurred on motor vehicle insurance which was not supported by, valuation reports, signed contract and policy documents for the insured motor vehicles. Further, seven (7) motor vehicles with GK registration numbers valued at Kshs.27,164,000 were insured at a total premium of Kshs.747,000 yet the vehicles were not disclosed in the asset register under the respective category, and no log books were provided for audit review.

In addition, the insurance costs includes an amount of Kshs.41,500,000 in relation to part payment to an Insurance Broker through not serialized payment voucher dated 20 June, 2025 for provision of comprehensive medical insurance and group life cover to

the County Executive staff at a contract sum of Kshs.200,000,139 effective 1 May, 2025. However, the contract agreement signed between the County Executive and the service provider did not provide the details of the names and number of members of staff covered, their dependents and the medical cover limits. No explanation was provided for not signing the insurance contract with the underwriter and paying the insurance broker instead of the underwriter. The accrued insurance cost of Kshs.158,500,139 was also not disclosed as a payable in the financial statements.

In the circumstances, the accuracy and completeness of the insurance costs amounting to Kshs.82,439,739 could not be confirmed.

905. Unsupported Transfers to Vocational Training Centers

The statement of financial performance reflects transfer to other Government entities amounting to Kshs.502,651,539 as disclosed in Note 11 to the financial statements which includes transfers to Vocational Training Centers totalling Kshs.39,308,107. However, expenditure returns and acknowledgement from beneficiary Institutions were not provided for audit review.

In the circumstances, the accuracy and completeness of transfers to Vocational Training Centers amounting to Kshs.39,308,107 could not be confirmed.

906. Unsupported Access Road Expenditure

The statement of financial performance reflects use of goods and services amount of Kshs.2,171,715,695 as disclosed in Note 10 to the financial statements which includes access roads expenditure amount of Kshs.653,436,226. However, Management did not provide details of the roads repaired or constructed, contract amount for each road done and payment documents for audit review.

Further, the access road expenditure includes legal expenses amounting to Kshs.9,897,699. However, the legal expenses were wrongly charged to access roads and Management did not explain the anomaly.

In the circumstances, the accuracy and completeness of access roads expenditure amounting to Kshs.653,436,226 could not be confirmed.

907. Unsupported Cash and Cash Equivalents Balance

The statement of financial position and as disclosed in Note 21 to the financial statements reflects cash and cash equivalents balance of Kshs.86,230,126. However, the balance was not supported by certificate of bank balances, bank statements, board of survey reports and bank reconciliation statements.

In the circumstances, the existence, accuracy and completeness of cash and cash equivalents balance of Kshs.86,230,126 could not be confirmed.

908. Inaccuracies in Other Grant and Subsidies Amount

The statement of financial performance and as disclosed in Note 13 to the financial statements reflects other grants and subsidies amounting to Kshs.101,397,753. However, the general ledger reflects a balance of Kshs.103,497,953 resulting in unreconciled variance of Kshs.2,100,200.

In the circumstances, the accuracy and completeness of other grants and subsidies amounting to Kshs.2,100,200 could not be confirmed.

909. Unexplained Integrated Financial Management Information System Transactions

The statement of financial performance reflects total expenses amounting to Kshs.6,163,967,157. Review of the respective ledgers and Integrated Financial Management Information System (IFMIS) payment details revealed that transactions amounting to Kshs.3,321,920,045 and Kshs.166,819,466 were made to Kericho County Government and Kericho Chief Officer-Finance, respectively all totalling Kshs.3,488,739,511. However, the nature of the payments and the ultimate beneficiaries was not explained or provided for audit review.

In the circumstances, the accuracy and completeness of IFMIS expenditure amounting to Kshs.3,488,739,511 could not be confirmed.

910. Unsupported Health Management Team and Community Health Partners Stipend Account Expenditure

The statement of financial performance reflects total expenses amounting to Kshs.6,163,967,157. The expenditure includes an amount of Kshs.54,281,275 and Kshs.33,540,000 paid to Kericho Health Management Team (HMT) and Community Health Partners (CHP) stipend account respectively, all totalling Kshs.87,821,275 which was not supported with expenditure returns and lists of beneficiaries.

In the circumstances, the accuracy and completeness of stipend expenditure of Kshs.87,821,275 could not be confirmed.

911. Unsupported Kericho County Kenya Urban Support Program Urban Development Grant

The statement of financial performance reflects total expenses amounting to Kshs.6,163,967,157. Review of the respective IFMIS payment details revealed that an amount of Kshs.29,399,011 was paid to the Kenya Urban Support Program (KUSP) account. However, the expenditure was not supported with the expenditure returns and the related supporting documentation.

In the circumstances, the accuracy and completeness of the amount of Kshs.29,399,011 paid to Kericho County KUSP Urban Development Grant account could not be confirmed.

912. Unsupported Cash Payments

The statement of financial performance reflects total expenses amounting to Kshs.6,163,967,157. The amount includes a balance of Kshs.141,055,481 paid under cash sub item to suppliers and individuals and Kshs.75,692,646 paid as late duty allowances which were not supported with payment vouchers and its related documentation including lists of beneficiaries among others.

In the circumstances, the accuracy, completeness and regularity of the cash payments amounting to Kshs.216,748,127 could not be confirmed.

913. Inaccuracies in Emergency Relief Payments

The statement of financial performance reflects total expenses amounting to Kshs.6,163,967,157. Review of the respective Integrated Financial Management Information System (IFMIS) ledgers revealed that an amount of Kshs.32,000,000 was paid to cater for emergency relief on food, medicine, blanket items, cash grants, tents and other temporary shelter. However, Note 13 to the financial statements reflects transfers to Kericho County Executive Emergency Fund totalling Kshs.17,000,000 resulting in unreconciled variance of Kshs.15,000,000.

In the circumstances, the accuracy and completeness of the transfers to Kericho County Emergency Fund amounting to Kshs.15,000,000 could not be confirmed.

914. Variances Between the Statement of Financial Performance and IFMIS Vote Book

Review of records revealed variances between the financial statements and the IFMIS Vote Book report as detailed in the table below:

Expenditure	Note	Financial Statements Balance (Kshs)	IFMIS Vote Book Balance (Kshs)	Variance (Kshs)
ICT Network and Communications Equipment	26	18,716,769	15,043,100	3,673,669
Access Roads	10	653,436,226	709,228,292	55,792,066
Other Infrastructure and Civil Works	10	35,479,394	561,169,208	525,689,814

In the circumstances, the accuracy and completeness of the amounts reflected in the financial statements amounting to Kshs.585,155,549 could not be confirmed.

915. Unsupported Payment to Suppliers and Individuals

Review of IFMIS payment details revealed that an amount of Kshs.681,495,360 was paid as Grants to individuals and companies. Further, the IFMIS payment details indicated that Management made payments to thirty-six (36) suppliers totalling Kshs.779,316,616. However, the details in respect of the payments were not provided for audit review.

In the circumstances, the accuracy, completeness and regularity of payment to suppliers and individuals amounting to Kshs.1,460,811,976 could not be confirmed.

916. Unsupported Pre-feasibility, Feasibility and Appraisal Study Payments

The statement of financial performance reflects use of goods and services amount of Kshs.2,171,715,695 which as disclosed in Note 10 to the financial statements includes a balance of Kshs.22,690,220 in respect of research, feasibility studies, project preparation and design and project supervision. Review of IFMIS payment details revealed an amount of Kshs.14,798,420 was paid for pre-feasibility, feasibility and appraisal studies but no supporting documentation and justification was provided for audit review.

In the circumstances, the accuracy, completeness and regularity the payments of Kshs.14,798,420 could not be determined.

Emphasis of Matter

917. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total receipts budget and actual on comparable basis of Kshs.8,769,871,719 and Kshs.6,042,824,075 respectively resulting in underfunding of Kshs.2,727,047,644 or approximately 31% of the approved budget. However, Management spent an amount of Kshs.5,932,300,322 out of the actual receipts amount of Kshs.6,042,824,075 resulting in under-expenditure of Kshs.110,523,753.

The underfunding affected the implementation of planned activities and programmes and may have negatively impacted on effective service delivery to the public.

My opinion is not modified in respect of this matter.

Other Matter

918. Unresolved Prior Year Audit Matters

In the audit report of the previous year, issues were raised under Report on Financial Statements, Emphasis of Matter, Other Matter, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance as listed at the end of this report. However, Management had not resolved twenty-eight (28) the issues or given any explanations for failure to implement the recommendations.

Other Information

919. There were no material issues relating to Other Information.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

920. Failure to Prepare and Submit Financial Statements for Kenya Devolution Support Programme II

The statement of financial performance reflects transfers to other Government entities amounting to Kshs.502,651,539. The amount includes transfers to Kenya Devolution Support Programme II (KDSP 2). However, the financial statements for the programme were not prepared and submitted to the Auditor-General. This was contrary to Regulation 101(4) of the Public Finance Management (County Governments) Regulations, 2015 which requires an Accounting Officer to prepare and submit financial statements not later than three months after the end of the financial year and submit them to the Auditor-General with a copy to the County Treasury, the Controller of Budget and the National Treasury.

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

921. Non-Compliance with Guidelines on Transition from Cash to Accrual Accounting

Review of the transition process revealed that the County Steering Committee to oversee the planning, execution and monitoring of the transition process had not been established. This was contrary to Guideline 1.5(iii) on Transition from Cash to Accrual Accounting by Ministries, Departments, Agencies and County Governments in Kenya, 2024 and Paragraph 2.1.1 of The National Treasury and Economic Planning Circular Referenced No.03/2025 dated 14 April, 2025 which directed that an entity steering committee made up of officers from relevant Departments be established by the Accounting Officer.

Further, Project Manager responsible for leading and coordinating all activities related to the transition process had not been appointed. This was contrary to Paragraph 2.1.2 of the Guidelines that directed the Accounting Officers to appoint a project manager from among the service staff to oversee the transition from cash to accrual accounting project.

In the circumstances, lack of leadership and coordination may delay the transition process and result in non-achievement of key milestones and deliverables outlined in the transition roadmap.

922. Irregular Transfer of Hospitals Revenue to County Revenue Fund

Review of revenue records obtained from Level 4 and Level 5 health facilities in Kericho County revealed that seven (7) Health facilities collected revenue amounting to Kshs.566,976,183 that included, a total amount of Kshs.62,168,779 which was transferred to the County Revenue Fund. 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. However, the County Treasury reimbursed a total of Kshs.65,297,630 to the health facilities resulting in excess reimbursement of Kshs.3,128,807 in respect of Roret Level 4 Hospital.

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

923. Long Outstanding Trade and Other Payables Balance

The statement of financial position and as disclosed in Note 32 to the financial statements reflects trade and other payables balance of Kshs.1,884,953,574. The ageing analysis provided revealed that an amount of Kshs.533,924,516 or 28% of total payables has been outstanding for more than one (1) year. This was contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015 which provides that debt service payments shall be a first charge on the County Revenue Fund. No reason was provided for failure by Management to settle the balance of Kshs.533,924,516.

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

924. Unauthorized Over Expenditure

The statement of financial performance reflects total expenses amounting to Kshs.6,163,967,157. Review of the IFMIS payment details revealed that the amount includes expenses totalling Kshs.5,460,167,341. However, this expenditure exceeded the corresponding approved budget amount of Kshs.4,718,017,542 resulting in an unauthorized over expenditure of Kshs.742,149,799. This was contrary to Regulation 42(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires an Accounting Officer to ensure that public funds entrusted to their care are properly safeguarded and are applied for purpose for only which they were intended and appropriated by the County Assembly.

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

925. Non-Compliance with Fiscal Responsibility Principles on Wages

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects employee costs amounting to Kshs.3,388,084,170. The amount was equivalent to forty-nine percent (49%) of the County Executive's total revenue amounting to Kshs.6,958,060,201. This was contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the limit for

County Government's expenditure on wages and benefits shall not exceed thirty-five (35) percent of the County Government's total revenue.

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

926. Failure to Implement Budgeted Water Projects

Review of Projects Implementation Status report revealed that water and sewerage infrastructural works under rural schemes budgeted for an amount of Kshs.210,010,917. However, the respective projects had not been implemented during the year under review. Further, no evidence was provided to show that the responsible Authority to Incur Expenditure (AIE) holder informed the Accounting Officer on the non-performance of the budgetary provisions by 15 February, 2025. This was contrary to Regulation 116 of the Public Finance Management (County Governments) Regulations, 2015 which states that; where an A.I.E holder observes that it will not be possible to allocated for a particular project in a given financial year, the AIE holder shall inform the Accounting Officer not later than the 15th February each year. The Accounting Officer shall then surrender the resources to the County Treasury and the County Treasury shall ensure that the funds are re-voted for the project in the following financial year in order to continue the implementation of the project.

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

927. Projects Implemented Outside the Approved Procurement Plan

Review of records revealed that an expenditure amounting to Kshs.230,573,346 was incurred on construction of roads. However, the roads constructed were not included in the approved procurement plan. This was contrary to Section 45(3) of the Public Procurement and Asset Disposal Act, 2015 which requires all procurement processes to align with the approved budget and be undertaken in accordance with an annual procurement plan developed by the procuring entity.

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

928. Unsupported Strategic Intervention

The County Executive budgetary performance implementation and indicators for the year under review reflects budgetary provision in respect of strategic intervention phase 1 and 2 amounts of Kshs.100,000,000 and Kshs.134,000,000 respectively, all totalling Kshs.234,000,000. However, the budget estimate and performance presented and approved by the County Assembly did not contain lists of strategic intervention projects to be financed. This was contrary to Regulation 50(3) of the Public Finance Management (County Governments) Regulations, 2015 which requires an Accounting Officer of a Government entity to make an expenditure commitment against the procurement plan approved for that entity in Accordance with the Public Procurement and Asset Disposal Act and Regulations made thereunder.

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

929. Non-Compliance with the Law on Affirmative Action on 30% of Procurement Opportunities

Review of the procurement plan revealed that enterprises owned by youth, women, and persons with disabilities were allocated an amount of Kshs.742,304,923 of the planned annual procurement amounting to Kshs.2,916,301,125, representing twenty five percent (25%) of the annual procurement budget. This was contrary to Regulation 149 of the Public Procurement and Asset Disposal Regulations, 2020 which requires an Accounting Officer of a procuring entity to allocate at least thirty percent (30%) of its annual procurement budget for the purposes of procuring goods, works and services from enterprises owned by youth, women and persons with disability.

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

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

Review of the monthly payroll records revealed that three hundred and eighty-nine (389) employees earned a net salary of less than one-third (1/3) of the basic salary in various months during the year under review. This was contrary to Section 19(3) of the Employment Act, 2007 which requires that deductions made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

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

931. Appointment in Acting Capacity Beyond the Stipulated Period

Review of the human resource records revealed that a member of staff had been appointed in acting capacity for more than six (6) months. This was in contravention of Paragraph C14(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which requires that when an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he or she is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary and that acting allowance will not be payable to an officer for more than six (6) months.

In the circumstances, Management was in breach of the Human Resource Manual.

932. Nugatory Expenditure on Legal Fees

The statement of financial performance reflects use of goods and services amounting to Kshs.2,171,715,695 as disclosed in Note 10 to the financial statements which includes other operating expenses amounting to Kshs.199,605,631. The other operating expenses further includes an expenditure of Kshs.3,278,377 paid to an Advocate on behalf of a claimant for trespass on his land. Review of records revealed that the payment was in

respect of compensation award of Kshs.2,000,000 plus accrued interest which arose from illegal trespass on the claimant's half an acre of land during road construction by a contractor hired by the County Executive. The contractor allegedly delineated the marks on the boundaries of the land and damaged property on the land which Management claimed was public land lying on a road reserve. No order or notice to vacate the land was given by the County Executive's Department for Roads to the residents occupying the land which resulted to the damage of property. Had the order or notice been given to the residents to vacate the road reserve and public land, there would have been no suit and the expenditure of Kshs.3,278,375 would not have been incurred.

Further, the Environment and Lands Court in Kericho No. E010 of 2020 dated 6 July, 2023 decree awarded an amount of Kshs.2,000,000 against the County Executive. However, the amount was not paid within the required time which attracted an interest of Kshs.490,000, cost of the case of Kshs.633,233 and interest on cost awarded amounting to Kshs.155,142 all totalling to Kshs.1,278,375 which was avoidable.

In the circumstances, value for money on the legal fees and interest paid on the Court awards totalling Kshs.3,278,375 could not be confirmed.

933. Irregularities in Procurement of Empowerment Materials

The statement of financial performance reflects use of goods and services expenditure amounting to Kshs.2,171,715,695 as disclosed in Note 10 the financial statements. The amount includes an expenditure amount of Kshs.7,971,636 which was incurred on procurement of assorted empowerment materials. However, the expenditure was not in the procurement plan or in the approved budget for the year under review. This was contrary to Section 44(2)(a) of the Public Procurement and Asset Disposal Act, 2015 which provides that in the performance of the responsibility, an Accounting Officer shall ensure that procurements of goods, works and services of the public entity are within approved budget of that entity. Further, request for quotations, regret letters to the unsuccessful bidders, inspection and acceptance certificates and distribution lists of the empowerment materials in support of the expenditure were not provided for audit verification.

In addition, review of Counter Receipt Vouchers (S13) and Counter Requisition and Issue Vouchers (S11) revealed that one officer received and issued all the items delivered. This was contrary to the segregation of duties internal control. The delivery notes not signed by the suppliers and the officers who received the items at the County Executive.

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

934. Grounded Motor Vehicles

Review of records revealed that forty-seven (47) motor vehicles were grounded during the year under review. The vehicles comprise of nineteen (19) serviceable units and twenty-eight (28) grounded but recommended for disposal. However, no explanation was

given on why the unserviceable motor vehicles and transport equipment had not been bonded and earmarked for disposal. This was contrary to Regulation 176(1) of the Public Procurement and Asset Disposal Regulations, 2020 which requires an Accounting Officer to ensure that an Annual Assets Disposal Plan is prepared for items declared as unserviceable, surplus or obsolete stores, asset or equipment.

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

935. Irregular Expenditure on Contracted Borehole Drilling Services

The County Executive outsourced borehole drilling services and paid an amount of Kshs.15,018,224. However, the County Executive had its own borehole drilling equipment which includes a drilling rig, compressor, testing pump, generator and a support truck. No explanation was provided for outsourcing borehole drilling services. This was contrary to Regulation 39(1)(a) of the Public Finance Management (County Governments) Regulations, 2015 which requires an Accounting Officer to ensure efficient and economical use of budgeted funds and that value for money is achieved in the delivery of services.

In the circumstances, public resources were not applied in a prudent and efficient manner.

936. Irregular Payment of Legal Fees

Legal fees amounting to Kshs.10,338,464 was paid to a legal firm on 24 September, 2024 in respect of the amount of decree together with cost execution and Court collection fees which was outstanding for four (4) years. This amount was at variance with the decree amount of Kshs.9,106,244 provided in ELC Petition No. E0003 of 2021 resulting in an overpayment of Kshs.1,232,220. Further, the amount of Kshs.9,106,244 was not supported by a statement of cost and the respective fee note from the legal firm.

In addition, legal fees amounting to Kshs.12,821,788 and outstanding compensation on legal fees of Kshs.48,888,829 all totalling Kshs.61,710,617 was paid in the year under review. However, the amount exceeded the approved budgeted amount of Kshs.10,000,000 resulting in an unauthorized expenditure of Kshs.51,710,617.

In the circumstances, public resources may not have been applied in a prudent and efficient manner.

937. Delayed Construction of County Aggregation and Industrial Park

The contract for the construction of County Aggregation and Industrial Park (CAIP) in Kapsorok was signed on 17 October, 2023 at a contract price of Kshs.541,000,000. Review of records revealed that the project was to be done under counterpart funding arrangement between the National Government and the County Executive at amounts of Kshs.291,000,000 and Kshs.250,000,000, respectively. The contract period was to expire on 21 August, 2025. However, at the time of audit in June, 2025 the contractor had been

paid a total of Kshs.72,872,622 equivalent of 14% against estimated physical progress of 6%.

Physical verification of the project on 4 June, 2025, revealed that several works included in the Bills of Quantities totalling Kshs.512,885,072 were yet to be done.

In the circumstances, value for money on the expenditure of Kshs.72,872,622 incurred on the project could not be confirmed.

938. Delayed Completion of Rehabilitation and Construction of Kimologit Water Supply Project

The contract for the proposed rehabilitation and construction of Kimologit Water Project at a contract sum of Kshs.186,289,133 for a contract period of twelve (12) months, with estimated completion date on 11 July, 2020, was signed on 30 May, 2019. Review of records revealed that the contract had been extended severally for periods cumulating to fifty-three (53) months, with the latest one having expired on 23 June, 2025. The contractor had been paid a total of Kshs.136,025,070, equivalent to 73% of the contract sum.

Physical verification carried out on 12 June, 2025 revealed that the contractor had abandoned the site while works totalling Kshs.9,970,090 as per the Bills of Quantities (BQ's) had not been executed. Further, the contracts and performance Bond guarantee had expired on 23 June, 2025 and 5 May, 2025 respectively.

Further, the treatment plant was located on a donated piece of land measuring approximately 2.5 Acres. However, the title deed of the land was not provided for audit review.

In the circumstances, value for money on the expenditure of Kshs.136,025,070 incurred on the project could not be confirmed.

939. Stalled Construction and Equipping of Theater at Ainamoi Health Centre

The contract for the construction and equipping of an operating surgical theatre at Ainamoi Sub-County Hospital at a cost of Kshs.14,135,859 was to be completed on 4 June, 2020. Review of records revealed that the full contract sum had already been paid. Further, the contract period had expired and it was extended to 19 August, 2022. However, physical verification of the facility on 17 June, 2025 revealed that the Project had stalled and the contractor was not at site.

In the circumstances, value for money on the expenditure of Kshs.14,135,859 incurred on the project could not be confirmed.

940. Delayed Completion of Modern Market at Sondu

The contract for the construction and completion of modern Sondu Market at a contract sum of Kshs.128,945,229 was signed on 12 June, 2019 with a contract period of fifty-two (52) weeks with effect from 14 August, 2019. Review of the Project Implementation Status report as at June,2025, indicated that the contractor has been paid an accumulated amount of Kshs.107,665,976 or 72% of the contract sum with works certified at 90%. No budgetary provisions on the remaining works were provided for during the year under review.

Physical verification of the project carried out on 17 June, 2025 revealed that the contract period had expired and several works were yet to be completed. However, the contractor was on site but works were progressing at a slow pace and without an addendum or approved extension to the original contract.

In the circumstances, value for money for the expenditure of Kshs.107,665,976 already spent on the project could not be confirmed.

941. Delayed Completion of Kapkures Water Supply Project

The contract for the rehabilitation and construction of Kapkures Water Supply project at a contract sum of Kshs.87,417,116 was signed on 30 May, 2019 for a contract period of twelve (12) months from the date of signing the contract. Review of records revealed that the completion date was extended to 17 February, 2023. However, the status report as at June, 2025 indicated that the progress of works certified stood at 85% and additional works originally not in the Bills of Quantities (BQ's) including, fencing, construction of new gravity main from intake to treatment works and completion of pipe fittings on twin treatment works were yet to be completed.

Further, the contractor had been paid a cumulative amount of Kshs.63,713,770 to date inclusive of consultancy services amount of Kshs.23,348,579 and variation works amount of Kshs.2,500,000 paid via payment certificate No. 2 and which was not approved by the Evaluation Committee before it was submitted to the Accounting Officer for approval. In addition, the performance bond guarantee provided had expired.

In the circumstances, value for money on the expenditure amounting to Kshs.63,713,770 incurred on the project could not be confirmed.

942. Lack of Risk Management Policy

The County Executive had no approved Risk Management Policy. This was contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the Accounting Officer ensure that the county government entity develops risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

943. Understaffing of Internal Audit Department

Review of the documents provided for audit revealed that the Directorate of Internal Audit and Risk Management had six (6) staff out of an approved thirty-eight (38) staff establishment. This was an indication of inadequate staff in the Department.

Further, the Directorate lacked an approved budget and workplan. In addition, there was no Internal Audit Charter and evidence of risk management reports undertaken in the year.

In the circumstances, the effectiveness of internal controls, risk management and governance could not be confirmed.

944. Lack of Audit Committee

Review of the governance structure in place revealed that the County Executive did not have an Internal Audit Committee in place. This was contrary to the provisions of Section 155(5) of the Public Finance Management Act, 2012 which requires a County Government entity to establish an internal audit committee whose composition and functions are to be prescribed by the regulations.

In the circumstances, effectiveness and oversight of internal controls and governance could not be confirmed.

945. Weaknesses in Access to Government Opportunities Controls

Review of procurement records revealed that a supplier was contracted to supply, deliver and install assorted furniture in new Hospital facilities at a contract price of Kshs.2,840,700. The contract was signed on 19 February, 2024 two (2) months after evaluation of tenders was approved on 20 January, 2024. The tender was reserved for Access to Government Opportunities (AGPO) (women). However, the AGPO Certificate provided by the supplier related to a different firm. Further, the contract for the supply of medical equipment for Londiani Sub-County Hospital at a contract price of Kshs.2,064,000 was reserved for AGPO (groups) but the AGPO Certificate provided by the supplier belonged to a different firm.

In the circumstances, the effectiveness of controls on Access to Government Procurement Opportunities could not be confirmed.

List of Unresolved Prior Year Audit Matters

No.	Audit Issue for 2023/2024
1	Variance of Financial Statements with General Ledger and IFMIS Payment Details
2	Unsupported Foreign Travel and Subsistence
3	Unsupported Payments for Insurance Services
4	Account Payables – Retention Monies
5	Unsupported Domestic Travel and Subsistence Allowance
6	Un authorized Reallocation of Development Funds to Recurrent Vote
7	Unauthorized Operation of Mobile Money Payment
8	Inaccuracies in Pending Accounts Payable
9	Budgetary Control and Performance
10	Long Outstanding Pending Accounts Payables
11	Construction and Equipping of Theater at Ainamoi Health Centre
12	Modern Market at Sondu
13	Delayed completion of Kapkures Water Supply Project – Strategic Intervention Project for the Financial Year 2028/2019
14	Non-Compliance with Requirements for Reallocation of Development Appropriations
15	Non – Current Assets Register
16	Failure to Construct Governor and Deputy Governor's Houses
17	Non – Compliance with Fiscal Responsibility Principles – Wage Bill
18	Non - Compliance with the Law on Staff Ethnicity Composition
19	Non – Compliance with the Law of People with disabilities
20	Non – Adherence to the One – Third Basic Salary Rule
21	Construction of the Kericho County Aggregated Industrial Park
22	Failure to Submit List of Ongoing Projects
23	Misclassification of Economic Items in the Approved Budget
24	Failure to Undertake Procurement through E – Procurement
25	Failure to Prepare Human Resource Plan
26	Lack of Information and Communication Technology and Strategic Plan
27	Action on Internal Audit Reports by the County Executive
28	Failure of the Audit Committee to Meet as Required

COUNTY EXECUTIVE OF BOMET – NO.36

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

946. Unsupported Opening Balances

The statement of financial position reflects opening total assets and liabilities balances of Kshs.711,676,227 and Kshs.1,048,759,382 respectively, resulting in negative net assets balance of Kshs.337,083,155. However, the balances were not supported by the Transition Project Co-ordination Committee report.

In the circumstances, the accuracy and completeness of the opening assets and liabilities totalling Kshs.711,676,227 and Kshs.1,048,759,382 respectively could not be confirmed.

947. Inaccuracies in Employee Costs

The statement of financial performance and as disclosed in Note 7 to the financial statements reflects employee costs amounting to Kshs.3,500,681,042. However, review of the payroll revealed employee costs totalling Kshs.3,515,184,562 resulting in unreconciled variance of Kshs.14,503,520. Further, monthly payroll reconciliations against payroll by-products to validate the amounts and number of staff paid were not carried out in the Human Resource Information System as required.

In the circumstances, the accuracy and completeness of the employee costs of Kshs.14,503,520 could not be confirmed.

948. Inaccuracies of Transfers to Other Government Entities

The statement of financial performance reflects transfers to other Government entities amounting to Kshs.350,587,012. The amount includes transfers to Bomet County Bursary Fund totalling Kshs.52,500,000 as disclosed in Note 9 to the financial statements. However, the amount differs with transfers from the County Government amounting to Kshs.65,000,000 reflected in the Bursary Fund's financial statements resulting in unreconciled variance of Kshs.12,500,000.

Further, the transfers to other Government entities amount of Kshs.350,587,012 includes transfers to non-reporting health facilities totalling Kshs.105,308,230 as disclosed in Note 9 to the financial statements. However, review of records revealed that an amount of Kshs.62,937,000 was transferred to the institutions resulting in unreconciled variance of Kshs.42,371,230. In addition, expenditure returns in support of the transfers were not provided for audit verification.

In the circumstances, the accuracy and completeness of transfers to other Government entities amounting to Kshs.54,871,230 could not be confirmed.

949. Inaccuracies in Receivables from Non-Exchange Transactions Balance

The statement of financial position and as disclosed in Note 13 to the financial statements reflects receivables from non-exchange transactions balance of Kshs.691,369,912 in respect of exchequer transfers that had not been transferred from the County Revenue Fund (CRF). However, the balance was at variance with the recomputed receivables totalling Kshs.1,425,916,613 comprising of budget utilization difference for transfers from CRF and other income (conditional grants through CRF) amounting to Kshs.212,698,333 and Kshs.1,213,218,280 respectively, as disclosed in the statement of comparison of budget and actual amounts, resulting in unreconciled variance of Kshs.734,546,701.

In the circumstances, the accuracy and completeness of the receivables from non-exchange transactions balance of Kshs.691,369,912 could not be confirmed.

950. Inaccuracies in Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.1,752,249,599 which includes additions during the year amounting to Kshs.1,910,135,401 as disclosed in Note 15 to the financial statements. However, Appendix VI to the financial statements on summary of fixed assets register reflects additions during the year amounting to Kshs.1,274,832,363, resulting in an unreconciled variance of Kshs.635,303,038.

In the circumstances, the accuracy and completeness of property, plant and equipment totalling Kshs.1,752,249,599 could not be confirmed.

951. Unsupported Trade and Other Payables Balance

The statement of financial position reflects trade and other payables balance of Kshs.1,538,084,971. The amount includes trade payables totalling Kshs.1,196,952,551 as disclosed in Note 16 to the financial statements. However, the ageing analysis of the payables was not provided or disclosed in the financial statements, contrary to the requirements of the prescribed financial reporting template.

In the circumstances, the accuracy, completeness and presentation of the trade and other payables balance of Kshs.1,196,952,551 could not be confirmed.

952. Inaccuracies in Net Assets Balance

The statement of financial position reflects net assets totalling Kshs.1,103,084,011. However, the balance was at variance with the total net assets amounting to Kshs.629,295,224 reflected in the statement of changes in net assets resulting in unreconciled variance of Kshs.473,788,787.

Further, the statement of changes in net assets reflects negative adjustments to recognize assets and liabilities amounting to Kshs.463,551,326. However, the schedule of assets and liabilities in support of the adjustments was not provided for audit verification.

In the circumstances, the accuracy and completeness of the net assets balance of Kshs.1,103,084,011 could not be confirmed.

953. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects cash and cash equivalents balance of Kshs.202,659,081. However, the balance was at variance with the re-computed cash and cash equivalents balance of Kshs.509,543,684 resulting in unreconciled variance of Kshs.306,884,603. Further, Note 18 to the financial statements reflects increase in receivables amounting to Kshs.585,400,947. However, the increase in receivables was at variance with the recomputed balance of Kshs.133,135,987 resulting in a variance of Kshs.452,264,960. Similarly, the increase in payables balance of Kshs.78,622,620 as disclosed in Note 18 to the financial statements was at variance with the recomputed increase of Kshs.494,435,199 resulting in unreconciled variance of Kshs.415,812,579. The increase in payables was also erroneously deducted from the surplus for the year.

In the circumstances, the accuracy and completeness of the statement of cash flows could not be confirmed.

954. Inaccuracies in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects final budget amounts of Kshs.3,610,032,465 and Kshs.2,206,016,273 in respect of employee costs and use of goods and services expenditure respectively. However, the amounts were at variance with the recomputed balances of Kshs.3,407,735,641 and Kshs.2,408,313,094, resulting in unreconciled variances of Kshs.202,296,824 and Kshs.202,296,821 respectively.

Further, the statement reflects negative total expenses adjustments amounting to Kshs.169,639,114. However, the amount was in variance with recomputed adjustments totalling Kshs.122,181,920, resulting in unreconciled variance of Kshs.291,821,034.

In the circumstances the accuracy and completeness of the amounts reflected in the statement of comparison of budget and actual amounts could not be confirmed.

Emphasis of Matter

955. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis amounts of Kshs.8,853,029,233 and Kshs.6,314,611,926 respectively resulting in under-funding of Kshs.2,538,417,307 or twenty-nine percent (29%) of the budget. However, the County Executive spent an

amount of Kshs.5,958,510,543 against actual receipts of Kshs.6,314,611,926 resulting in under-utilization of Kshs.356,101,383 or 5% of the actual receipts.

The under-funding 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.

Other Matter

956. Unresolved Prior Year Audit Matters

In the audit report of the previous year, thirty-two (32) 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 listed at the end of this report.

Other Information

957. There were no material issues relating to other information.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

958. Non-Compliance with Guidelines on Transition from Cash to Accrual Accounting

Review of the transition from Cash to Accrual Accounting process revealed that the County Steering Committee to oversee the planning, execution, and monitoring of the transition process had not been established. This was contrary to Guideline 1.5 (iii) on Transition from Cash to Accrual Accounting by Ministries, Departments, Agencies and County Governments in Kenya, 2024 and Paragraph 2.1.1 of the National Treasury and Economic Planning Circular Referenced No.03/2025 dated 14 April, 2025 which directed that an entity steering committee made up of officers from relevant departments be established by the Accounting Officer.

Further, a Project Manager responsible for leading and coordinating all activities related to the transition process had not been appointed. This was contrary to Paragraph 2.1.2 of the Guidelines that directed the Accounting Officers to appoint a Project Manager from among the service staff to oversee the transition from cash to accrual accounting project.

In the circumstances, the leadership and coordination may delay the transition process and could result in non-achievement of key milestones and deliverables outlined in the transition roadmap.

959. Non-Compliance with Fiscal Responsibility Requirements on Wages

The statement of financial performance reflects employee costs amounting to Kshs.3,500,681,042. The amount represents forty-eight percent (48%) of the County Executive's total revenue amounting to Kshs.7,354,132,866 received in the County Revenue Fund. This was contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the County Government's expenditure on wages and benefits for its public officers shall not exceed 35% of the County Government's total revenue. There was no evidence that the County Executive Committee Member for Finance had tabled a bill in the County Assembly to control the wage bill thus no efforts appear to have been made to check the wage bill. As a result, the high wage bill may not be sustainable.

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

960. Irregular Payment of Salaries and Personal Allowances

Review of the Integrated Payroll and Personnel Database (IPPD) and Government Human Resource Information System (GHRIS) indicated that during the year under review, one thousand, four hundred and fifty-four (1,454) officers were paid salaries and allowances amounting to Kshs.48,181,528 which was not recommended by the Salaries and Remuneration Commission as detailed below;

960.1. Special House Allowance

Special house allowances amounting to Kshs.14,194,115 was paid to seven hundred and six (706) members of staff. However, this allowance had not been approved by the Salaries and Remuneration Commission.

960.2. Extraneous Allowance

Extraneous allowances amounting to Kshs.2,460,000 was paid to one hundred and thirty-one (131) employees who were not entitled to earn the allowance.

960.3. Payment of Special Salaries

Seventeen (17) officers were paid special salaries amounting to Kshs.2,885,000. However, these officers were paid basic salaries and other allowances totalling Kshs.9,200,160 resulting in double payment of salaries and allowances.

960.4. Non-Practicing Allowance

In addition, non-practicing allowance amounting to Kshs.1,182,500 was paid to thirty-six (36) officers who were not entitled to earn the non-practicing allowance. This was contrary to Salaries and Remuneration Commission Circular No. SRC/TS/29(81) of

10 August, 2023 which approved payment of this allowance to medical officers, dental officers or pharmacists.

960.5. Uniform Allowance

Uniform allowance amounting to Kshs.4,280,000 was paid to four hundred and twenty eighty (428). This was contrary to the Salaries and Remuneration Commission circular SRC/TS/HWI/3/23 Vol II (57) which provides that nurses uniform allowance is non-remunerative and nurses should be issued with uniform.

960.6. Overpayment of Basic Salary

Review of records revealed that eighty-three (83) officers inherited from the defunct local authorities were paid basic salaries amounting to Kshs.41,123,030 higher than the maximum recommended amounts from the collective bargaining agreement of 01 September, 2012 totalling Kshs.25,595,277 resulting in an overpayment of Kshs.15,527,753.

960.7. Responsibility Allowance

Fifty-three (53) officers were paid responsibility allowances amounting to Kshs.1,337,000. However, this allowance was not specified in the respective officers' appointment letters.

The above salaries and allowances were paid contrary to Section 11 (f) of the Salaries and Remuneration Commission Act, 2011 which provides that the Commission shall make recommendations on matters relating to the salary and remuneration of a particular state or public officer.

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

961. Non-Compliance with Salaries and Remuneration Guidelines for Early Childhood Development and Education Teachers

Review of records revealed that one thousand, three hundred and seventeen (1,317) Early Childhood Development Education (ECDE) teachers were paid special salaries amounting to Kshs.154,633,647. However, the teachers were not mapped into the correct grading structure based on their qualifications. This was contrary to the Salaries and Remuneration Commission (SRC) Circular referenced No. SRC/TS/24/6 dated 13 January ,2021, which requires ECDE teachers to be mapped into the correct grading structure based on their qualifications.

Further, the appointment letters outlined earnings broken down into basic salary, house allowance and commuter allowance. However, these were not properly mapped into the HRIS system, and the ECDE teachers did not automatically progress according to the established salary scales.

In the circumstances, Management was in breach of law.

962. Irregularities in Recruitment of Staff

Review of staff records revealed that the County Public Service Board recruited a total of forty-seven (47) officers into various positions in the County review. However, Management did not prepare the annual human resource plan and annual recruitment plan as required by Section B.2 (1) and (2) of the Human Resource Policies and Procedures Manual for the Public Service, 2016.

Further, two (2) officers were recruited in the cadres of assistant director intergovernmental relations and internal auditor II that could not be traced in the staff establishment gaps. In addition, four (4) officers were recruited in the cadres of hospitality officer I, registered clinical officer II, medical laboratory technologist II and registered nurse II. However, the positions had not been declared vacant and advertised. This was contrary to Section 66 of County Governments Act, 2012 which requires the County Public Service Board to invite applications through advertisement and other modes of communication so as to reach as wide a population of potential applicants as possible

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

963. Irregular Engagement of Casual Workers

Review of the records revealed that expenditure amounting to Kshs.119,081,002 was incurred on casual wages. Payments to the casual employees were made to the Heads of Departments on a monthly basis. However, the payments were not accounted for by the Departmental Heads and documentary evidence in support of the number of casual workers engaged and their approved rates of payment was not provided for audit verification.

Further, the casual staff were appointed by the respective Heads of Department without authority and approvals by the County Public Services Board. This was contrary to Section 74 of the County Governments Act, 2012 which provides that the County Public Service Board shall regulate the engagement of persons on contract, volunteer and casual workers in its public bodies and offices.

In addition, the casual workers were engaged for more than three (3) months without review of their terms. This was contrary to Section 37(1)(b) of the Employment Act, 2007 which provides that where a casual employee performs work for more than three months, the contract of service shall be deemed to be one where wages are paid monthly. This exposes the County to possible litigation for unlawful terms of employment.

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

964. Non-Compliance with Law on Recruitment of Persons with Disabilities

Review of the Government Human Resource Information System (GHRIS) data as at 30 June, 2025 revealed that out of the three thousand, nine hundred and ninety-nine (3,999) employees, thirty-nine (39) were public officers with disabilities representing one percent (1%) of the total staff. This was contrary to Section 5(1)(e) of the People with Disabilities Act, 2025 which states that 'every county government shall promote the inclusion of persons with disabilities in the county public service by putting in place measures to ensure that at least five per centum of the employment positions are filled by persons with disabilities.

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

965. Irregular Promotion of Staff

Review of the payroll records revealed that six hundred and fifty-eight (658) officers were promoted to higher job grades during the year under review. However, the number of vacancies, date of occurrence and other relevant details were not declared. This was contrary to Section B.5 of the County Human Resource Manual, 2013 which requires authorized officers to declare all vacant posts to the Public Service Commission in accordance with the procedure set out in the Commission's regulations.

Further, internal advertisements, a list of applicants, shortlisting and interview minutes and a budget in support of the promotions were not provided for audit review. Although the Management explained that the promotions were long overdue because of stagnation and harmonization of various job cadres, no proper justification was given to support the movement. This was contrary to Section B.20 of the County Human Resource Manual, 2013 which requires promotions in the public service to be based on qualifications and other requirements for appointment as stipulated in the career progression guidelines.

In addition, performance appraisals were not conducted to justify the officers' competence, merit and ability to perform in the new cadres. This was contrary to Section C of the County Human Resource Manual, 2013 on Performance Management that requires the placement, promotion and mobility of staff within and across the Civil Service to be based on performance appraisal.

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

966. Retention of Staff Beyond Mandatory Retirement Age

Review of the payrolls provided for audit revealed that twenty-seven (27) employees who had been paid emoluments totalling Kshs.3,075,514 had attained the retirement age of sixty (60) years but were still in the June, 2025 payroll. This was contrary to Section L.S of the County Human Resource Manual, 2013 on mandatory retirement age which provides that all officers shall retire from the service on attaining the mandatory retirement age of sixty (60) years. Management did not provide reasons for the irregular retention of

the employees who were neither persons with special needs nor political appointees beyond the mandatory retirement age.

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

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

Review of the monthly payroll records revealed that one thousand two hundred and eighty-two (1,282) employees earned a net salary of less than one-third (1/3) of the basic salary in various months during the year under review. This was contrary to Section 19(3) of the Employment Act, 2007 which stipulates 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 made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

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

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

The County Executive had three thousand, nine hundred and ninety-nine (3,999) employees as at 30 June, 2025 out of whom three thousand, eight hundred and ninety-one (3,991) or 99% were from one ethnic community. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which stipulates that no public establishment should employ more than one-third of its staff from the same ethnic community.

Further, the County Public Service Board employed forty-seven (47) new staff out of whom thirty-five (35) or 74% were from one ethnic community. This was contrary to Section 65(1) (e) of the County Governments Act, 2012 which provides 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.

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

969. Irregular Procurement of Garbage Collection Services

Review of procurement records revealed that the County Executive awarded a local company a contract for provision of garbage collection services in five towns and market centres at a contract sum of Kshs.42,000,000 for a period of one year with effect from 9 February, 2024 to 9 January 2025. Included in the five collection points were two established municipalities of Bomet and Sotik. This was contrary to Section 12 (2) (e) of the Urban Areas and Cities Act, 2011 which provides that the Board of an area granted the status of a City or Municipality shall be a body corporate with perpetual succession and a common seal and shall do or perform all other acts or things for the proper performance of its functions in accordance with the Act or any other written law which may lawfully be done or performed by a body corporate. No explanation was provided for

the failure by County Executive Management to give the two Municipalities operational autonomy.

Further, Clause 6.4 of the contract required the contractor to pay driver's allowances since they were employees of the County. This implies that the contractor used the trucks and related machineries owned by the County Government of Bomet. However, the terms under which the equipment and machineries were leased to the contractor were not provided for audit verification.

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

970. Irregular Transfer of Funds to Kenya Red Cross Society

The County Executive entered into a memorandum of understanding with the Kenya Red Cross Society (KRCS) on 04 May, 2018 for implementation of an integrated development programme at a cost of Kshs.595,367,014 for a period of five (5) years with an expected completion date of 03 May, 2023. Review of the Project's primary bank account revealed that the County Executive had cumulatively transferred County funds totalling Kshs.197,927,079 or 83% of the agreed County Government's contribution amount of Kshs.238,146,806. An addendum to the Memorandum of Understanding between the two parties extending the project for a further one year was signed on 17 October, 2023. However, approval by the County Assembly or public participation for the intended beneficiaries of the funded projects were not provided for audit review.

Further, two commercial bank accounts were maintained for the project with joint signatories drawn from both the Kenya Red Cross Society and the Bomet County Executive. However, the accounts were operated and maintained by the KRCS. This was contrary to Regulation 87 (1) of the Public Finance Management (County Governments) Regulations, 2015 which requires the County Head of Accountancy Services to maintain a register of all bank accounts opened by County government entities including public funds and donor funded projects.

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

971. Irregular Operation of Commercial Bank Accounts

Review of records revealed that the County Executive held one hundred and forty-eight (148) commercial bank accounts. This was contrary to Regulation 82(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which requires that all County Government bank accounts should be opened at Central Bank of Kenya except for imprest bank accounts for petty cash.

Further, approval status of the accounts, dates when the bank accounts were opened, signatories to the bank accounts, certificate of bank balances as at 30 June, 2025, and evidence of submission of the authorization letters for opening the commercial bank

accounts to the Controller of Budget was not provided. The bank accounts were also not disclosed under other important disclosures in the financial statements.

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

972. Failure to Establish County Emergency Fund

The statement of financial performance reflects other grants and subsidies expenditure totalling Kshs.350,106,165. The amount includes emergency expenditure of Kshs.1,780,000 as disclosed in Note 11 to the financial statements. However, requests for the emergency assistance and needs assessment stating the nature and extent of emergency were not provided for audit review. This was contrary to Section 112 (2) of the Public Finance Management Act, 2012 which requires emergency expenditure to be guided by regulations and relevant laws and it is established that the payment cannot be delayed until a later financial year without harming the general public interest.

Further, Management had not established and operationalized a County Emergency Fund. This was contrary to Section 110 (2) of the Public Finance Management Act, 2012 which provides that a County Executive may establish an Emergency Fund to enable payments to be made when an urgent and unforeseen need for expenditure arises for which there is no specific legislative authority.

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

973. Irregular Transfers of Commodities to Co-operative Societies and Special Groups

The County Executive incurred expenditure totalling Kshs.8,039,500 on various commodities and items including iron sheets, phones, egg incubators, mango seedlings, avocado seedlings and blankets. Management explained that the items were meant for distribution to the special groups including the vulnerable persons, people living with disabilities and women with the main objective of economic empowerment. However, documentation to support the criteria applied in the selection process or eligibility criteria for the groups, schedule of beneficiaries, registration documents for the groups, acknowledgement forms, monitoring reports on the outcomes and impact of the project were not provided for audit.

In the circumstances, value for money on the expenditure of Kshs.8,039,500 may not have been achieved.

974. Irregular Engagement of Consultants for Legal Services

Review of records revealed that the Office of the County Attorney had a list of fifty-two (52) cases out which thirty-two (32) were being handled by private law firms and twenty (20) by inhouse advocates. However, the procurement for the external legal services was not approved by the County Executive Committee. This was contrary to Section 16(1) of

the Office of the County Attorney Act, 2020 which 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.

Further, the outsourced legal services were not competitively sourced since they were directly procured by the County Attorney through issuance of written instructions. This was contrary to Section 119(3) of the Public Procurement and Asset Disposal Act, 2015, which requires the Accounting Officer of a procuring entity to advertise the notice inviting expressions of interest.

In addition, the legal cases included twenty-five (25) cases which had been outstanding for over four (4) years awaiting the ruling. Continued delays in the pending matters may result in cost escalation and nugatory costs and eventual loss of public funds.

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

975. Incomplete Routine Maintenance of Roads

Review of project documents revealed that a local contractor was awarded a contract for construction of 1.93 Kilometre Chebirir Tarmac-Kabisoge road at a contract sum of Kshs.3,859,900. However, physical inspection conducted in July, 2025, revealed that only 1.85 kilometres of the planned works had been completed, leaving a section of unfinished works despite full payment to the contractor. Similarly, another contractor was awarded contract for construction of 2.06 kilometers of Olng'oswet - Road Block -Kiptobit road at a contract sum of Kshs.4,100,368. However, physical inspection revealed that only 1.7 kilometers had been completed. Further, poor drainage was observed in middle sections of the road which retained flood water thereby posing a great danger to motorists and pedestrians.

In the circumstances, value for money may not have been realized in respect of these incomplete road projects.

976. Poor Implementation of School Milk Program

Review of contract records revealed that Management awarded the New Kenya Cooperative Creameries Limited, a tender for the supply of 1,221,956 packets of 200 milliliters packets of school milk to all Early Childhood Development Education (ECDE) centers in the County at a contract amount of Kshs.35,000,000 for a period of six (6) months commencing 11 December, 2024. However, only 581,343 packets of milk all totalling Kshs.17,879,550 which was equivalent to 48% of the expected packets were supplied. Interviews conducted revealed that the beneficiary ECDE centers stopped receiving milk in the month of February, 2025.

In the circumstances, value for money may not have been in respect of the school milk program.

977. Delayed Construction of Governor's Official Residence

Review of project records revealed that a contract for construction of the Governor's official residence was signed on 31 January, 2019 at a contract sum of Kshs.78,014,233 with an expected completion date of 15 May, 2021. However, the contract sum exceeded the ceiling set by the Salaries and Remuneration Commission (SRC) of Kshs.45,000,000 as stipulated in the Circular No. SRC/TS/COG/6/61/48/VOL.11(64). Any exemption of the above over-expenditure from SRC were not provided for audit review.

Further, review of the project's progress report dated 20 September, 2023 confirmed that the contractor had permanently abandoned the site after receiving payments totalling Kshs.35,420,722 or 45% of the contract amount and as a result, the contract was formally reported as terminated on 17 April, 2024. However, no valuation report was provided to establish the status and value of the works completed or an assessment of the financial losses incurred and there was no evidence that Management invoked or enforced the bond to recover losses resulting from non-performance. This was contrary to Clause 11.3.2 of the contract agreement, which empowered the employer to terminate the contract and recover any excess costs incurred in re-procuring undelivered services.

In addition, Management re-tendered for the completion works and new contract value at Kshs.41,635,470 was entered into on 17 December, 2024 for a duration of twelve (12) months with an expected completion date of 17 December, 2025. As at 30 June, 2025, payments totalling Kshs.20,643,516 representing 50% of the new contract amount had been made to the contractor. Audit inspection conducted in September, 2025 revealed that the project remained incomplete. Although, the contractor was still on site, several works including construction of powerhouse, gate house, sanitary works, drainage works, electrical and mechanical works, solar and water systems, external finishes and internal finishes with Bills of Quantities valued at Kshs.25,156,030 were pending.

In the circumstances, value for money for the expenditure of Kshs.56,064,238 may not have been realized in respect of the project.

978. Stalled Construction of Bomet Stadium

As previously reported, the County Executive entered into a contract with a local contractor on 13 June, 2018 for the construction of Bomet Stadium at a contract sum of Kshs.257,498,105 with a contract validity period of three (3) years ending 29 June, 2021. The works included completion of the main pavilion, completion of terraces and retaining walls, completion of the perimeter wall, ablution blocks and changing rooms, storm water draining works – external and internal drainage, chain link internal barrier fence, two steel gates and gatehouse, soft landscaping work, standby generator, floodlights, warm-up track, and main track carpeting. Review of the project's documents and physical inspection conducted in October 2025, revealed that the construction stalled with only 1.5% of works completed. The total payments to the contractor amounted to Kshs.14,013,380 or 5.4% of the agreed contract sum, which exceeded the 1.5% value of works completed. However, no valuation report was provided to establish the financial

losses incurred and there was no evidence that Management invoked or enforced the bond to recover losses resulting from non-performance.

Further, records provided for audit indicated that the stadium land belongs to Bomet University College. Management did not provide explanations for the anomalies.

In the circumstances, value for money may not be realized from the public funds amounting to Kshs.14,013,380 already committed to the project.

979. Delayed Completion of Dr. Laboso Memorial, Mother and Child Wellness Centre

The County Executive entered into a contract on 27 April, 2022 for the construction of Dr. Laboso Memorial Mother and Child Wellness Centre at a contract sum of Kshs.296,937,205 for a period of eighteen (18) months with initial expected completion date of 27 October, 2023. Further, there was an approved extension of six (6) months from 28 October, 2023 to 30 April, 2024 and a second extension of the contract period was granted for a period of twelve (12) months up to 15 April, 2025. However, at the time of audit, the extended contract period and performance bond had expired but no extension had been granted. This was contrary to Section 139(1)(a) of the Public Procurement and Asset Disposal Act 2015 which provides that an amendment or a variation to a contract resulting from procurement proceeding is effective only if the variation or amendment has been approved in writing by the respective tender awarding authority within a procuring entity.

Further, records provided for audit indicated that the contractor had been fully paid the contract sum after raising eleven (11) certificates amounting to Kshs.296,831,333 as per the Bills of Quantities. However, physical inspection conducted in the month of July, 2025 revealed that the Hospital facility was yet to be equipped and be put into use. In addition, the project stood on three (3) parcels of land out of which two (2) parcels did not have title deeds, ten (10) years after their acquisition.

In the circumstances, value for money for the expenditure of Kshs.296,831,333, may not have been realized in respect of the project.

980. Delayed Construction Works at Kapkoros Level 3B Sub-County Hospital

The County Executive awarded a contract for the construction of three (3) wards and a theatre at Kapkoros Level 3B Sub-County Hospital at contract sum of Kshs.46,799,906 on 22 April, 2024. Review of project records revealed that the project commenced on 22 April, 2024 with a projected completion date of 22 April, 2025. The contractor had been paid Kshs.33,856,180 or 72% of the contract sum as at 30 June, 2025. However, physical inspection conducted in September, 2025, revealed that the works remained incomplete at the roofing level and the contractor's materials, plant and equipment were not on site. Further, there was no evidence of extension of the contract period and the progress report or revised work programs indicating how and when the remaining works would be carried out were not provided for audit review.

In the circumstances, value for money for the expenditure of Kshs.33,856,180 may not have been realized in respect of the projects.

981. Incomplete Construction Works at Ndanai Level 4 Sub-County Hospital

The County Executive entered into a contract with a local contractor for the construction of inpatient wards and a theatre unit at Ndanai Sub-County Hospital at a contract sum of Kshs.38,889,005. Review of the project documents revealed that the contract period was twelve (12) months commencing on 22 April,2024 to 22 April, 2025. As at 30 June,2025, the contractor had been paid an amount of Kshs.29,314,772 or 75% of the contract sum. However, physical inspection conducted in July, 2025 revealed that the contractor was not on site and key works including terrazzo floor finishing, staircase railings and ramps, electricity, doors and windows estimated at Kshs.8,005,935 had not been done. Further, there was no evidence of extension of the contract period and the progress report or revised work programs indicating how and when the remaining works would be carried out were not provided for audit review.

In the circumstances, value for money for the expenditure of Kshs.29,314,772 may not have been realized in respect of the incomplete and unutilized project.

982. Incomplete Radiology Unit at Tegat Sub-County Hospital

Review of records revealed that the County Executive awarded a contract for the completion of the radiology unit at Tegat Sub-County Hospital on 18 March, 2025 at a contract price of Kshs.17,551,509. The agreed contract duration was twelve (12) months with expected completion date of 17 March, 2026. Review of contract documents revealed that the total value of certified works through interim certificate number 1 dated 9 June, 2025 was Kshs.10,003,016. However, physical inspection conducted in September, 2025 revealed that completed works were valued at Kshs.6,895,339 as per the Bills of Quantities resulting in certification of incomplete works totalling Kshs.3,107,677.

In the circumstances, value for money may not have been realized by the public in respect of the incomplete and unutilized project.

983. Unutilized Early Childhood Development Education Classrooms

Physical inspection carried out in the month of July 2025 across twenty (20) Early Childhood Development Education (ECDE) centers revealed that nine (9) ECDE projects were complete but were yet to be utilized by the intended beneficiaries. The centers therefore remained idle and locked, with no evidence of teaching or learning activities taking place.

Further, review of project records revealed that one (1) of the classrooms at Sinendet ECDE in Singorwet Ward constructed in October, 2024 at a contract cost of Kshs.2,362,955 had been condemned as not fit for use due to significant structural

defects including a large crack running across the classroom floor. Although the contractor had not been paid, Management had not made any efforts for the contractor to make good use of the defects liability period by reconstructing or renovating the structure of the classroom.

In the circumstances, value for money may not have been realized in respect of the ECDE projects.

984. Unutilized Gender Desk Office and Children Holding Ground in Bomet Central Police Station

Review of expenditure records revealed that the County Executive contracted a local contractor to construct a gender desk office and children holding ground within Bomet Central Police Station at a contract sum of Kshs.2,953,050. The project was aimed at giving support to children who had been violated and undergoing trauma due to gender-based violence and negligence. However, the signed contract agreement was not provided for audit verification.

Further, physical inspection carried out in July, 2025 revealed that the project remained unutilized and the compound had been turned into animals holding ground. Further, no completion report, handover report or project files were provided for audit.

In the circumstances, value for money for the expenditure of Kshs.2,953,050 may not have been realized in respect of the project.

985. Unutilized Fresh Produce Market Sheds at Ndanai, Kembu and Kapkwen

The County Executive entered into a contract on 14 December, 2023 with a local contractor for the construction of a fresh produce market shed at Ndanai at a contractual amount of Kshs.4,690,649. The works were done over a period of three (3) months and the contractor was paid in full during the year under review after being issued with a completion certificate dated 25 June,2024. However, physical inspection conducted in the month of July, 2025 revealed that the project was complete but not in use since the local traders did not have access to the facility, an indication that its construction was not for immediate use.

Similarly, a fresh produce market shed at Kembu was constructed at a contract price of Kshs.4,985,000. However, despite issuance of a completion certificate and subsequent handing over of the project on 24 June, 2025, the market shed had not been opened up for use by the residents.

Further, the contract for the construction of perimeter fence, gate and gatehouse at Kapkwen open air market at a contract sum of Kshs.4,778,052 was signed on 11 April, 2023. The works were to be done over a period of three (3) months up to 11 July, 2023. Review of records provided for audit, indicated that the contractor submitted payment certificate No.1 on 16 June, 2025, more than two (2) years after the

lapse of the contract period and was subsequently paid the sum without a valid contract extension. Physical inspection conducted in the month of September, 2025 revealed that the open-air market was not yet put to use but was instead being used as an animal grazing area. No explanation was provided for the continued non-utilization of the three (3) facilities.

In the circumstances, value for money may not have been realized in respect of the projects.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

986. Failure to Acquire Land Ownership Documents

The Department for Lands, Housing and Urban Planning acquired fifteen (15) parcels of land for construction of eight (8) Early Childhood and Development Education Centers, one (1) bus park, one (1) Information and Communication Technology (ICT) hub and (1) stadium at a total cost of Kshs.121,527,000. However, Management had not obtained title deeds for the fifteen (15) parcels. Physical inspection on 30 June, 2025 conducted on the fifty (50) acre parcel of land meant for construction of an ICT hub revealed that some private individuals had irregularly taken possession of the land and there were encroached settlements and agricultural activities.

Further, Management entered into land sale agreement with two (2) local land owners for acquisition of twelve (12) acre parcel of land for construction of a stadium at a cost of Kshs.75,600,000 translating to Kshs.6,300,000 per acre. Physical inspection conducted on 3 July, 2025 revealed that the land had been encroached by private individuals who were in brick making business and the land had not been secured with a fence to prevent illegal encroachment.

In addition, review of records revealed that the Department for Education entered into contracts with various contractors for the construction of classrooms and pit latrines in fifty (50) Early Childhood Development Education (ECDE) centers in various locations within the County at a cost Kshs.111,916,478. However, Management did not provide ownership documents for the land on which the centers were being constructed including title deeds, leases or memorandum of understanding for use on the parcels of land. Further, evidence of official search and consent from the Lands Control Board was not provided for audit review.

In the circumstances, the effectiveness of internal controls on Assets Management and custody of the parcels of land could not be confirmed.

987. Grounded Motor Vehicles and Unserviceable Equipment

Review of the fleet of motor vehicles and records of equipment revealed that the County Executive had a total of five hundred and thirty-seven (537) motor vehicles and equipment, out of which one hundred and seventy-four (174) of undetermined value were grounded and unserviceable. However, Management did not provide records to confirm the dates when the assets were grounded and an annual disposal plan for the assets was not prepared. Further, Management had not taken steps to dispose off grounded vehicles to prevent further loss arising from wear and tear and repairing of unserviceable vehicles.

In the circumstances, the effectiveness of the Asset Management System in place could not be confirmed.

988. Lack of Risk Management Policy

Review of the internal controls of the County Executive revealed that Management had not developed risk management policy and there were no fraud prevention mechanisms put in place. Further, operational and disaster recovery plans were also not provided. This was contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, the existence of an effective mechanism to safeguard against risks could not be confirmed.

989. Understaffing of Internal Audit Unit

Review of the staff establishment and the list of staff in the Internal Audit Department revealed that the Department had only eight (8) active staff against the staff establishment of thirty (30). This resulted in understaffing of twenty-two (22) personnel.

In the circumstances, the effectiveness of the Internal Audit Function and governance structure in the County Executive could not be confirmed.

990. Failure to Identify County Controlled Assets

Management had not fully identified or reported all assets under its control or use. Further, Management had not appointed an Asset Management Officer to support the transition to accrual accounting for assets. This was contrary to Guideline 2.3.5 on Transition from Cash to Accrual Accounting issued by the National Treasury through circular Referenced No.03/2025 and dated 14 April, 2025 which directed Accounting Officers to identify all the assets in their control or use, irrespective of proof of ownership and whether or not the values could be determined and to report on all those assets in the financial year 2024/2025.

In the circumstances, the effectiveness of the Asset Management System in place could not be confirmed.

List of Unresolved Prior Year Matters

No.	Audit Issues for 2023/2024
1	Unexplained Voided Transactions
2	Inaccuracy In Acquisition of Strategic Stocks and Commodities
3	Inaccuracy In Pending Accounts Payable
4	Budgetary Control and Performance
5	Pending Bills
6	Routine Maintenance of Magiger-Kakelei-Cheramgoi Road
7	Construction of Kiswahili-Njerian Bridge Connecting Silibwet Township and Merigi Ward
8	Construction Works - Nyatembe-Tilanik Road
9	Routine Maintenance of Mochieket Road
10	Rehabilitation of Zero Two Steel Footbridge at Ndaraweta
11	Chebunyo Dairy Milk Processing Plant
12	Irregular Acquisition of Land
13	Avoidable Expenditure on Acquisition of Land
14	Lelaitich Sweet Potatoes Co-Operative Processing Plant
15	Proposed Completion of Fresh Produce Pack House at Youth Farmers Trading Centre
16	Delayed Completion of Dr. Laboso Memorial, Mother and Child Wellness Centre
17	Stalled Project-Completion of Sigor Theatre
18	Civil Case No.1 of 2019 in the High Court of Bomet
19	ELRC Case No. E019 of 2023 in Kericho
20	Nakuru Court of Appeal Taxation No.20 of 2018
21	Long Outstanding Legal Cases
22	Abandoned Construction of Governor's Residence
23	Construction Of Kapletundo Ward Office
24	Payment Of Salaries in Shared Bank Accounts
25	Unexplained Movement in Job Groups
26	Irregular Payment of Special House Allowance
27	Non-Compliance With Fiscal Responsibility on Wage Bill
28	Non-Compliance With Law on Mandatory Retirement
29	Employees Earning Less Than a Third of Basic Salary
30	Irregular Development Budget
31	Supply Of Medical Drugs by Kenya Medical Supplies Authority (KEMSA)
32	Internal Control Weakness

COUNTY EXECUTIVE OF KAKAMEGA – NO.37

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

991. Unsupported Prior Year Adjustment

The statement of changes in net assets reflects net assets balance of Kshs.1,095,201,214 as at 30 June, 2025. However, the balance includes prior year adjustment of Kshs.675,934,192 described as difference between receivables and payables for financial year 2023/2024, which has not been supported by relevant documentation and explanation for its inclusion in the financial statements.

In the circumstances, the accuracy and completeness of net assets balance of Kshs.1,095,201,214 could not be confirmed.

992. Unsupported Working Capital Adjustments

The statement of cash flows reflects net cash flows from operating activities amounting to Kshs.1,441,072,822 as disclosed in Note 22 to the financial statements. However, Note 22 to the financial statements on cash generated from operations includes an unexplained working capital adjustment amount of Kshs.675,934,192 described as prior year adjustment (difference between receivables and payables for financial year 2023/2024). However, the journal entries, nature of adjustment, workings and supporting documents were not provided for audit review.

Further, the statement indicates increase in payables balance of Kshs.77,894,425. However, recalculation of the change reflects an increase of Kshs.810,799,158 resulting in a variance of Kshs.732,904,733 described as pending bills for acquisition of assets under the workings for the increase in payables but the reason for the exclusion of the amount in the changes in payables was unjustified and the analysis of the amount and supporting documents were not provided for audit review.

In the circumstances, the accuracy and completeness of the net cash flows from operating activities amount of Kshs.1,441,072,822 could not be confirmed.

993. Unsupported Outstanding Imprests

The statement of financial position and as disclosed in Note 15 to the financial statements reflects receivables from exchange transactions balance of Kshs.21,753,905, which includes outstanding imprests amount of Kshs.18,325,045. However, Management did not maintain an updated imprests register indicating details of payees and amounts, imprest warrant number, date of issue, due date and date of surrender. Further, no explanation was provided for the failure to have the imprests recovered or surrendered as at 30 June, 2025.

In the circumstances, the accuracy, existence and occurrence of the outstanding imprests balance of Kshs.18,325,045 could not be confirmed.

Emphasis of Matter

994. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totalling Kshs.16,172,021,545 and Kshs.11,857,449,274 respectively, resulting in under-funding of Kshs.4,314,572,271 or 27% of the budget. However, the County Executive spent an amount of Kshs.11,913,264,879 against actual receipts of Kshs.11,857,449,274 resulting to over-utilization of Kshs.55,815,605.

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

My opinion is not modified in respect of this matter.

Other Matter

995. Unresolved Prior Year matters

In the audit report of the previous year, several issues were raised under Report on Financial Statements and Report on Lawfulness and Effectiveness in the Use of Public Resource as listed at the end of this report. However, the Management has not resolved the issues or given any explanation for the delay in resolving the twenty eight (28) issues as shown at the end of this report.

Other Information

996. There were no material issues relating to Other Information.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

997. Long Outstanding Trade and Other Payables

The statement of financial position and as disclosed in Note 19 to the financial statements reflects a balance of Kshs.2,514,353,924 in respect of trade and other payables. Included in the balance are trade payables amounting to Kshs.1,723,816,990, out which an amount of Kshs.61,390,555 relates to long outstanding balances that have remained unpaid for periods between two (2) and eight (8) years from 2017 to 2023. Management did not explain why the long outstanding trade payables had not been paid as a first charge. This was contrary to Section 41 (2) of the Public Finance Management (County Governments)

Regulations, 2015 which provides that debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible that the County Government does not default on debt obligations.

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

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

Review of personnel records revealed that the County Executive had six thousand, six hundred and eighty-eight (6,688) employees out of whom six thousand, two hundred and ninety-one (6,291) members of staff or 94% were from the same ethnic community. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which requires that all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community.

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

999. Non-Compliance with the Persons with Disabilities Act, 2025

Review of personnel records revealed that out of six thousand, six hundred and eighty-eight (6,688) employees, only ninety-four (94) or 1% of the positions in the County Executive were held by persons with disabilities. This was contrary to Section 5(1)(e) of the Persons with Disabilities Act, 2025 which provides that every County Government shall promote the inclusion of persons with disabilities in the County public service by putting in place measures to ensure that at least five per centum of the employment positions are filled by persons with disabilities.

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

1000. Non-Compliance with Fiscal Responsibility Principles on Wages

The statement of financial performance reflects revenue totalling Kshs.13,708,952,618 and compensation of employees' payments totalling Kshs.6,671,517,508. The compensation of employees' payments constitutes forty-nine per cent (49%) of the total revenue of the County Executive for the year under review. This was contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the employees costs should not exceed 35% of the County Executive total revenue.

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

1001. Non-Compliance with the One-Third Rule of the Basic Salary

Review of the personnel records revealed that four hundred and sixty-seven (467) employees had net pay that was less than one-third of their respective basic salaries. This was contrary to Section 19(3) of the Employment Act, 2007 which stipulates 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 made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

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

1002. Irregularities in Procurement for Cleaning and Garbage Collection Services

The County Executive incurred an expenditure of Kshs.35,475,246 for provision of cleaning and garbage collection services across various County Municipalities. Review of procurement files revealed that Management entered into framework contracts with various firms for provision of the services between 1 January, 2023 and 3 April, 2023 with total contract amounting to Kshs.405,512,329 for periods between two (2) and three (3) years. However, tender advertisement, bid documents and other procurement documents revealed that Management did not specify intention to establish a framework agreement and the contract period in relation to the procurement of the services.

This was contrary to Regulation 102 (1) of the Public Procurement and Asset Disposal Regulations, 2020 which provides that a procuring entity may enter into a framework agreement through open tender using an invitation to tender which shall specify that the procuring entity intends to establish a framework agreement, the number of suppliers or contractors which shall not be less than seven alternative vendors and the duration of the framework agreement which shall not exceed three years.

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

1003. Non-Compliance with the Provisions of the Public Finance Management Regulations, 2022

The Public Finance Management (Public Investment Management) Regulations, 2022, came to effect in the financial year 2024/2025 for all County Governments which required implementation and appointment of various committees, project implementation oversights, ensure that all contracts signed by the procuring entities are uploaded in the Public Investment Management Information System, prepare project completion reports and submit them to the County Treasury in standard templates.

However, no documentary evidence was provided for audit on implementation of these regulations. Management did not provide explanations for the failure to implement the regulations as provided for in the Ninth Schedule on implementation of Public Finance Management (Public Investment Management) Regulations, 2022.

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

1004. Irregular Payment of Subscriptions

Review of records revealed that County Executive incurred an expenditure amounting to Kshs.3,000,000 paid to the Council of Governors for devolution conference registration expenses. However, the expenditure incurred had not been provided for in the annual budget and estimates for the year under review. This was contrary to Section 37 of Intergovernmental Relations Act, 2012 which provides that the operational expenses in respect of the structures and institutions established in the 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 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.

1005. Irregular Expenditure on Other Government Entities Projects

The County Executive awarded a contract to a local construction company for the design and supervision of the construction of an office block and chambers for the Kakamega County Assembly at a contract sum of Kshs.67,272,728. The County Executive paid consultancy fees amounting to Kshs.24,000,000 to the contractor during the year under review. However, Management did not provide explanation and supporting documents authorizing the County Executive to procure the services on behalf of the County Assembly.

Further, the County Executive entered into a contract for the construction and improvement of Mukumu Girls' High School sports grounds at a contract price of Kshs.5,037,060. However, the institution did not fall under the devolved unit but was fully under the regulation and control of the National Government.

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

1006. Use of Asbestos for Roofing of Residential Houses

Review of the County Executive records revealed that the County Executive owned one hundred and forty-four (144) residential houses. Audit inspection revealed that one hundred and twenty-four (124) houses were roofed with asbestos and Management did not provide a plan to replace the roofs. This was contrary to the Government of Kenya ban on the use of asbestos in the year 2006 due to its carcinogenic health risks.

In the circumstances, Management was in breach of the law and the failure to replace the asbestos roofs raises serious environmental and health hazard to the public.

1007. Non-Compliance with the Law on Procurement Reservations for Disadvantaged Groups

The County Executive planned to procure works, goods and services for the year under review totalling Kshs.3,784,315,989. Management set aside an amount of Kshs.907,935,830 or twenty four percent (24%) of the planned procurement expenditure

for disadvantaged groups. This was contrary to Section 157(5) of the Public Procurement and Asset Disposal Act, 2015 which requires an Accounting Officer to reserve at least thirty per cent to the disadvantaged groups in the procurement budget.

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

1008. Un-Utilized Public Participation Web Portal

The County Executive entered into a contract for the development of an automated County public participation web portal on 28 March, 2024 at a contract sum of Kshs.4,719,000 for a contract period of six (6) months. Review of the project implementation report and the portal revealed that the project was completed and handed over but had not been put to use to date. This was contrary to Section 149(1) of the Public Finance Management Act, 2012 which provides that an Accounting Officer is accountable for ensuring that the resources of the entity for which the officer is designated are used in a way that is lawful and authorized and effective, efficient, economical and transparent.

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

1009. Project Implementation Status

1009.1. Department for Health Services

The Department for Health Services commenced to implement various projects some dating back from the financial year 2021/2022 amounting to Kshs.7,002,023,807. Projects amounting to Kshs.50,341,490 were completed and in use in the year under audit, projects amounting to Kshs.101,177,176 were completed but had not been put to use with some dating back to the financial year 2021/2022, while projects amounting to Kshs.6,850,505,141 had stalled with no ongoing works at the time of audit. Review of the project implementation status further revealed that out of the expenditure Kshs.7,002,023,807 on initiated projects, a total of Kshs.3,301,036,240 had been settled. The projects were at various stages of project execution/completion leaving an outstanding balance of Kshs.3,700,987,567 unpaid. Management, in the fiscal strategy and plan did not indicate how the projects will be financed in the short and long-term. In addition, prioritization of projects has not been clearly defined, which may lead to further delays in project completion.

In the circumstances, value for money may not have been realized from the delayed projects.

1009.2. Proposed Construction of Maternity Block at Muhaka Health Centre

The Department for Health services awarded a contract for the construction of maternity block at Muhaka Health Center at a contract sum of Kshs.29,074,980 on 10 March, 2024. The construction works were to be completed within twenty-four (24) months from the contract signing date. However, field inspection carried out on 26 June, 2025 revealed that the project had stalled at the foundation level, trenches were dug and left open and

no works done by the contractor for a period exceeding one year. The contractor was not on site at the time of audit. Review of contract file revealed that the County Attorney had on 17 October, 2024 advised the Health Services Department to terminate the contract and provided grounds and procedure of termination. No action in relation to recommendation by the County Attorney on contract termination by the Department has been implemented.

In the circumstances, value for money may not have been realized from the project.

1009.3. Delayed Completion of the Level 4 Hospital at Shamakhubu, Shinyalu Sub- County

The Department for Health Services awarded a contract for the construction of Shamakhubu Level 4 Hospital in Shinyalu Sub-County at a revised contract sum of Kshs.229,139,694. The contractor received an advance payment amounting to Kshs.40,000,000 as per Certificate No.1, which was to be recovered progressively from the subsequent certified works. Review of the advance recovery revealed that an amount of Kshs.23,474,301 was recovered from Certificates numbers 3, 4 and 5. No further recoveries were made from Certificates numbers 6 to 10 as required leaving an outstanding balance of Kshs.16,525,699 that remained unaccounted for to date. Field verification carried out on 30 June, 2025 revealed that the project was 85% complete and the contractor had abandoned the site in the year 2021, with both internal and external works finishing incomplete.

In the circumstances, value for money may not have been realized from the delayed project.

1009.4. Delayed Construction of Open-air Markets

The Department for Trade awarded contracts to six (6) contractors on 24 March, 2022 for construction of six (6) open air markets across various trading centers within the County at a total contract sum of Kshs.173,465,242. The contracts specified a completion period of one hundred and four (104) weeks from the date of signing. However, as at the time of audit, an amount of Kshs.52,186,215 or 30% of the total contract sum had already been paid to the contractors with the contractual period having already lapsed and the overall projects implementation at approximately 30% and completion of the projects was behind schedule by approximately one (1) year and six (6) months.

In the circumstances, value for money for the expenditure of Kshs.52,186,215 spent on the projects could not be confirmed.

1009.5. Delayed Completion of Augmentation of Navakholo Water Supply Project

The Department for Water, Environment, Natural Resources and Climate Change awarded a contract on 21 March, 2022 for the augmentation of Navakholo water supply

project in Navakholo Sub-county at a contract sum of Kshs.4,906,225. The augmentation works were to be completed within twenty-four (24) weeks from the date of contract signing. At the time of the audit, the contractor had been paid a sum of Kshs.2,745,836 or 56% of the total contract sum. Field inspection conducted on 13 June, 2025 revealed that the project was incomplete and the contractor was not on site and a number of key activities including plastering of water tank, construction of the sanitation facility, fencing of borehole and completion of the solar site had not been undertaken.

In the circumstances, value for money for the expenditure of Kshs.2,745,836 incurred on the project could not be confirmed.

1009.6. Delayed Construction of Khabukoshe - Harambee Water Project

The Department for Water, Environment, Natural Resources and Climate Change awarded a contract for the construction of a water storage tank, booster and pump house at a contract sum of Kshs.13,801,322 on 8 June, 2023. The construction works were to be completed within six (6) months from the date of signing. Field inspection carried out on 13 June, 2025 revealed that the project was incomplete and the contractor was not on site with key works including laying of water pipes, painting of the masonry tank and construction of pump house yet to be done. Verification of payment details revealed that no payment had been made to the contractor as at the time of audit.

In the circumstances, the delay in implementation of the project may impact negatively on service delivery to the public.

1009.7. Delayed Renovations of County Government Houses in Malava

The County Executive awarded a contract for renovation works of ten (10) one-bedroom self-contained County Government houses in Malava town at a contract sum of Kshs.9,075,675 with an expected completion date of 31 August, 2023. Review of the Project Implementation Status Report and audit inspection conducted in May, 2025 revealed that the renovation works were at initial stage although the contractor was not on site.

In the circumstances, the delay in implementation of the project may impact negatively on service delivery to the public.

1009.8. Delayed Upgrading of Mahiakalo- Nyayo Tea Zone-Shikulu Market Roads

The Department for Roads, Public Works and Energy awarded a contract for the upgrade to bitumen standards of the Mahiakalo-Nyayo Tea Zone-Shikulu Market Road at a contract sum of Kshs.468,229,351. The works were to commence on 10 January, 2024 for twenty-four (24) months and was expected to be completed by 10 December, 2025. Physical inspection conducted in June, 2025, revealed that the project was about 60% complete with six (6) months to completion period and the project was running behind

schedule which may result in delays as the contractor was not on site as at the time of audit.

In the circumstances, the delay in project implementation may impact negatively on service delivery to the public.

1009.9. Delayed Upgrade to Bitumen Standard of Mumias - Matawa – Indangalasia Road

The Department for Roads, Public Works and Energy awarded a contract for the upgrade to bitumen standards of the Mumias - Matawa - Indangalasia Road at a contract sum of Kshs.599,527,614. The works were to commence on 12 January, 2024 for twenty-four (24) months and was expected to be completed by 12 December, 2025. Physical inspection carried out in June, 2025, revealed that the project was only about 40% complete despite less than six (6) months remaining to completion date.

Further, the contractor was not on site as at the time of audit. The project may have stalled due to non-payment of certified works and may lead to project completion delays and possible cost escalation to complete the works.

In the circumstances, the delay in implementation of the project may impact negatively on service delivery to the public.

1009.10. Construction of a Box Culvert at Tamanoni

The County Executive entered into a contract for the construction of a box culvert and approaches (1.5Km) at Tamanoni at a contract sum of Kshs.7,888,428. The works were scheduled to commence on 27 May, 2024 for a duration of six (6) months with expected completion date of 28 November, 2024. However, physical inspection conducted in June, 2025, revealed that the project was about 60% complete with project completion time delayed by seven (7) months. The delays in implementation of the project may lead to cost escalation.

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

1009.11. Poor Construction of Drainage Structures and Improvement of Roads

The Department for Public Works, Roads, Transport and Energy awarded contracts for maintenance of Sichirai P.A.G - Munyulu Junction-Ebwambwa Road (3KM) at a contract sum of Kshs.4,711,278, Daisy Junction - Iwatingu loops Roads (1.4KM) at a contract sum of Kshs.2,117,551 and Mayoni - Weteba Road (2.2KM) at a contract sum of Kshs.2,961,700. The project duration was scheduled for six (6) months period from 01 February, 2024 to 02 July, 2024 with all the payments fully made during the year under review. However, it was observed that the drainage works was poorly done with no road culverts installed. As a result, in some road sections of the road were washed away shortly after project completion.

In the circumstances, value for money for the expenditure of Kshs.9,790,529 incurred on the road projects could not be confirmed.

1009.12. Stalled Education Projects

Review of the Department for Education Project Implementation Status Reports and audit inspections carried out on 23 June, 2025 revealed that ten (10) projects awarded in the previous two (2) financial years at a total contract sum of Kshs.77,193,724 were stalled and contractors were not on site. Further, eighteen (18) Early Childhood Education Development (ECDE) classroom projects awarded between 15 December, 2021 and 25 January, 2024 with a contract sum of Kshs.85,627,664 were incomplete and their respective contracts had lapsed on various dates.

In the circumstances, value for money for the stalled and incomplete projects could not be confirmed.

1009.13. Overpayment on the Construction of Kipkaren Stock Ring

The County Executive awarded a contract for the construction of Kipkaren Stock Ring on 19 October, 2023 at a contract sum of Kshs.14,622,461 with a contract period of sixteen (16) weeks from the commencement date. Review of the project file and physical inspection out on 25 June, 2025 revealed that out of the total contract sum of Kshs.14,622,461, an amount of Kshs.7,104,164 or 49% of the contract value had already been approved for payment to the contractor. This was more than actual progress, which was assessed at only 10% completion. The variance resulted in an overpayment of Kshs.5,549,926. Further, despite the overpayment, the contractor was not on site as at the time of audit and the contract period had already lapsed.

In the circumstances, value for money for the expenditure incurred of Kshs.7,104,169 on the project could not be confirmed.

1009.14. Overpayment of Shiatsala Market Project

The Department for Trade, Industrialization and Tourism awarded a contract on 24 March, 2022 to construct an open-air market at a contract sum of Kshs.38,005,230. Review of the project bill of quantities revealed the estimated cost to the slab/ sub-structure level amounted to Kshs.4,850,370. However, the contractor had been paid a total sum of Kshs.11,499,203 resulting in an overpayment of Kshs.6,648,833 for works that were not done. The contractor subsequently abandoned the site with the contract period having long lapsed and the project stalled at the slab/sub-structure level.

In the circumstances, value for money for the expenditure of Kshs.11,499,204 incurred on the project could not be confirmed.

1009.15. Stalled Kakamega County Aggregation and Industrial Park Project

The Department for Trade, Industrialization and Tourism entered into a two (2) year contract for the construction of County Aggregation and Industrial Park at a contract sum

of Kshs.481,255,920 on 20 September, 2023. The contractor raised an invoice for payment totalling Kshs.140,004,640 on 22 December, 2023 against an interim payment certificate for works completed and approved by the Inspection and Acceptance Committee. Field inspection carried out on 24 June, 2025 revealed that the project had stalled due to non-payment for the certified works.

In the circumstances, the value for money for the expenditure of Kshs.140,004,640 on the project could not be confirmed.

1010. Non-Remittance of Statutory Deductions

Review of the payroll records provided revealed that County Executive made statutory deductions in relation LAPFUND, LAPTRUST, Housing Levy and Higher Education Loans Board (HELB) during the year amounting to Kshs.675,901,362. However, Management did not provide evidence to confirm remittance of the deductions to various statutory bodies. This was contrary to Section 19(4) of the Employment Act, 2007 which requires that an employer who deducts an amount from an employee's remuneration shall pay the amount deducted in accordance with the time period and other requirements specified in the law, agreement court order or arbitration as the case may be the County Executive risks incurring avoidable costs in respect of interest and penalties.

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

1011. Non-Compliance with the Facilities Improvement Financing Act, 2023

The Department for Health through Kakamega County Health Services Fund collected an amount of Kshs.873,502,133 from sixteen (16) health facilities and deposited the amount into a commercial bank account held at the Department for Health. However, the Department remitted an amount of Kshs.788,383,867 to sixteen (16) health facilities and retained a balance of Kshs.85,118,266. This was contrary to Section 5(1) and (2) of the Facilities Improvement Financing Act, 2023 which provides that there shall be retention of all monies raised or received by, or on behalf of all public health facilities and there shall be opened a facility improvement financing account for each public health facility into which all monies shall be paid into.

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

1012. Delay in the Winding up of Kakamega County Public Funds

1012.1. Kakamega County Agricultural Input Fund

Review of the closure of the Kakamega County Agricultural Input Fund revealed that the County Assembly Committee for Finance and Economic Planning issued a report dated 27 June, 2024, recommending the winding up of the Fund since it was unsustainable as per the requirement of the Public Finance Management Act, 2012. The last audited

financial statements of the Fund for the year ended 30 June, 2024 indicated a cash and cash equivalents balance of Kshs.859,364 held in three (3) commercial bank accounts and current portion of long-term receivables from exchange transactions balance of Kshs.7,816,487.

Further, the County Executive Committee Member for Finance, Economic Planning and ICT vide letter ref CGK/TPR/AD/1/57/VOL.II/48 dated 11 July, 2024 instructed a commercial bank to close one account and transfer the funds to Kakamega County Revenue Collection Account. However, there were no documentary evidence that the three bank accounts were closed and funds transferred to the County Revenue Fund. Further, the documentary evidence for the transfer of receivables to County Executive of Kakamega was not provided for audit review. This was contrary to Regulation 19 (a) and (c) of the Kakamega County Agricultural Input Fund Amendment Regulations, 2019 which requires upon winding up of the Fund the administrator of the Fund to pay any amount remaining in the Fund into the County Exchequer Account; and that all assets of the Fund shall be taken over by the County Government.

In addition, there was no documentary evidence for closure of the Fund since the final report after winding up the Fund was not submitted to the Auditor-General for audit and the County Assembly as required.

1012.2. Kakamega County Maternal Child Health and Family Planning Fund

Review of the closure of the Kakamega County Maternal Child Health and Family Planning Fund revealed that the Kakamega County Maternal Child Health and Family Planning Act, 2017 (Revised 2021) did not contain the procedure for winding-up the Fund. This was contrary to Regulation 198 of the Public Finance Management (County Governments) Regulations, 2015, which requires that the County Executive Committee Member shall provide for the management, operation and winding up procedure in the guidelines for establishing each Fund which shall be in accordance with the Act and the Regulations.

Further, the County Assembly Committee for Finance and Economic Planning report dated 25 June, 2024 recommended the winding-up of the Fund by closure of the financial year 2023/2024 since it was not a going concern. The last audited financial statements of the Fund for the financial year ended 30 June, 2024 reflected cash and cash equivalents balance of Kshs.1,794,969 held in a commercial bank, accounts receivables balance of Kshs.362,800, and property, plant and equipment balance of Kshs.3,564,469. However, there was no documentary evidence provided for audit review to confirm that cash was transferred to the County Revenue Fund and assets transferred to County Executive of Kakamega. This was contrary to Section 116 (6) (a) and (b) of the Public Finance Management Act, 2012 which requires that on the winding up of a County public fund, the administrator of the fund shall pay any amount remaining in the fund into the County Exchequer Account; and the County Executive Committee Member for finance shall, with the approval of the County Assembly, pay any deficit in the fund from the County Exchequer Account.

In addition, there was no documentary evidence for closure of the Fund since the final report after winding up the Fund, was not submitted to the Auditor-General for audit and the County Assembly as required.

1012.3. Kakamega County Small Scale Trade Development Fund

The Kakamega County Small Scale Trade Development Fund was established in 2015 under the Small-Scale Trade Regulations, 2015 to support Small Scale Traders through issuance of low interest loans. The County Assembly Committee for Finance and Economic Planning report dated 5 August, 2024 recommended the winding up of the Fund since it was dormant and was not receiving transfers from the county executive, and the County Treasury to write-off non recovered loans totalling Kshs.40,645,683 as at 31 March, 2024 in accordance with Section 150 of the Public Finance Management Act, 2012. However, there was no documentation to confirm that the outstanding loans balance was irrecoverable and due for written-off as required by Regulation 150 (1) and (2) of the Public Finance Management (County Governments) Regulations, 2015, which requires that an Accounting Officer may only write off losses owed to the state if he or she is satisfied that all reasonable steps have been taken to recover the loss and the loss is irrecoverable; or he or she is convinced that recovery of the losses would be uneconomical; and it would be to the advantage of the County Government entity to effect a settlement of its claim or to waive the claim. Further, an Accounting Officer shall ensure that all losses written off are done in accordance with the Act, the Regulations or any other relevant legislation.

Further, the last audited financial statements of the Fund for the financial year ended 30 June, 2024 indicated a cash and cash equivalents balance of Kshs.354,482, and long-term receivables balance of Kshs.40,531,045. However, there was no indication that the monies were transferred to the County Revenue Fund as required. This was contrary to Regulation 22(a) of the Kakamega County Small Scale Trade Development Fund Regulations, 2017 which provides that the County Executive Member may wind up the Fund with the approval of the County Assembly and upon winding-up, the administrator shall pay any amount remaining in the Fund into the County Exchequer Account.

In addition, there was no documentary evidence for closure of the Fund since the final report after winding up the Fund was not submitted to the Auditor-General and the County Assembly as required. Additionally, the financial statements for the period in existence before closure were not submitted for audit.

The winding of the above three (3) Funds was contrary to Regulation 199 (2) of the Public Finance Management (County Governments) Regulations, 2015 on winding up of a County Public Fund which requires that the final report after winding up the Fund be submitted to the Auditor-General for audit and the County Assembly.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

1013. Internal Control Weaknesses in Information Communication Technology Environment

Review of the County Executive's Information Communication Technology (ICT) environment revealed that the County Executive does not have an approved ICT policy and a Strategic Plan to guide governance, management and development of its ICT resources. Further, during the year under review, there was no ICT Steering Committee to assist in the development of ICT policy framework to enable the County realize its long-term ICT strategic goals.

In the circumstances, the effectiveness of the County Executive's ICT internal control mechanisms could not be confirmed.

List of Unresolved Prior Year Audit Matters

No.	Audit Issues for 2023/2024
1	Unconfirmed Transfers to Other Government Entities
2	Unreconciled Transfers to Other Government Entities
3	Unsupported Advance Payments to Contractors
4	Accuracy of Cash and Cash Equivalents
5	Unsupported Unpresented Cheques
6	Receipts in Cash Book not Recorded in Bank Statements
7	Unconfirmed Outstanding Imprests and Advances Balance
8	Unsupported Deposits and Retentions
9	Budgetary Control and Performance
10	Pending Accounts Payable
11	Compensation of Employees
12	Non-Compliance with Law on Ethnic Composition of Staff
13	High Wage Bill Above Allowed Threshold
14	Non-Adherence to the One-third Basic Salary Rule
15	Delayed and Stalled Projects
16	Other Delayed and Stalled Projects
17	Renovation Works at Mumias Slaughter House
18	Implementation of Road Projects
19	Rehabilitation of Kilimani Secondary School Water Supply
20	Completion of Construction of St. Monica Mungoma Water Supply Project
21	Completion of Nandamaywa Community Water Project
22	Milk Processing Plant Project
23	Supply, Installation, Delivery and Commission of an Electronic Board Management System (e-cabinet)

No.	Audit Issues for 2023/2024
24	Lack of Ownership Documents and Lease Agreement for Aggregation Center Land
25	Unexplained Procurement of Improved Chicks
26	Unexplained Procurement of Fertilizers
27	Lack of an Updated Fixed Assets Register
28	Failure to Prepare and Submit Financial Statements of Hospitals for Audit

COUNTY EXECUTIVE OF VIHIGA – NO.38

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

1014. Failure to Capitalize Property, Plant and Equipment

The statement of financial performance statements reflects an amount of Kshs.1,432,268,408 in respect of use of goods and services as disclosed in Note 8 to the financial statements. Included in the expenditure is an amount of Kshs.307,636,974 incurred on rehabilitation of civil works and an amount of Kshs.303,085,635 incurred on constructions of civil works, all totalling Kshs.610,722,609. However, review of the financial statements revealed that the two (2) expenditure items were not capitalized in accordance with the IPSAS 33 on transition to Accrual Basis of Accounting.

In the circumstances, the accuracy and completeness of the expenditure amounting to Kshs.610,722,609 included in the use of goods and services and not capitalized could not be confirmed.

1015. Unsupported Software License Renewal

The statement of financial performance statements reflects an amount of Kshs.1,432,268,408 in respect of use of goods and services as disclosed in Note 8 to the financial statements. Included in the amount was an expenditure of Kshs.33,974,444 in relation to office and general supplies and services out of which, a balance of Kshs.3,200,040 was incurred on software license renewal. However, key supporting documents such as needs assessment report, activation records or license user allocation to confirm which users or machines received the secondary licenses, delivery reports/service completion certificate to confirm that the services were received, tested and accepted and evidence of system use or outputs tied to the renewed licenses to show that the system was in active use and valid contract were not provided for audit.

Further, there was no approval by the Accounting Officer for use of the direct procurement method and documentary evidence to indicate that Management reported the direct procurement to the Authority within fourteen (14) days after the notification of the award of the contract since the value exceeded Kshs.500,000 threshold.

In the circumstances, the accuracy, completeness and regularity of the expenditure on license renewal amounting to Kshs.3,200,040 could not be confirmed.

1016. Unconfirmed Depreciation and Amortization Expenses

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects an amount of Kshs.15,898,111 in respect of depreciation of property, plant and equipment and amortization of the intangible assets. However, the depreciation charge and amortization were based on a draft policy that was yet to be approved by the

County Assembly and Management has not given reasons for the delay in approval of the Policy.

In the circumstances, the accuracy and completeness of the depreciation and amortization amount of Kshs.15,898,111 could not be confirmed.

1017. Receivables from Non-Exchange Transactions

The statement of financial position reflects a balance of Kshs.10,865,170 in respect of receivables from non-exchange transactions as disclosed in Note 13 to the financial statements. However, the following unsatisfactory matters were observed.

1017.1. Unsupported and Long Outstanding Salary Advances

Included in the balance are salary advances amounting to Kshs.1,865,170 out of which an amount of Kshs.1,775,438 were advances made in the years 2015 and 2017 to ten (10) members of staff. The staff members included four (4) former staff of the County Executive, one (1) current member of staff, one (1) former deceased member of staff, three (3) current sitting MCAs and one (1) former Member of County Assembly (MCA). Management explained that a recovery of Kshs.85,168 from two (2) officers had been made. However, no evidence in form of pay slips was provided for audit. Further, no reconciliation was provided for audit indicating the movement of the opening balance of Kshs.1,950,338 and the closing balance of Kshs.1,865,170.

1017.2. Recoverability of Amount Due from the County Assembly

Included in the balance is an amount of Kshs.9,000,000 in respect of transfers due from the County Assembly. However, review of receivables' records revealed that the County Executive transferred an amount of Kshs.38,000,000 to the County Assembly on 25 February, 2021 and Kshs.6,000,000 on 23 November, 2021 all totalling Kshs.44,000,000, in respect of funds paid from deposit and retention account to bridge a shortfall in the County Assembly's Car Loan and Mortgage Account. However, an amount of Kshs.35,000,000 had been refunded as at 30 June, 2025 leaving a balance of Kshs.9,000,000. Further, Management did not make any provision for bad and doubtful debts in the financial statements.

In the circumstances, the accuracy and completeness of the receivables from non-exchange transactions balance of Kshs.10,865,170 could not be confirmed.

Emphasis of Matter

1018. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.6,390,648,472 and Kshs.5,751,275,738 respectively, resulting in under-funding of Kshs.639,372,734 or 10% of the budget. However, the County Executive spent an amount of Kshs.5,459,386,518

against actual receipts of Kshs.5,751,275,738 resulting in under-absorption of Kshs.291,889,220.

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

My opinion is not modified in respect of this matter.

Other Matter

1019. Unresolved Prior Year Matters

In the previous year's audit report, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during the audit of the County Executive in the current year revealed that thirty-two (32) matters listed at the end of this report remained unresolved as at 30 June, 2025.

Other Information

1020. There were no material issues relating to Other Information.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

1021. Non-Compliance with the Law on Fiscal Responsibility Principles on Wages

The County Executive incurred employees' costs amounting to Kshs.2,790,128,784 or 53% of the total receipts amount of Kshs.5,298,479,710 which exceeded the set limit of thirty-five percent (35%). This was contrary to Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the County Executive Committee Member with the approval of the County Assembly shall set a limit on the County Government's expenditure on wages and benefits for its public officers pursuant to Section 107(2) of the Act and the limit set under paragraph (a) above, shall not exceed thirty-five percent (35%) of the County Government's total revenue.

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

1022. Non-Compliance with the Law on Staff Ethnic Diversity

The total number of employees during the year was three thousand, two hundred and seventy-two (3,272), out of which three thousand and eight-nine (3,089) or 94% of the total number were from the dominant ethnic community in the County. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in

employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community".

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

1023. Lack of Annual Recruitment Plan

The County Executive recruited two hundred and ninety-eight (298) officers in the year under review. However, the County Public Service Board did not have Annual Recruitment Plan to guide the recruitments. Further, no evidence was provided to confirm that budgetary availability was sought before recruitments were made. This was contrary to Section 59(1) (g) of the County Governments Act, 2012 which requires the County Public Service Board of a County to facilitate the development of coherent, integrated human resource planning and budgeting for personnel emoluments in the County.

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

1024. Non-Compliance with the One-Third Rule on Basic Salary

Review of the staff payroll for the month of June, 2025, revealed that the net salaries for fifty-six (56) officers were less than one third of their respective basic salaries. This was contrary to Section 19(3) of the Employment Act, 2007 which stipulates 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 made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

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

1025. Non-Adherence to Climate Change and Financing Requirements

Review of the Climate Change and Financing of the County Executive for the year under review revealed the following unsatisfactory matters:

(i) There was inadequate Integration of Climate Change Action Plan into County Strategies as most Departments did not capture environmental sustainability or green economy clearly as required. Further, the County Executive lacked a comprehensive Climate Risk Register and a fully functional warning system across departments despite having a participatory climate risk assessment report. The risk register would enable the County to have real-time, accessible and community-responsive early warning system.

(ii) There was no clear value for money metrices on climate change. No documented cost benefit analysis or benchmarking report were provided for audit to determine the economic, efficiency or environmental effectiveness of the projects undertaken out of the total amount of Kshs.253,700,000 allocated in the budget. Further, there was lack of Greenhouse Gas Emissions (GHG) Tracking and Adaptation

Outcomes Reporting System and Monitoring, Reporting and Verification (MRV) systems hence non-compliance with national and global obligations.

(iii) There was no evidence of sustainability measures, maintenance budgets, monitoring and evaluation post funding of the completed projects or institutional frameworks to support continued functionality after the end of initial funding.

(iv) There was no evidence of benefit-sharing agreements or community development contracts, particularly for projects situated on community or public land that is, in the case of carbon-related or natural resource-based interventions—such as afforestation, reforestation, or water conservation structures there was no Community Development Agreements (CDAs) provided for audit, as required under the Climate Change (Carbon Markets) Regulations, 2024. Further, there were no monitoring tools or mechanisms to track whether agreed-upon project benefits such as water access, improved ecosystems, or livelihood support actually reached the targeted beneficiaries or communities.

(v) Five (5) projects out of the sixteen (16) climate-related projects with potential environmental impacts such as irrigation infrastructure lacked National Environment Management Authority (NEMA) licenses and certificates. Additionally, there were delayed exchequer disbursements hence the Fund's activities as planned in the Annual Work Plan were not carried out as per the Paris Agreement. This points to the risk that the County Executive will not achieve its targets as highlighted in the Vihiga County Climate Change Action Plan 2023-2027. Further, this would have a negative effect on the Country's ability to attain the Sustainable Development Goal Number 13 on Climate Action.

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

1026. Delayed Construction of Hospital Plaza

Review of procurement records provided for audit revealed that the County Executive entered into an agreement with a firm for the construction of Hospital Plaza and Referral Hospital at a contract sum of Kshs.395,172,568 on May, 2021.The project was to be completed within a period of three (3) years. The project was for construction of a six (6) floor Hospital Plaza from foundation to completion including installation of two (2) lifts, terrazzo on ramp and stairs, installation of solar water piping system, gypsum ceiling, aluminum windows and doors, nurse call system wiring and equipment's, oxygen and vacuum equipment, electrical and mechanical fittings, external works including laying of cabro at parking, generator installation, general painting works, floor tiling and roofing and concrete gutters.

The project status report indicated that the total works certified to date amounted to Kshs.223,271,130, representing 56% of total cost as per interim payment certificate no.10. However, the contract agreement had already expired in May, 2024 and there was no evidence of request for renewal from the contractor or availability of a current contract. Hence the contractor was in breach of the contract. The last site meeting

by the Project Management Team was held in May, 2024, indicating that no other meeting had been held since expiry of the contract agreement.

Further, physical inspection in the month of June, 2025 revealed that the main structure had been done to completion including exterior painting works, roofing and concrete gutters. The interior works were on-going and the contractor was on site doing installation of the second lift, tiling was partly done from first floor to 6th floor, terrazzo done on ramp and stairs, water tanks installed, gypsum ceiling works ongoing and wiring ongoing and painting and skimming was ongoing. However, some other works were yet to start including, external works, mechanical fitting and generator installation.

In addition, the project was behind schedule with a total of thirteen (13) months having elapsed from the completion date of May, 2024. The delay in completion of the project increases the risk of cost escalation.

In the circumstances, value for money for the expenditure of Kshs.223,271,130 already incurred on the project and full completion could not be confirmed.

1027. Delay in Construction of County Aggregation and Industrial Park

The Department for Commerce, Tourism and Cooperatives awarded a contract to a company at a contract sum of Kshs.496,028,151 for the construction of County Aggregation and Industrial Park as indicated on the letter of award dated 23 August, 2023. The project was to be completed within nine (9) months; effective 26 September, 2023 as indicated in the contract agreement dated 29 September, 2023. However, the following unsatisfactory matters were observed:

(i) There was no communication from the Project Management Team to the contractor on non-performance of the contract as required by the agreement signed on 29 September, 2023.

(ii) The contractor provided an updated performance bond dated 25 March, 2025 expiring on 26 March, 2027 from an insurance agency which Management had not confirmed its authenticity.

(iii) A total of Kshs.52,038,575 had been paid to the contractor being valuation of three (3) certificates.

However, physical inspection carried out in June, 2025 revealed that the contractor was not actively on site as the materials on site did not indicate any major works ongoing hence the project had stalled. Further, the steel framework had been done on two (2) warehouses and walling done a quarter way on two (2) walls only. In addition, the foundation wall had been done on two (2) warehouses awaiting framework installation. The other warehouse trenches had been dug out but no works had been done as they had started filling up.

In the circumstances, value for money for the expenditure of Kshs.52,038,575 on the construction of the County Aggregation and Industrial Park could not be confirmed.

1028. Unsatisfactory Construction of Bumira Early Childhood Development Education Classroom

The Department for Education and Vocational Training awarded a contract for the construction of Bumira Early Childhood Development Education (ECDE) Classroom at a contract sum of Kshs.1,775,752 on 21 November, 2024 for a period of three (3) months. The contract was for construction of the main structure from foundation, walling, roofing, plastering and general painting works. Physical inspection of the project carried out in June, 2025 revealed that the contractor had already completed the required works as per the Bill of quantities. However, the contractor did not use the recommended natural stones for walling and instead mixed them with substandard molded soil that had already started peeling off two (2) months after completion of the project and the floor had visible cracks even before the project was put to use, an indication that the works done were sub-standard.

In the circumstances, value for money incurred on the construction of the classrooms could not be confirmed.

1029. Inconsistency of Carriageways on Construction of Access Roads

The County Executive carried out several road maintenance projects within the County. Physical inspection conducted in June, 2025 revealed that significant inconsistencies concerning the width/carriageway of access roads were ranging between 3.0 to 3.5 meters. However, the Bills of Quantities (BQs) for roads did not specify carriageway width which according to National Construction Authority (NCA) should be 4.5 meters. This was contrary to Regulation 149 (1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which 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 lawful and authorized and effective, efficient, economical and transparent.

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

1030. Hire of Road Maintenance Equipment

The County Executive awarded a tender at a contract sum of Kshs.90,769,560 for hire of four (4) tipper trucks, one excavator, motor grader and single drum roller respectively, a renewable one (1) year contract. The contract agreement was signed on 23 December, 2024 and an amount of Kshs.11,346,195 had been paid to the contractor as at the time of audit.

The Department for Transport and Infrastructure purchases murram from various quarry points from which the hired tracks were loaded and taken to the various roads under the Programme. However, the following unsatisfactory matters were noted:

(i) An approved work plan with specification of activities on roads done was not provided for audit;

(ii) The Department for Transport and Infrastructure did not maintain registers both at the quarry point (Emmaloba Quarry, Luanda South) and at the various roads. In the absence of the registers, it was not possible to ascertain whether all murram picked was utilized for the intended roads;

(iii) The roads done under the programme did not have sign boards indicating required information such as client, supervising engineer and year of funding and

(iv) The hired equipment were not labelled with stickers for the County Executive for identification.

This was contrary to Regulation 149(1) of the Public Finance Management (County Governments) Regulations 2015 which requires an Accounting Officer is accountable to the County Assembly to ensure that the resources of the entity for which the officer is designated are used in a way that is lawful and authorized; and effective, efficient, economical and transparent.

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

1031. Irregularities in the Registration of Persons with Disabilities and Approvals of Tax Exemptions

Review of files for staff registered under Persons with Disabilities (PWDs) revealed that files for thirty (30) members were incomplete as they lacked the necessary documentation such as disabilities cards, KRA Tax Exemption Certificates and Medical Assessment Reports. This was contrary to Section 35(1)(a) of the Persons with Disabilities Act, 2025 which provides that in order to facilitate access by persons with disabilities to the services set out under this part, the Council shall register on a continuous basis person with disabilities, to whom it shall issue disabilities identification cards in such form as it may determine.

In the circumstances, Management was in breach of law.

1032. Failure to Prepare and Submit Financial Statements for Sabatia Level 4 Sub-County Hospital

The financial statements Sabatia Sub-County Hospital for the year ended 30 June, 2025 and prior years were not submitted to the Auditor-General as required. This was contrary to Section 164(4)(a) of the Public Finance Management Act, 2012 and Section 47(1) of the Public Audit Act, 2015 which provide that within three (3) months after the end of each financial year, the accounting officer for an entity shall submit the entity's financial statements to the Auditor-General.

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

1033. Long Outstanding Trade and Other Payables Balance

The statement of financial position and as disclosed in Note 16 to the financial statements reflects a balance of Kshs.1,710,935,139 in respect of trade and other payables. The balance includes trade payables amounting to Kshs.1,480,433,982 comprising of Kshs.973,405,663 or 65% for the previous financial years' and Kshs.507,028,283 or 35% for the year under review. However, the County Executive risks incurring additional losses in form of interest and penalties arising from continued delay in the settlement of the payables. Further, failure to settle debts during the year in which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge. This was contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulation, 2015, which requires that debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible that the County Government does not default on debt obligation.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

1034. Weaknesses in Revenue Collection Management System

Review of procurement and payment records revealed that the County Executive had made payments to a vendor to the level of 89% of the contract sum of Kshs.58,777,600 for the supply of a Revenue Automation System. However, review of the Revenue Collection Management System records and documents revealed that key deliverables such as full system automation, system handover, integration with other County systems (such as the IFMIS, HRIS, HMIS, GIS, G-PAY) training of end-users and security configuration such as firewall installation remained incomplete. The vendor continues to host the County's revenue data on their cloud infrastructure, limiting the County Executive's control and ownership of its data.

Further, the earlier technical recommendations such as the implementation of multi-filter functionalities to allow the generation of detailed analytical reports across sub-categories of revenue streams, has not been addressed by the service provider.

In the circumstances, the effectiveness of the internal controls and reliability of the Revenue Collection Management System could not be confirmed.

1035. Lack of a Risk Management Policy

Review of the internal controls of the County Executive revealed that the Risk Management Policy had not been developed and there were no fraud prevention mechanisms put in place. Further, Operational and Disaster Recovery Plans were also

not provided. This was contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 that require the Accounting Officer to develop risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.

In the circumstances, Management's ability to identify risks, rank them and allocate adequate resources to mitigate them could not be confirmed.

1036. Lack of Follow-Ups on Internal Audit Recommendations

Review of the County Executive's Internal Audit Directorate Reports revealed that follow-up on internal audit recommendations was not consistently conducted. As a result, there was no assurance that Management action plans developed in response to audit findings had been effectively implemented.

In the circumstances, the effectiveness of assessment of internal controls, risk management and governance could not be confirmed.

Unresolved Prior Year Matters

No.	Audit Issues for 2023/2024
1	Non-Disclosure of Commission Earned from Payroll Services Rendered
2	IFMIS Data Analysis
3	Transactions in System Payments but not Processed in Payment Details
4	Transfer to Other Government Agencies
5	Long Accounts Receivables-Outstanding Imprests
6	Amount Due from the County Assembly
7	Outstanding Salary Advances
8	Budgetary Control and Performance
9	Pending Bills
10	Non-Achievement of Annual Development Plan and Budget Targets
11	Late exchequer Releases
12	Irregularities in the Construction of a Modern Funeral Home
13	Delays in Completion of the Governor's and Deputy Governor's Residences
14	Irregular Procurement of Motor Vehicle Insurance
15	Stalled Project of Construction of Eco-Toilet
16	Irregularities in the Proposed Construction and Completion of Hospital Plaza
17	Irregularities in Procurement of Non-Perishable Foodstuffs
18	Cost-Benefit Analysis of the Revenue Automation System
19	Pending Works by Vendor on Revenue Automation System
20	Unutilized Point of Sales (POS) Machines
21	High Pending Bills Related to External Advocates and Legal Costs
22	Non-Compliance to Climate Change Regulations
23	Irregular Payment to Council of Governors
24	Non-Compliance with the Persons with Disabilities Act, 2013
25	Regularity of Human Resource Management Practices
26	Weak Controls over IFMIS Payments Module
27	Weaknesses in Management of Drugs and Medical Supplies
28	Weaknesses in the Stores Management
29	Expired Medical Drugs
30	Dormant Bank Account
31	Weakness in IT Internal Controls System
32	Lack of Fully Operational Audit Committee

COUNTY EXECUTIVE OF BUNGOMA – NO.39

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

1037. Unsupported Property, Plant and Equipment Opening Balance

The statement of financial position and as disclosed in Note 15 to the financial statements reflects an opening balance as at 1 July, 2024 for property, plant and equipment of Kshs.509,803,798. The balance includes land at a cost of Kshs.6,064,000, motor vehicles valued at 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 amounting to 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.

1038. Unsupported Trade and Other Payables Balance

The statement of financial position reflects trade and payables balance of Kshs.4,469,304,080 as disclosed in Note 16 to the financial statements. Included in the balance is trade payables amounting to Kshs.2,386,947,335. However, the supporting ledgers did not include details such as invoice dates and invoice numbers.

Further, the balance includes an amount of Kshs.32,407,357 due to The Kenya Power and Lighting Company's (KPLC) for electricity bills which was at variance with an amount of Kshs.42,717,024 reflected in the records of the KPLC. The resultant variance of Kshs.10,309,667 was not reconciled.

In addition, the statement of financial position reflects an opening balance of Kshs.3,774,932,718 in respect of 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 the County Executive's 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.4,469,304,080 could not be confirmed.

1039. Unsupported Staff Medical Insurance Costs

The statement of financial performance reflects use of goods and services expenditure amounting to Kshs.4,155,572,191 which, as disclosed in Note 9 to the financial statements includes insurance costs amounting to Kshs.231,258,275. Review of the contract documents revealed that the County Executive engaged an insurance broker for

provision of staff medical insurance cover for two (2) 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, for which an amount of Kshs.200,000,000 was paid during the year under review. However, Management did not provide documents indicating the full details of the policy including the list of names of employees covered and the dependants of each employee.

Further, the number and value of claims honoured or rejected by the insurance company and the details of the total payments paid in respect to this contract was not provided for audit.

In addition, the insurance cover for staff for a period from February to June, 2025 was not provided thereby exposing them to risk of not having medical attention by health facilities.

In the circumstances, the accuracy and completeness of the staff medical insurance costs amounting to Kshs.231,258,275 could not be confirmed.

1040. Long Outstanding Imprests

The statement of financial position reflects an amount of Kshs.152,692,172 in respect of receivables from exchange transactions as disclosed in Note 13 to the financial statements. Included in the amount is a balance of Kshs.25,332,790 in respect of outstanding imprests balance. Management indicated that imprests amounting to Kshs.7,681,650 was under investigation by Ethics and Anti-Corruption Commission (EACC), Kshs.6,114,580 was 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 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, the accuracy, completeness and regularity of the outstanding imprests amounting to Kshs.25,332,790 could not be confirmed.

Emphasis of Matter

1041. 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 in under-funding of Kshs.2,444,701,101 or 18% of the budget. However, the County Executive spent an amount of Kshs.10,928,162,004 against actual receipts of Kshs.11,188,343,410 resulting in under-utilization of Kshs.268,181,406 or 2% of the actual receipts.

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

My opinion is not modified in respect of this matter.

Other Matter

1042. Unresolved Prior Year Matters

In the previous year audit, several issues were raised under Report on the 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, twenty-eight (28) issues were not satisfactorily addressed and therefore remain unresolved as listed at the end of this report.

Other Information

1043. There were no material issues relating to Other Information.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

1044. Non-Compliance with the Fiscal Responsibility Principles on Wages

The statement of financial performance and as disclosed in Note 8 to the financial statements reflects an expenditure of Kshs.5,983,157,896 in respect to employee costs which represents 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 provides 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.

1045. Non-Compliance with the Law on Staff Ethnic Composition

Review of personnel records for newly employed staff revealed that out of six hundred and forty-two (642) employees employed during the financial year, five hundred and forty-four (544) or approximately 85% were from one ethnic community. This was contrary to Section 65(1) of the County Government Act, 2012 which stipulates that at least Thirty percent (30%) of vacant posts at entry level are filled by candidates who are from the dominant ethnic community in the County.

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

1046. Employees on Irregular Long Probation Period

Review of personnel records for the month of June, 2025 indicated that six hundred and ninety-four (694) employees were serving on probation for long periods of up to twenty

(20) years. 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, 2007 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.

1047. Recruitment Without Approved Staff Establishment

Review of the June, 2025 payroll revealed that the County Executive paid seven thousand and eighty-five (7,085) employees through the Human Resource Integrated System (HRIS). Out of the employees, 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. Available information 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 Cabinet.

Further, the County Executive did not have an approved staff establishment at the beginning of the financial year under review and therefore the optimal staffing levels for all cadre of staff had not been established. Management did not explain the mechanism it relied upon to identify existence of the vacancies filled. This was contrary to Section 5(f) of the County Governments Act, 2012 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.

1048. Non-Compliance with the Persons with Disabilities Act, 2025

Review of personnel records revealed that the County Executive had a staff population of seven thousand, one hundred and sixteen (7,116) as at June, 2025 out of whom, only ninety (90) employees representing 1.26% of the population were persons with disabilities. This was contrary to Section 5(1)(e) of the People with Disabilities Act, 2025 which states that 'every county government shall promote the inclusion of persons with disabilities in the county public service by putting in place measures to ensure that at least five per centum of the employment positions are filled by persons with disabilities.

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

1049. Non-Compliance with the One-Third Rule on Basic Salary

Review of the staff payroll revealed that some employees' salary deductions exceeded two-thirds (2/3) of their basic salary in eleven (11) months during the year. This was contrary to Section 19(3) of the Employment Act, 2007 which stipulates 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 made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

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

1050. Irregular Employment of Staff on Contract Without Gratuity Provision

The County Executive employed five hundred and sixty-six (566) employees and seventy (70) employees in the Departments for Health and Agriculture respectively. However, it was observed that the staff were engaged on contract without gratuity provision. This was contrary to Paragraph D.32(2) of the Bungoma County Human Resource Policy and procedures Manual, 2024 which provides that all officers who are on contract are eligible for gratuity.

In the circumstances, Management was in breach of the human resources manual.

1051. Failure to Provide Monthly Progress Reports of all Procurement Contracts

Review of various project records revealed that 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 Asset Disposal Act, 2015 and Regulation 140(2) of the Public Procurement and Asset Disposal Regulations, 2020 which provides that the Head of Procurement function shall prepare a monthly progress report of all procurement contracts and submit the same to the Accounting Officer and shall include contract description; contract number; value of contract; commencement date; current status; the amount of money paid; and the expected completion date.

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

1052. Incomplete Project Implementation Status Report

The County Executive did not provide a detailed Project Implementation Status Report with details such as tender number, financial year of award of contract, name of contractor, project details, commencement date, proposed completion date, actual completion date, name of supervising engineer, contract sum, total payments and percentage completion. Therefore, it was not possible to ascertain the number of projects approved for implementation, completed, in progress, not started and stalled.

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

1053. Irregular Payment of Subscriptions to Lake Region Economic Block

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 was recognized by the law. Further, the agreement for Lake Region Economic Bloc provides that the financial statements will be audited by the Auditor-General, however, the Economic Bloc did not submit financial statements for audit. 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 the 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 law.

1054. Irregularities in the Distribution of Fertilizer

The County Executive awarded a contract to a local company on 17 December, 2024 at a contract sum of Kshs.50,452,200 for the supply of planting and top-dressing fertilizers to the forty-five (45) Wards. 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 and made payment on 22 March, 2025 amounting to Kshs.26,000,000 and the fertilizer was delivered in the financial year 2024/2025. Further, review of Bungoma County Finance Act, 2023 indicated that the subsidized fertilizer was to be sold at Kshs.2,000 per bag for planting fertilizer and top-dressing fertilizer. However, no supporting documents were provided for audit to confirm that the fertilizer was sold at the recommended price of Kshs.2,000 per bag or distributed to the farmers free of charge.

In the circumstances, value for money for the expenditure on purchase and distribution of fertilizer could not be confirmed.

1055. Unsatisfactory Renovation of Cattle Dips

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 cattle dips were not functional for almost one (1) year, the wood fence from the entry point to exit point were worn out and the structures were not strong enough to handle cattle, the surrounding fence was not existing, vandalism of the wooden posts and the cemented floors were cracked with overgrown grass.

In the circumstances, value for money for the expenditure on the cattle dips could not be confirmed.

1056. Irregularities in the 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 which was later revised to an amount of 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 an amount of Kshs.39,711,882 as the final payment for various Certificate Numbers which had been partially paid. 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 on which the stadium is built.

Further, audit inspection conducted on 23 July, 2025 revealed that the works had stalled for more than one (1) year and the contractor was not on site and the external fence that was built had structural defects. A section of the fence facing the VIP entrance was bending outwards thereby forming a huge crack on the floor between the fence and the adjacent ground. No explanation was provided for the defects. In addition, some officers 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 spent on the project could not be confirmed.

1057. Unutilized Completed High-Altitude Training Centre

The County Executive awarded a contract for construction of High-Altitude Training Centre to a local company on 16 November, 2023 at a contract sum of Kshs.30,980,230. During the year under review, the company was paid an amount of Kshs.11,558,042. However, although the project was completed and handed over to the County Executive it had not been opened for use and the land ownership documents were not provided for audit review.

In the circumstances, value for money for the expenditure on the project could not be confirmed.

1058. Delayed Completion of Chwele Vocational Training Centre

The County Executive through the Department for Education awarded a contract for 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 twenty-six (26) weeks or six (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 an amount of Kshs.5,000,000. However, the audit verification revealed that the project had stalled and Management did not provide the measurement sheets to confirm the value of works done.

Further, information provided revealed that the contract was terminated on 26 September, 2023 after the contractor abandoned the site for over nine (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 which provides for the process of contract termination.

In the circumstances, value for money for the expenditure on the project could not be confirmed.

1059. Delayed 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 the expected completion date was 13 August, 2024. Payments amounting to Kshs.17,473,250 were made during the year under review to the contractor. However, audit inspection conducted on 15 July, 2025 revealed that the project was incomplete and the last Project Status Report indicated 55% completion and minimal work was ongoing. However, the substructure and superstructure works, and formwork for a staircase and suspended floor slab had been done. Further, hoarding works were indicated to have been done but during the site visit only the front side of the site had been done increase the possibility of unauthorized access.

In addition, 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 may not have been realized from the project.

1060. 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 contract period had since lapsed and no payment has been made to date. Audit inspection conducted on 15 July, 2025 revealed that only site clearance and excavation of foundation trenches and securing of the site through hoarding had been done. However, no work was ongoing at the time of inspection and the contractor had abandoned the site.

Further, the 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.In addition, the land ownership documents were not provided for audit.

In the circumstances, value for money may not have been realized from the stalled project.

1061. Stalled Construction of County Aggregation and Industrial Park

The County Executive awarded a contract for the construction of County Aggregation and Industrial Park at a contract sum of Kshs.474,153,714 on 28 August, 2023 for a period of twenty-four (24) months with an expected completion date of 28 September, 2025. The scope of work included 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. During the year under review, the contractor was paid amounts of Kshs.37,430,000 and Kshs.40,000,000 for Certificate No. 2 and 3 respectively. The cumulative payments as at 30 June, 2025 amounted to Kshs.168,448,114. However, the audit could not establish the current status of the project since Management did not

provide information on the project status or contract data, schedule of outstanding works and title deed for the land.

Further, audit inspection conducted on 2 July, 2025 revealed that the contractor was not on site and no work was ongoing. In addition, 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, value for money for the expenditure of Kshs.168,448,114 spent on the project could not be confirmed.

1062. Construction of Kanduyi - Sang'alo Junction Road 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 Kshs.1,382,442,975. The road has a length of 6.7 Kilometers. The contract period recorded was for twenty-four (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.

Further, the contract was revised through an addendum dated 3 June, 2022 which increased the contract sum by an amount of Kshs.191,285,204 to Kshs.1,573,728,108. The revised completion date was 21 July, 2022 and there was 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 amount of Kshs.1,371,481,891. The status report dated June, 2025 from the Resident Engineer indicated that the project was 94% complete. However, the following major works were observed 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 were still outstanding; Road marking was done temporarily on the incomplete road.

(iv) 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 (BQ). 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.

Audit inspection conducted on 21 July, 2025 revealed the following:

(i) The road project was incomplete and no work was ongoing as the contractor was not on site.

(ii) The road although incomplete was open to motorists and pedestrians which was a risk as it had no foot bridges.

(iii) The road was not properly drained as some sections were retaining flood water already shortened the life of the road.

(iv) The exit roads at the town center were not served with drainage system linked to the existing culverts and were likely to empty all the water to the surface of the dual carriage way thereby increasing the damage to the road.

In the circumstances, value for money for the expenditure of Kshs.1,371,481,891 could not be confirmed.

1063. Rehabilitation of Sio/Mayanja/Sihilila and Nandingwa Rivers

The County Executive entered into a contract for rehabilitation of Sio/Mayanja/Isihilila and Nandingwa Rivers in South Bukusu, Kimaeti and Bumula wards on 6 September, 2024 at a contract sum of Kshs.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 contractor has been paid a total of Kshs.2,957,944 on 14 March, 2025.

Audit inspection conducted on 8 July, 2025 revealed that there were incidences of sand harvesting which contributed to uprooting of the tree seedlings, extensive encroachment and cultivation of maize crop in the areas where tree seedlings had been planted. Further, there were cattle grazing along the rivers which have contributed to reduced numbers of surviving seedlings. In addition, there was no proper maintenance of the surviving tree seedlings.

In the circumstances, value for money for the expenditure of Kshs.2,957,944 could not be confirmed.

1064. Proposed Erection and Completion of County Public Service Board Offices

Review of projects records revealed that the County Executive awarded a tender to a construction company for the erection and completion of County Public Service Board Offices at a contract sum of Kshs.52,497,283 on 13 April, 2023 and was to be completed

after fifty-two (52) weeks on 12 April, 2024. However, review of the project files revealed that the County Public Service Board had requested for a change of site for construction of the office from Ndengelewa Market to plots situated between Ngarisha Sacco and Bungoma Law Courts nine (9) months after the contract was signed.

Further, 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, Management was in breach of the law and value for money on the project could not be confirmed.

1065. Delayed Construction of Early Childhood Development Education Classroom and Pit Latrines in Luuya Bwake Ward

The County Executive through the Department for Education awarded a contract for the construction of one (1) Early Childhood Development Education (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. Review of records provided for audit revealed that the contractor was paid an amount of 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 the contractor abandoned the site for one month without the authority of the Project Manager. However, 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 which provides the procedure for termination of contracts.

Further, audit inspection conducted in the month of July, 2025 at Lwanda PEFA Primary School revealed that no work was ongoing since the contractor had abandoned the site. The ECDE classroom construction had the sub-structure and walling done up to lintel level. However, the contractor did not construct a wall on the right side but relied on the existing wall of the adjacent classroom contrary to the drawing design which made a provision for an independent classroom and space exist between the old and new the classroom. The abandoned construction had caused accumulation of water that was flowing to the existing classroom. The walling thickness done was 150mm instead of 200mm specified in the Bills of Quantities. Further, construction of the two (2) door pit latrine was not done and no work had started in the other two (2) ECDE Centres.

In the circumstances, value for money on the expenditure of Kshs.865,640 could not be confirmed.

1066. Delayed Completion of ECDE Classroom and Two (2) Door Pit Latrine at Lukhome Baptist Primary School

The County Executive through the Department for Education awarded a contract for erection and completion works for one ECDE classroom and two (2) door pit latrine at Lukhome Baptist Primary School for a contact sum of Kshs.1,495,570. Review of records revealed that the contractor was paid an amount of Kshs.1,238,404 for certificate number 1.

Further, audit inspection conducted in the month of July, 2025 revealed that the ECDE classroom was complete and in use. However, the floor was already peeling-off. In addition, the pit latrine was abandoned after excavation was done. As a result, the excavated pit was filled with rain water and not properly covered thereby posing great danger to the pupils. As a result of the stalled latrine construction, the population of about six hundred (600) pupils were greatly disadvantaged and forced to share the existing six (6) door pit latrine available which was in a deplorable state.

In the circumstances, value for money on the expenditure of Kshs.1,495,570 could not be confirmed.

1067. Construction of Vocational Training Centres without Ownership Documents

The Department for Education contracted a local company for fencing and construction of one classroom at Ngoli Vocational Training Centre (Craft Centre) at West Bukusu at a contract sum of Kshs.1,774,200. However, Management did not provide ownership documents for the land for the Training Centre, including title deeds, leases, or Memorandum of Understanding for use of the parcel of land.

In the circumstances, the ownership status of the land could not be confirmed.

1068. Failure to Transfer Funds to Kimilili and Bungoma Municipalities

The County Executive did not transfer funds that were budgeted for Bungoma and Kimilili Municipalities. Instead, the funds were spent by the County Executive on behalf of the two (2) Municipalities. Further, the operations were carried out by the County Executive through the Departments for 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.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

1069. 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, Management did not maintain a proper fixed assets 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, the effectiveness of internal controls in the management of assets could not be confirmed.

1070. Lack of Adequate Repairs and Maintenance of Server Room

The County Executive through the Department for Public Service Management, paid an amount of Kshs.620,000 for maintenance of server room and LAN at the headquarters. The payment was a pending bill for completed works of upgrading server room which was last done on 19 June, 2023. However, there were no system installed in the facility to warn on possible fire outbreak.

In the circumstances, the effectiveness of internal controls to ensure safety of Data and ICT Systems could not be confirmed.

1071. Lack of Departmental Training Committee and Training Needs Assessments

Review of the training documents provided revealed that various 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 and human resource skills inventory to help in training projections, needs and nomination of officers on areas of importance.

In the circumstances, the effectiveness of achieving a competent work force may not be achieved.

1072. Lack of Serviced Fire Equipment, Fire Assembly Points and Fire Safety Alarm System

Audit verification carried out 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 a 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, Management may not be able to mitigate risks of loss of property, records and lives in case of fire outbreak.

1073. Lack of an Approved Information Communication Technology 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, 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 effectiveness of the Internal Controls in safeguarding ICT infrastructure and County operation in case of a disaster could not be confirmed.

1074. Failure to Implement the Recommendations made by the Internal Audit Function

The Internal Audit Department conducted audit assignments and reported on their findings. However, there was no evidence that the issues raised were acted upon by Management.

In the circumstances, the effectiveness of the Internal Audit Function could not be confirmed.

List of Unresolved Prior Year Matters

S/No.	Audit Issues for 2023/2024
1	Unreconciled Variance between Financial Statements and Payroll Records on Compensation of Employees
2	Unreconciled Variances of Transfers to Other Government Entities
3	Unaccounted for other Capital Grants and Transfers
4	Unsupported Outstanding Imprests and Advances
5	Unsupported Prior Year Adjustments
6	Budgetary Control and Performance
7	Unexplained Increase in Pending Accounts Payable
8	Unreconciled Electricity Pending Bills
9	Unreconciled Lapfund Pending Bills
10	Non-Adherence to One-Third Basic Salary Rule
11	Lack of Ethnic Diversity in New Staff Recruitments
12	Excessive Wage Bill
13	Engagement of Temporary Workers
14	Employees on Long-Term Probation
15	Operating without Approved Staff Establishment
16	Regularity of Procurement and Award of Contracts
17	Failure to Sell Fertilizers at Subsidized Price
18	Construction of Ward Administrator Offices at Misikhu and Bokoli
19	Construction of a Metallic Stand at Mbakalo Stadium
20	Completion of Masinde Muliro Stadium
21	Construction of Kanduyi- Sang'alo Junction To Dual Carriage
22	Construction of Misikhu – Naitiri – Brigedier Road
23	Failure to Transfer Functions to Kimilili and Bungoma Municipalities
24	Lack Of Fraud Prevention Mechanisms
25	Weaknesses in Information Communication Technology Internal Controls
26	Failure to Provide Project Implementation Status Report
27	Lack of Performance Appraisal of the Internal Audit Function
28	Failure by Management to Act on Internal Audit Reports

COUNTY EXECUTIVE OF BUSIA – NO.40

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

1075. Inaccuracies in the Financial Statements

1075.1. The Statement of Financial Position

The statement of financial position reflects capital fund balance of Kshs.911,502,580 as at 30 June, 2025, while the statement of changes in net assets reflects Nil balance. Further, the statement reflects net assets negative balance of Kshs.151,303,261 as at 30 June, 2025, while the statement of changes in net assets reflects negative balance of Kshs.1,062,805,841 resulting in unreconciled variance of Kshs.911,502,508.

1075.2. The Statement of Changes in Net Assets

The statement of changes in net assets reflects net assets negative balance of Kshs.1,062,805,841 as at 30 June, 2025. The balance includes an amount of Kshs.911,502,580 relating to property, plant and equipment which was committed in Integrated Financial Management Information System (IFMIS) and not purchased.

Further, the net assets balance includes an amount of Kshs.1,837,526,845 described as unbudgeted pending bills disclosed under accumulated surplus/deficit. However, no satisfactory explanation was provided by Management on inclusion of these amounts in the statement of changes in net assets for the year ended 30 June, 2025 and the analysis and supporting documents for the amount were not provided for audit review.

1075.3. Unreconciled Grants and Transfers to County Funds

Review of the statement of financial performance and as disclosed in Notes 11(A) and 13(A) to the financial statements revealed transfer to other Government entities amounts of Kshs.31,000,000 and other grants and subsidies amounting to Kshs.918,444,774. However, confirmation of receipts by the respective County Funds revealed variances as summarized below:

(i) Note 11(A) to the financial statements indicates transfer to Busia County Education Support Scheme amount of Kshs.31,000,000, while the financial statements of Busia County Education Support Scheme indicated a corresponding receipt of Kshs.101,500,000 resulting in unreconciled variance of Kshs.70,500,000.

(ii) Note 13(A) to the financial statements indicates grants to small businesses, cooperatives and self-employed amount of Kshs.311,129,722, which includes transfer to Cooperative Enterprise Fund amount of Kshs.17,000,000. However,

the financial statements of Kakamega County Cooperative Enterprise Fund reflected corresponding receipt of Kshs.5,500,000 resulting in unreconciled variance of Kshs.11,500,000.

(iii) Note 13(A) to the financial statements indicates transfer to Climate Change Fund amount of Kshs.243,716,679, while the financial statements of Busia County Climate Change Fund reflected a corresponding receipt of Kshs.216,356,863 resulting in unreconciled variance of Kshs.27,359,816.

In the circumstances, the accuracy and completeness of the respective financial statements' balances could not be confirmed.

1076. Unsupported Payment of Staff Medical Insurance Cover

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects expenditure on use of goods and services amount of Kshs.2,497,206,343, which includes insurance payments amounting to Kshs.341,910,263. Included in the insurance payments are two (2) amounts of Kshs.63,911,807 and Kshs.210,267,470 totalling Kshs.274,179,277 paid to two (2) insurance companies for provision of medical insurance for staff and dependents for a period of twelve (12) months. However, the total insurance paid amounting to Kshs.274,179,277 exceeded the approved medical insurance budget of Kshs.254,832,345 resulting in unauthorized expenditure of Kshs.19,346,932.

Further, the County Executive entered into an agreement with an insurance broker for provision of medical insurance at a contract sum of Kshs.216,855,295. A total of Kshs.210,267,470 had been paid to the brokerage firm as at 30 June, 2025. However, Management did not provide details of the staff members, and dependents covered including the age, number of children per staff, medical cover for newly recruited staff, and list of the approved hospitals and medical facilities under the scheme.

In the circumstances, the accuracy, completeness and regularity of insurance payments for staff medical cover of Kshs.274,179,277 could not be confirmed.

1077. Unsupported Legal Expenses

The statement of financial performance and as disclosed in Note 10(A) to the financial statements reflects expenditure on use of goods and services amount of Kshs.2,497,206,343, which includes other operating expenses amounting to Kshs.575,667,276. The amount includes legal expenses of Kshs.9,150,232 paid by the office of the County Attorney to private legal firms representing the County Executive. However, the payments vouchers were not supported with relevant documentations such as initial itemized fee notes, amounts paid to date, outstanding balances per case, the cases being handled and status of those cases, evidence of Court attendance, fees as per Advocates Remuneration Order, 2014, case files showing the value of each case to authenticate the payments, contract agreements and procurement records.

Further, the County Executive did not maintain legal matrix or the legal cases register and an ageing analysis of the cases to determine the period in which the cases were outstanding, amount relating to each case and a request by the Departments and written approval of County Executive Committee to engage the services of the consultants or legal firms as required by Section 16(1) of the Office of the County Attorney Act, 2020. The Office of the County Attorney also did not prepare and submit annual reports to the Governor and the County Assembly as required by law.

In addition, it was observed that the County has a fully-fledged litigation Department. However, it was not clear why the County Executive outsourced the services to external legal firms in all the cases.

In the circumstances, the accuracy, completeness and regularity of legal expenses totalling Kshs.9,150,232 could not be confirmed.

1078. Unsupported Trade and Other Payables

The statement of financial position and as disclosed in Note 32 to the financial statements reflects trade and other payables balance of Kshs.3,085,464,048. However, payment vouchers supporting the entire trade and other payables balance, ledgers detailing invoice dates and amounts, payment amounts and outstanding balances, and ageing analysis were not provided for audit review.

Further, Note 32 reflects two conflicting balances of Kshs.3,085,464,048 and Kshs.3,673,835,690 resulting in unreconciled variance of Kshs.588,371,642.

In addition, the balance includes an amount of Kshs.1,836,644,923 in respect of prior year periods accounts payable relating to financial years 2015/2016 to 2023/2024 which should have been prioritized as a first charge on the County Revenue Fund. Additionally, the amount was not included in the budget. 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.

In the circumstances, the accuracy, completeness and regularity of the trade and other payables balance of Kshs.3,085,464,048 could not be confirmed.

1079. Undisclosed Land Balances

The statement of financial position and as disclosed in Note 26 to the financial statements reflects property, plant and equipment balance of Kshs.691,827,042 which relates to assets acquired during the year under review. The balance includes land amount of Kshs.750,000. However, review of supporting schedules to the financial statements indicated that an amount of Kshs.18,753,990 was incurred on purchase of twelve (12) parcels of land for the construction of dispensaries, playgrounds and vocational training centers. However, the amount was not included in the land balance.

In the circumstances, the accuracy and completeness of land balance of Kshs.750,000 could not be confirmed.

1080. Unexplained Expenditure on Social Development Programme

The statement of financial performance and as disclosed in Note 13 to the financial statements reflects other grants and subsidies amount of Kshs.918,444,774. The County Executive through the Department for Community Development, Youth, Sports, Tourism, Culture and Social Services incurred expenditure totalling Kshs.38,115,000 as social development grants. However, review of payment vouchers and supporting documents revealed the following unsatisfactory matters:

(i) Committee minutes were not provided to ascertain the number of applicant, application dates, approval dates and details of submission for payment approval.

(ii) No acknowledgement forms were provided to ascertain whether indeed the approved groups actually received the funds.

(iii) Neither ad-hoc reports nor annual reports were provided for audit detailing the utilization of funds and a list of beneficiaries.

(iv) Management did not provide an explanation for the criteria used to allocate different amounts to various wards or to explain varying amounts awarded to successfully vetted groups.

(v) The grants policy in use has remained in draft form since 2016, although it was forwarded for approval on 6 June, 2016, no approvals were provided for audit verification.

In the circumstances, the regularity of the expenditure amounting to Kshs.38,115,000 could not be confirmed.

1081. Unsupported Foreign Travel Expenditure

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects an amount of Kshs.2,497,206,343 in respect of use of goods and services. This expenditure includes an amount of Kshs.57,415,943 for foreign travel and subsistence. Analysis of payment records revealed that six (6) officers were each paid imprest totalling Kshs.3,026,856 for a foreign study tour in China from 20 to 27 October, 2024 on rainwater harvesting and sustainable water management, as per the invitation letter dated 08 September, 2024 from a Chinese institution in response to a request from the Kenya Water Institute dated 07 September, 2024. However, no evidence of travel was provided in the form of boarding passes, air tickets and attendance certificates to confirm that the trip took place and was attended by the officers. There was no documentation on how the knowledge acquired would be applied to improve local water systems.

In the circumstances, the regularity of the expenditure amount of Kshs.3,026,856 could not be confirmed.

1082. Unsupported Expenditure on Motor Vehicles Insurance

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects expenditure on use of goods and services amount of Kshs.2,497,206,343, which includes insurance payments amounting to Kshs.341,910,263. Included in this expenditure is an amount of Kshs.13,984,046 paid to an insurance company for provision of motor vehicles and motor cycles insurance cover for a period of twelve (12) months. Review of documents provided revealed that valuation and assessment was not conducted for the insured motor vehicles and motor cycles. Further, the insurance cover included some motor vehicles without registration numbers and therefore may not belong to the County Executive. Fifty-nine (59) motor vehicles that were listed were not operational and serviceable.

In addition, Motor Vehicle which had been reported as stolen was insured and management did not provide for audit review key supporting documents including the police report, internal incident report, insurance claim documents, Board of Survey findings, and a statement from the officer responsible for the vehicle.

In the circumstances, the regularity, accuracy and completeness of insurance payments for motor vehicles cover of Kshs.13,984,046 could not be confirmed.

1083. Anomalies in the Casuals Payroll

The statement of financial performance as disclosed in Note 9(A) to the financial statements reflects employee cost totalling Kshs.3,940,068,383 which include basic wages of temporary employees amount of Kshs.21,884,133. However, the casual payroll provided for audit indicates total casual payments of Kshs.131,161,110 for the year ended 30 June, 2025 resulting in unreconciled variance of Kshs.109,276,977.

Further, Management did not provide supporting documents including master payrolls indicating the number of days worked, daily rate and verification by the human resource and user departments for audit review. It was also noted that the requisite documentation, including departmental requisitions to engage casual staff, approvals from the County Public Service Board for their engagement or delegated authority from the County Public Service Board or delegated authority to the Departmental Accounting Officers and appointment letters for the casual engagements were not provided for audit.

In addition, analysis of casual payroll revealed that ten (10) employees appeared concurrently on the casual payroll, the Integrated Payroll and Personnel Database (IPPD) payroll and Human Resource Information System (HRIS) system, resulting in duplicate payments amounting to Kshs.1,859,770.

In the circumstances, the accuracy, completeness and regularity of casuals' payment amounting to Kshs.21,884,133 could not be confirmed.

Emphasis of Matter

1084. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totalling Kshs.9,923,694,532 and Kshs.6,949,989,950 respectively, resulting in under-funding of Kshs.2,973,704,582 or 30% of the budget. However, the County Executive spent an amount of Kshs.6,830,609,339 against an actual receipt of Kshs.6,949,989,950 resulting in under-utilization of Kshs.139,380,611 or 2% of actual income.

The under-funding 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.

Other Matter

1085. 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 and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management had not resolved forty-two (42) issues or given any explanation for the delay in resolving the issues as listed at the end of this report.

Other Information

1086. There were no material issues relating to Other Information.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

1087. Non-Compliance with Law on Supplementary Budget Limits

Review of the budget of County Government for financial year 2024/2025 revealed that, the supplementary budget amounted to Kshs.1,541,674,535 representing 16% of the total approved original budget of Kshs.9,923,694,532. The increase exceeded the statutory threshold set under Section 135(7) of the Public Finance Management Act, 2012 which provides that a County Government may not spend through a supplementary budget more than ten percent (10%) of the amount appropriated by the County Assembly for that financial year.

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

1088. Non-Remittance of Statutory Deductions

The statement of financial position and as disclosed in Note 32 to the financial statements reflects trade and other payables balance of Kshs.3,085,464,048. Review of statutory deductions schedules, payment vouchers and bank statements provided for audit revealed that the County Executive failed to remit an amount totalling Kshs.948,816,455 out of which an amount of Kshs.679,737,843 related to Pay-As-You-Earn (PAYE), National Social Security Fund (NSSF), National Health Insurance Fund (NHIF) and Affordable Housing Levy (AHL), while an amount of Kshs.269,078,612 was for Laptrust/Lapfund deductions. Further, deductions details for Laptrust and Lapfund for the months of December, 2024, January, 2025, February, 2025 and March, 2025 were not provided for audit review. Failure to settle bills during the year to which they relate distorts the financial statements for that year and adversely affects the provisions for the subsequent year to which they have to be charged.

In the circumstances, Management was in breach of the law and exposed to risk of penalties and interest for late payment and non-remittance of statutory dues.

1089. Project Implementation Status Report

The County Executive had an approved development budget of Kshs.3,863,748,132. Review of the Project Implementation Status Report revealed that, the projects that were to be implemented during the year were six hundred and ninety-six (696) with a budget of Kshs.2,278,126,826. The Project Implementation Status Report indicated that one hundred and forty-seven (147) projects amounting to Kshs.470,151,152 were completed, two hundred and seventy-eight (278) projects amounting to Kshs.1,264,197,407 were ongoing and two hundred and seventy-one (271) projects amounting to Kshs.543,778,267 had not been started. This was an indication of inadequacy in project planning and control mechanisms to ensure efficient absorption of available funds.

In the circumstances, value for money for the ongoing and not started projects may not be realized.

1090. Delayed Implementation of Infrastructure Projects

The County Executive carried out feasibility studies and procured works for twelve (12) projects amounting to Kshs.56,533,523. However, audit verification revealed that none of these projects had commenced and the contract periods had lapsed. Management did not provide any justification for the failure to commence procured works.

In the circumstances, value for money from the delayed projects may not be realized

1091. Irregularities in the School Feeding Programme

The County Executive contracted for the supply of 50,651 kilograms of branded rice at a contract sum of Kshs.12,270,821 and for the supply of 45,974 kilograms of white milled rice at a cost of Kshs.9,194,821 through contract agreements signed on 13 September, 2024. However, Management did not provide documents in support of the procurement

process. The rice was intended for distribution to primary schools across five (5) Sub-Counties. However, there were no requisitions or documented requests from the beneficiary primary schools indicating the need for the rice supplies and the County Executive did not have an approved school feeding policy to guide the implementation of such programmes.

In the circumstances, the regularity and value for money for the expenditure amounting to Kshs.21,465,642 could not be confirmed.

1092. Stalled Construction of the Administration Block at Buburi Vocational Training College

The County Executive awarded a contract for completion of an administration block at Buburi Vocational Training College at a contract cost of Kshs.3,155,040. The contract period was for four (4) months, with the commencement date being 11 March, 2024. Physical inspection of the works on 19 June, 2025, revealed that the contractor had abandoned the site.

Further, the audit inspection observed deviations from the specifications outlined in the Bills of Quantities (BQs). While the BQs required the use of 200mm thick natural hand-dressed blocks for walling, the contractor used a mix of small sand bricks and blocks. This substitution and change of the specifications approved in the BQs was not explained.

In addition, review of payment records revealed that an amount of Kshs.2,506,310 or 79% of the contract sum had been paid to the contractor despite the incomplete work.

In the circumstances, value for money for the abandoned project amounting to Kshs.2,506,310 could not be confirmed.

1093. Unconfirmed Distribution of Fish Fingerlings to Farmers in Agenga Ward

The County Executive awarded a contract for the supply and delivery of sixty-five thousand, seven hundred and eighty-nine (65,789) tilapia fish fingerlings to farmers at a cost of Kshs.2,499,982. However, there were no requisitions or written requests from the respective County Department and/or beneficiary farmers to support the need for the fingerlings and the criteria used to identify the beneficiaries was not provided for audit. Further, audit confirmation from the listed beneficiaries revealed that they neither received the fingerlings nor owned any fish ponds. In addition, the individuals contacted were also unaware of such fish farming program being implemented in their area.

In the circumstances, value for money for the expenditure amounting to Kshs.2,499,982 could not be confirmed.

1094. Stalled Public Day Care Construction Project

The County Executive awarded a contract for the construction of a public day care–phase 1 in Matayos Sub-County at a contract sum of Kshs.7,984,010, with a contract duration of ninety (90) days. The contract was awarded on 16 November, 2023, and specified the

scope of work included construction of foundational structures and related the day care infrastructure. However, review of project records and physical inspection conducted on 1 July, 2025 revealed that no works had been undertaken at the designated site. The project site was observed to be a vehicle parking area. Interviews with officials from the implementing Department indicated that uncertainties regarding the suitability and availability of the construction site contributed to the delay and eventual stalling of the project. It was also established that no feasibility study was conducted and inadequate community involvement during project identification and design stages.

In the circumstances, value for money in respect of the stalled project could not be confirmed.

1095. Irregularities in Contract Award for the Proposed Renovation of Samia Sub County Administrator's Office

The County Executive entered into a contract for renovation of Samia Sub-County administrator's office on 27 June, 2024 for a contract sum of Kshs.2,487,550. The works had been scheduled to be completed in ninety (90) calendar days after site handover which was dated 5 August, 2024. However, the letter of award was issued on 13 June, 2024, the same day that the Local Service Order was issued to the contractor. The acceptance letter by the contractor was dated 14 June, 2024 and the contract agreement between the Department for Lands and the contractor was signed and executed on 27 June ,2024. It was not clear how the Local Service Order was issued before provision of the acceptance letter by the contractor and before a contract agreement was signed and executed. During site visit conducted on 2 July, 2025, it was observed that while most works were executed in accordance with the BQs and project engineer's instructions, the veranda floor at the back of the building was only partially tiled with ceramic tiles, leaving the project incomplete.

Further, review of the minutes of the Inspection and Acceptance Committee dated 13 March, 2025, revealed that the Committee had recommended the works as satisfactorily completed. This raised serious concerns on the effectiveness and due diligence of the Committee, which appeared to have recommended payment for incomplete works.

In the circumstances, the value for money in respect of the project could not be confirmed.

1096. Unexplained Water Pipeline Extensions

The County Executive incurred expenditure of Kshs.22,878,530 for water pipeline extensions in different areas. However, Management did not provide evidence of public participation to ascertain the water demand and usage within the said areas warranted the need for the extension. Further, Management did not provide for audit review the preliminary engineering designs, Bill of Quantities, specifications on size and length of the extension pipes, size of storage tanks (if any), the extent of elevation among other

information or technical data to ensure the pipeline extension actually would effectively deliver water to the intended beneficiaries.

In the circumstances, value for money for the expenditure of Kshs.22,878,530 could not be confirmed.

1097. Stalled Projects

1097.1. Completion of Alupe Mother and Child Special Hospital Phase III

The County Executive awarded tender for proposed completion of mother and child specialized hospital at Alupe Sub-County Hospital at a sum of Kshs.24,034,075 on 29 November, 2024 for a period of four (4) months starting from 29 November, 2024 to 29 March, 2025. Site visit conducted on 04 July, 2025 revealed the works had since stalled, the contractor was not on site and the contract period had lapsed. Management did not provide the steps being taken due to non-performance of the contract.

1097.2. Construction of Modern Kitchen at Teso North Sub-County Hospital

The County Executive awarded a contract for the construction of a modern kitchen at a sum of Kshs.5,001,210 on 27 December, 2024 for a period of four (4) months starting from 27 December, 2024 to 27 April, 2025.Site visit carried out on 4 July, 2025 revealed that the construction works had stalled at Element Number 1 as per the BQs. Only murram blinding up to top of hardcore layer had been completed. Vegetation growth was observed on the compacted murram surface indicating prolonged delays in concreting works and may compromise the integrity of the base if not addressed promptly. Further, there was no evidence of contractor's presence or ongoing activity at the site at the time of inspection.

1097.3. Proposed Construction of Incinerator at Port Victoria Sub-County Hospital

The County Executive awarded a contract for construction of incinerator at Port Victoria Sub-County Hospital at a contract sum of Kshs.8,996,920 on 29 November, 2024 for a period of four (4) months and the contract was to end on 29 March, 2025. Site visit carried out on 4 July, 2025 revealed the works had stalled, the contractor was not on site and the contract period had lapsed. As at the time of inspection, the incinerator construction had advanced to lintel level.

1097.4. Proposed Construction of Modern Gender Sensitive and disabilities Inclusive Sanitary Block at Port Victoria Sub-County Hospital

The County Executive awarded a contract for the construction of a modern gender sensitive and disabilities inclusive sanitation block at Port Victoria Sub-County Hospital at a contract sum of Kshs.2,488,331 on 29 November, 2024. The contract was to run for a period of four (4) months up to 29 March, 2025. As at the date of audit inspection on

4 July, 2025, the sanitation block construction had progressed to the foundation level but the contractor was not on site and the contract period had lapsed.

1097.5. Proposed Construction of Chamasiri Dispensary

The County Executive awarded a contract for the construction of Chamasiri Dispensary at a contract sum of Kshs.7,765,193 on 29 November, 2024 for a four (4) months period. As at the time of audit inspection on 4 July, 2025, work on site had not progressed beyond the backfilling stage yet the contract period had lapsed. The contractor was not on site. Further, the audit could not confirm the ownership of the land where the dispensary was built.

In the circumstances, value for money for the expenditure spent on the projects could not be confirmed.

1098. Non-Compliance with Fiscal Responsibility Principles on Wages

The statement of financial performance reflects revenue totalling Kshs.8,186,028,420 and employees' costs totalling Kshs.3,940,068,383. The employees' costs constituted fourty-eight percent or 48% of the total receipts of the County Executive for the year under review. This was contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the County Government's expenditure on wages and benefits for its public officers shall not exceed 35% of the County Government's total revenue.

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

1099. Irregular Terms of Employment

Review of the Integrated Payroll and Personnel Database (IPPD) revealed that the County Executive had a total of three thousand, seven hundred and sixty-two (3,762) employees as at 30 June, 2025. However, seventeen (17) employees were serving on probational terms despite having served for periods ranging from twenty-two (22) months to one hundred and seventy-nine (179) months. This was contrary to Section 42(2) of the Employment Act, 2007 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.

1099.1. Non-Compliance with the Law on Staff Ethnic Composition

Review of payroll records revealed that out of the total number of staff members of three thousand seven hundred and sixty-two (3,762), a total of two thousand one hundred and seventy-five (2,175) or 58% were from one ethnic community. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which provides that no public establishment shall have more than one-third of its staff from the same ethnic community.

1099.2. Casuals Engaged Beyond Stipulated Period

Analysis of monthly casual payrolls for the period ended 30 June, 2025 revealed that there were two thousand three hundred and fifty-seven (2,357) casual workers who were engaged for more than three (3) consecutive months without formal written contracts. The total amount paid to the workers amounted to Kshs.41,698,236. This was contrary to Section 37(1)(a) and (b) of Employment Act, 2007 which requires that where a casual employee works for a number of working days amounting in the aggregate to the equivalent of three months or more, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly.

1099.3. Irregular Payment of Special House Allowances

Analysis of the County Executive payroll records revealed that thirty-seven (37) employees were paid special house allowances amounting to Kshs.3,230,132 during the year in addition to the regular house allowance applicable for their designations. Management did not provide approval or advisory from the Salaries and Renumeration Commission for the payment of the special house allowance.

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

1100. Disputed Ownership of Amoni Market Land

Records available indicate that the defunct Busia County Council purchased a parcel of land measuring 2.2 Hectares in Malaba Town in 1990 at a consideration of Kshs.130,000. However, the sale has since been disputed and the matter was pending before the Court. Physical inspection of Amoni Market land on 30 April, 2025 revealed an existing and operational market with a permanent ablution block that was not in use and temporary incomplete market structure.

In the circumstances, ownership of the land by the County could not be confirmed.

1101. Irregularities in the Study Leave for the Staff

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects an amount of Kshs.3,940,068,383 in respect of employee costs. Analysis of payroll for the period under review against list of staff on study leave indicated that there were seventeen (17) staff members on study leave were paid their full salary packages without any bonding agreements between the staff and County Executive to ensure service return or cost recovery.

Further, there was no policy guideline and County Training Committee records indicating that the staff had been formally approved or released for further studies. The total amount paid to staff while on study leave was Kshs.44,572,417.

In the circumstances, value for money for the expenditure on study leave of Kshs.44,572,417 could not be confirmed.

1102. Irregular Payments of Other Grants and Subsidies

The statement of financial performance and as disclosed in Note 13(A) to the financial statements reflects expenditure on other grants and subsidies amount of Kshs.918,444,774. However, analysis of payment schedules revealed that payments amounting to Kshs.53,472,228 were irregularly paid to various suppliers and individuals. This was contrary to the provisions of Section 138(1)(c) of the Public Finance Management Act, 2012, which defines a grant recipient as the County Government or a County Government entity authorized to control or spend money, or an incorporated or unincorporated body not otherwise authorized to control or spend money under this Act. The disbursement of funds to entities and individuals who did not meet this definition raises concerns regarding the appropriateness and legality of the transactions.

In the circumstances, value for money for the expenditure of Kshs.53,472,228 could not be confirmed.

1103. Unutilized COVID-19 Funds in Special Purpose Account

The statement of financial position and as disclosed in Note 21 to the financial statements reflects cash and cash equivalents balance of Kshs.118,238,299. Review of the list of bank accounts maintained by the County Executive revealed that the County had unutilized funds amounting to Kshs.8,012,540 in a COVID-19 Special Purpose Account at the Central Bank of Kenya. No explanation was provided by Management on why the monies were still being held in the account or the intended purpose of the funds. Further, bank reconciliation statements for the account were not provided for audit review.

In the circumstances, the value for money on the unutilized cash could not be confirmed.

1104. Failure to Install Hospital Management System at Sub-County Hospitals

The County Executive awarded a tender for supply, delivery, installation, customization and commissioning of an Integrated Revenue Collection and Management System and a Hospital Information Management System at a contract sum of Kshs.59,885,232. However, verification of the implementation of the contract agreement revealed that the Hospital Information Management System was only installed at Busia County Referral Hospital and not at the other Sub-County Hospitals within the County.

In the circumstances, value for money for the expenditure of Kshs.59,885,232 could not be confirmed.

1105. Failure to Establish Cash to Accrual Accounting Transition Committee

Review of the implementation of cash basis to accrual basis of accounting roadmap at the County Executive revealed that the Accounting Officer did not establish a Cash to Accrual Transition Committee at the entity level and did not appoint a project manager to oversee the transition. Further, a detailed roadmap outlining the key milestones at the

entity level had not been developed as required by the guidelines issued by The National Treasury vide Treasury circular No.03/2025 dated 14 April, 2025.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

1106. Failure to Implement Internal Audit Recommendations

Review of the Internal Audit report dated 21 February, 2025, submitted to the Accounting Officer, revealed that the audit identified issues across multiple Departments. However, there was no evidence that a response or action plan to the issues highlighted in the report was submitted to the Chairperson of the Audit Committee. This was contrary to Section 165(1)(2) of the Public Finance Management (County Governments) Regulations, 2015, and Gazette Notice No. 2690 Paragraph 6.1(b)(iv) and (c).

Further, there was no documented effort by the Accounting Officer to implement the audit recommendations, thereby weakening the effectiveness of both the Internal Audit function and the broader governance framework. Also, the Accounting Officer did not publish periodic updates on Audit Committee activities on the County's website, as required under Guideline 6.1(b)(iv) of Gazette Notice No. 2690.

In addition, the Audit Committee did not provide evidence of conducting an annual self-assessment to evaluate its performance against its mandate, roles, duties and responsibilities, as stipulated in Paragraphs 7.2(a–c), 8.1(a–d), and 8.3 of the Gazette Notice.

In the circumstances, the effectiveness of the Internal Audit Function and the Audit Committee in overseeing the County Executive's operations could not be confirmed.

1107. Lack of Approved Staff Establishment and Annual Recruitment Plans

The County Executive operated without an approved staff establishment. Therefore, it was not possible to determine how the cadres and staff capacity in various Departments were established or whether the County Executive was operating at optimum staffing levels and what criteria was used during recruitment of new staff.

Further, the County Executive appointed sixty - three (63) officers during the year under review out of which twenty-three (23) were Directors, thirty-seven (37) Deputy Directors and three (3) Legal Counsels. However, the Departments did not have annual recruitment plans to guide the appointments. In addition, no evidence was provided of budgetary availability before appointments were made.

In the circumstances, the effectiveness of human resource management could not be confirmed.

1108. Operational Challenges in Department for Strategic Partnerships, ICT and Digital Economy

Audit review of the operating environment of the Department revealed several critical issues that had significantly impaired its functionality to deliver services effectively. At the time of the audit, the entire Department including the offices of the Chief Officer and the County Executive Committee (CEC) Member were without electricity which had been disconnected for over two (2) months due to unpaid electricity bills. The Department's approved budget revealed that no allocation had been made under the electricity vote. Instead, it relied on other Departments to settle the bills. The Department had been allocated an amount of Kshs.200,000 under the foreign travel vote. Given its strategic role in cultivating partnerships and engaging with donors and stakeholders both locally and internationally, this allocation was insufficient.

Further, the Department's records indicated that a total of twenty-seven (27) individuals including casual workers, interns, students on attachment and support staff who were forced to work in powerless offices leading to significant underutilization of both skills and manpower severely disrupted operations.

In addition, the Strategic Partnerships Unit was heavily dependent on ICT infrastructure to support digital service delivery all of which became largely unachievable without electricity. As a direct consequence, all ICT equipment and other electronic devices remained uninstalled and idle significantly compromising service efficiency and the overall operational effectiveness of the Department. Also, the equipment was stored in the ICT hub workstations, which were already squeezed and overcrowded.

In the circumstances, the effectiveness of the operations at the Department and service delivery to the public could not be confirmed.

1109. Lack of Risk Management Policy

The County Executive did not have a Risk Management Policy. As a result, there were no formal approved processes and guidelines on how to identify, assess and mitigate operational, legal and financial risks.

In the circumstances, the effectiveness of risk management in the County could not be confirmed.

1110. Lack of Departmental Training Committees and Training Needs Assessment

The County Executive incurred an expenditure of Kshs.192,377,075 on training during the year under review. Review of the documents provided for audit revealed that Management had not established departmental training committees and training needs

assessment was not undertaken. It was not clear how Management nominated officers for training.

In the circumstances, the internal controls on trainings management and the impact of the trainings undertaken could not be confirmed.

1111. Ineffective Management and Control of Motor Vehicles

Review of the County Executive's motor vehicle fleet management revealed that the County had a fleet of two hundred and seven (207) vehicles. However, review of records provided for audit revealed the following unsatisfactory matters:

(i) Out of the two hundred and seven (207) vehicles, one hundred and twenty-four (124) were operational, eighteen (18) were unserviceable and immobile while the status and location of sixty-three (63) vehicles was not recorded.

(ii) The fleet register was incomplete and lacked critical motor vehicles identification details such as; registration numbers, chassis numbers, model, year of manufacturer and locations. One (1) of the motor vehicles was marked as written off in the fleet register. However, key supporting documents such as insurance claim, the insurer's official write-off notification, proof of settlement, the accident or incident report and the police report were not provided for audit review.

(iii) The motor vehicles were not equipped with tracking devices or speed limiters and none of the vehicles had their fair value recorded, undermining proper valuation and accountability.

Further, review of motor vehicles and motorcycles recommended for boarding and disposal approved by the Chief Officer, Directorate for Transport dated 17 June, 2025 revealed that forty-one (41) units were recommended for disposal. Out of these, nine (9) were indicated as serviceable in the fleet register, while seventeen (17) could not be traced or were not listed in the register.

In the circumstances, the effective, economical, and transparent management of motor vehicles and motorcycles could not be confirmed.

1112. Staff Salary Payment Outside Integrated Payroll and Personnel Database

Review of salary records on employees' costs revealed that the expenditure included wages totalling Kshs.105,965,392 which was paid through a manual payroll system which is prone to errors and other forms of misstatement.

Further, analysis of the payments revealed that three (3) employees were concurrently listed in the Manual payroll, Human Resource Information System (HRIS) and IPPD payroll systems, resulting in total payments amounting to Kshs.529,858, while twenty-one (21) employees appeared in both the casual and manual payrolls were paid a total of Kshs.3,978,659.

In the circumstances, the effectiveness of internal controls on management of payroll and personnel database could not be confirmed.

List of Unresolved Prior Year Matters

No.	Audit Issues for 2023/2024
1	Unsupported Expenditure on Daily Subsistence Allowance
2	Unsupported Expenditure on Foreign Travel
3	Unsupported Expenditure on Hospitality, Supplies and Services
4	Unexplained Variances on Other Grants and Transfers and Transfers to Other Government Entities
5	Payments Charged to Other Grants and Transfers
6	Lack of Ownership Documents and Number Plates for Tractors
7	Staff Salary Payment Outside Integrated Personnel and Payroll Database
8	Budgetary Control and Performance
9	Pending Accounts Payable
10	Project Implementation Status Report
11	Delayed Implementation of Projects
12	Completion of Administration Block at Onyunyur Vocational Training Centre in Teso North Sub-County
13	Completion of the Construction of County Aggregation and Industrial Park
14	Completion of Musirira Box Culvert at Busiwabo Ward
15	Construction of Maternity and Placenta Pit at Apegei Dispensary
16	Disaster Management Center at Samia Subcounty
17	Disaster Management Center at Busia Town - Phase II
18	Trailer Park at Mundika
19	Unexplained Construction of Designated Parking Areas at Busia Municipality
20	Incomplete Renovation of Busia Stadium
21	Unexplained Re-organization of Busia Town
22	Abandoned Project
23	Excess Budgetary Allocation to the County Assembly
24	Irregular Outstanding Imprest and Advances
25	Unfavorable Contract Agreement Terms
26	Failure to Install Hospital Management System at Subcounty Hospitals
27	Irregular Procurement of Consultancy Services for Busia County Referral Hospital

No.	Audit Issues for 2023/2024
28	Irregular Procurement of Consultancy Services on ICU Unit at Busia County Referral Hospital
29	Purchase of a Refrigerated Truck
30	Irregular Award of Tenders to Private Law Firms
31	Failure to Prepare and Submit Financial Statements of Municipalities and Hospitals for Audit
32	Lack of Updated Fixed Assets Register
33	Compensation of Employees
34	Failure to Observe Ethnic Diversity in Recruitment
35	High Wage Bill Above Allowed Threshold
36	Non-Adherence to the One-third Basic Salary Rule
37	Irregular Engagement of Staff Above Mandatory Retirement Age
38	Irregular Appointment of County Attorney
39	Voided Transactions
40	Unexplained Development and Implementation of Climate Change Policies
41	Operating Without an Approved Staff Establishment
42	Lack of WIBA Insurance Policy for Employees

COUNTY EXECUTIVE OF SIAYA – NO.41

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

1113. Inaccuracies in Employee Costs

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects an amount of Kshs.2,975,810,506 in respect of employees' costs. However, review of monthly payroll summaries revealed employees' costs amounting to Kshs.3,396,136,478, resulting in unreconciled variance of Kshs.420,325,972.

In the circumstances, the accuracy and completeness of employees' costs amounting to Kshs.2,975,810,506 could not be confirmed.

1114. Unapproved and Unreconciled Salary Arrears Payments

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects an amount of Kshs.2,975,810,506 in respect of employee costs. Included in these payments were salary arrears amounting to Kshs.99,694,941 which were paid to employees across various Departments. However, no evidence of approval was provided in support of the payments. Further, no reconciliation on staff arrears schedule payable in each month, the nature of arrears paid and the period the arrears relate to was provided for audit. In addition, there was no ageing analysis of staff arrears to support the expenditure since all salaries were remitted monthly to employees through the Integrated Payroll and Personnel Database (IPPD) system.

In the circumstances, the accuracy and regularity of the employee costs amounting to Kshs.99,694,941 could not be confirmed.

1115. Unsupported Insurance Costs

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects an amount of Kshs.2,023,283,907 in respect of use of goods and services. Included in this amount is insurance costs amounting to Kshs.404,537,414, out of which an expenditure of Kshs.30,000,000 was paid to an insurance brokerage firm for provision of staff medical insurance cover. Management provided quotations and cover notes for the financial year 2014/2015 (ten (10) years ago), which indicated that the sum insured covered one thousand and seven hundred (1,700) employees. However, documents relating to the policy and the contract agreement indicating the details of premium payable, nature of risk covered, extent of coverage and any other services were not provided for audit. In addition, Management did not provide evidence on how the staff members were identified and selected.

In the circumstances, the accuracy and completeness of insurance costs amounting to Kshs.30,000,000 could not be confirmed.

1116. Irregular Payments to Members of the County Assembly

The statement of financial performance reflects use of goods and services expenditure amounting to Kshs.2,023,283,907 which as disclosed in Note 10 to the financial statements includes domestic travel and subsistence amount of Kshs.323,767,894. Review of records revealed payment of cash allowances amounting to Kshs.1,713,600 to Members of the County Assembly (MCAs) for a consultative meeting in Kisumu regarding the Siaya County Annual Development Plan. However, these payments which ought to have been paid by the County Assembly, were irregularly charged to the County Executive without.

In the circumstances, the regularity of the domestic travel and subsistence expenditure amount of Kshs.1,713,600 could not be confirmed.

1117. Unconfirmed Trade and Other Payables

The statement of financial position and as disclosed in Note 32 to the financial statements reflects a balance of Kshs.1,889,967,165 in respect of trade and other payables. However, the balance includes an amount of Kshs.14,925,862 in respect of provision of security and cleaning services which was not supported by Local Service Orders (LSOs), Inspection and Acceptance Reports, job cards for cleaning works done and work attendance register.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.14,925,862 could not be confirmed.

1118. Non-Compliance with Transitional International Public Sector Accounting Standards Requirements

Note 2 to Financial Statements on Statement of Compliance and Basis of Preparation of the financial statements. Management has taken advantage of the transitional provisions under International Public Sector Accounting Standards (IPSAS 33). However, Management has not indicated the elements of the financial statements that have not been recognized and the steps being taken towards full compliance with IPSAS Accrual.

In the circumstances, the financial statements presentation and disclosure could not be confirmed.

1119. Variance in Transfers from County Revenue Fund

The statement of financial performance reflects an amount of Kshs.6,958,101,730 in respect of transfers from County Revenue Fund (CRF). However, CRF statement of financial performance reflects transfers to County Executive amounting to Kshs.6,982,478,853 resulting in unreconciled variance of Kshs.24,377,123.

In the circumstances, the accuracy and completeness of the transfers from County Revenue Fund amounting to Kshs.24,377,123 could not be confirmed.

1120. Inaccuracies in Outstanding Imprest Amounts

The statement of financial position and as disclosed in Note 22 to the financial statements reflects receivables from exchange transactions balance of Kshs.4,551,674. The balance relates to temporary imprest due for surrender on or before 30 June, 2024 and had not been surrendered by the time of audit.

Further, the statement of financial position reflect a balance of Kshs.4,551,674 while the imprest register reflected an outstanding imprest amount of Kshs.4,005,674 resulting in an unreconciled variance of Kshs.546,000.

In the circumstances, the accuracy and completeness of the outstanding imprest amount of Kshs.546,000 could not be confirmed.

1121. Unexplained Voided Transactions

Review of financial records revealed that two thousand three hundred and twenty-three (2,323) transactions in Integrated Financial Management Information System (IFMIS) amounting to Kshs.4,081,328,220 were voided. However, no evidence was provided to confirm that the Controller of Budget was informed of the voiding of the payments so as to make necessary adjustments and approvals.

In the circumstances, completeness and regularity of the voided transactions amounting to Kshs.4,081,328,220 could not be confirmed.

Emphasis of Matter

1122. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on comparable basis amounts of Kshs.9,602,122,988 and Kshs.7,458,918,285 respectively, resulting in an under-funding of Kshs.2,143,204,703 or 22% of the budget. However, the County Executive spent an amount of Kshs.7,486,087,487 against actual receipts of Kshs.7,458,918,285, resulting in over-utilization of Kshs.27,169,202.

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

My opinion is not modified in respect of this matter.

Other Matter

1123. Failure to Disburse Climate Change Funds

Review of the programme-based budget revealed that the Climate Change Fund had a budget estimate of Kshs.137,000,000 under grant from The National Government for Financing Locall-Led Climate Action (FLLoCA). However, the Fund did not receive any grants from The National Treasury during the year under review.

1124. Unresolved Prior Year Matters

In the previous year audit report, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during in 2024/2025 revealed that thirty (30) issues listed at the end of this report remained unresolved as at 30 June, 2025.

Other Information

1125. There were no material issues relating to Other Information.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

1126. Failure to Operationalize Climate Change Regulations

The statement of financial performance and as disclosed in Note 13 to the financial statements reflects an amount of Kshs.301,184,243 in respect of other grants and subsidies which includes an amount of Kshs.132,573,505 in respect of Climate Change Fund. The Siaya County Climate Change Fund was enacted through an Act of County Assembly on 28 October, 2021. However, Management was yet to operationalize the regulations. This was contrary to Section 31 of the Siaya County Climate Change Act, 2021, which states that "the County Executive Committee Member for the time being responsible for climate change affairs shall in consultation with the steering committee and, with the approval of the County Assembly make Regulations for the better carrying into effect the provisions of this Act".

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

1127. Non-Compliance with Persons with Disabilities Act, 2025

Review of payroll records revealed that the County Executive had two thousand eight hundred and sixty-five (2,865) employees as at 30 May, 2025, out of whom only sixteen (16) employees or 0.56% were persons with disabilities. This was contrary to Section 5(1)(e) of the Persons with disabilities Act, 2025 which provides that every county government shall promote the inclusion of persons with disabilities in the county public service by putting in place measures to ensure that at least five per centum of the employment positions are filled by persons with disabilities.

Further, physical inspection of County Executive's infrastructure carried out in June, 2025 revealed that most of the Departmental offices did not have suitable ramps, accessible toilets and lifts. This was contrary to Section 5(1) of the Persons with Disabilities Act, 2025 on provision and modification of facilities in the work place as may reasonably be required to accommodate persons with disabilities.

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

1128. Non-Compliance with the Law on Staff Ethnic Composition

Review of the County Executive's payroll records indicated that out of two thousand seven hundred and ninety-four (2,794) employees, two thousand five hundred and four (2,504) or approximately 90% of the total number were from the dominant ethnic community in the County. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which provides that no one community should hold more than thirty percent (30%) of the positions. Although Management indicated that majority of the County employees were inherited from the defunct Local Authority who were mainly from one (1) ethnic community, no effort has been taken to address the issue."

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

1129. Non-Compliance With the Law on Affirmative Action

Review of procurement and payment records and other relevant supporting documents revealed that Management did not allocate at least 30% of its annual procurement budget to enterprises owned by youth, women and persons with disabilities. This was contrary to Regulation 149 of the Public Procurement and Asset Disposal Regulations, 2020 which states that "an Accounting Officer of a procuring entity shall, when processing procurement under Section 157(5) of the Act, allocate at least thirty percent (30%) of its annual procurement budget for the purposes of procuring goods, works and services from enterprises owned by youth, women and persons with disabilities".

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

1130. Non-Compliant with the Public Procurement and Disposal Act, 2015

Review of procurement records revealed that County Executive contracted a firm to supply and deliver computers and its accessories for the Integrated Revenue Management System under framework contract arrangements at a contract sum of Kshs.20,536,439. However, no evidence was provided for audit to show that Management prepared an annual value for money assessment to determine whether the terms in the Framework Agreement remained competitive. This was contrary to Section 114 (2) of the Public Procurement and Asset Disposal Act, 2015 which states that "the maximum term for the framework agreement shall be three years and, for agreements exceeding one year, a value for money assessment undertaken annually to determine whether the terms designated in the framework agreement remain competitive".

Further, no evidence was provided to indicate that the Accounting Officer reported the contracts awarded to Public Procurement Regulatory Authority as required in Section 138(2) of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, value for money on the expenditure amounting to Kshs.20,536,439 could not be confirmed.

1131. Delay in Construction of Siaya County Aggregation and Industrial Park

The County Executive through the Department for Trade, Cooperatives, Investment and Industries awarded a tender for the construction of County Aggregation and Industrial Park to a local firm at a cost of Kshs.483,688,922 in September, 2023. This project was to be co-funded by the County Executive and the National Government through the Department for Trade and Industrialization shared equally. However, review of the project's cashbook revealed that the National Government had made a transfer of only Kshs.62,500,000 as at 30 March, 2025 leaving a balance of Kshs.179,344,461 or 74% of the share for funding.

Further, schedule one (1) of the framework required that the Industrial Park should have a minimum area of ten (10) hectares, accessible to major transport facilities with clear status of ownership and that the Industrial Park should have basic facilities such as roads, electricity, water and sewerage. However, the identified location of the project lacked the required facilities.

In addition, review of the Project Progress Report dated 9 September, 2024, revealed that the overall project completion was at 12%. Therefore, the project was behind schedule since forty-eight (48) weeks had lapsed against the initial approved contract period of eighty (80) weeks translating to 60% of the initial contract period. Management did not provide any evidence to explain the delays in completion. Physical inspection carried out in October, 2025 revealed that the contractor was not on site and the project had stalled.

In the circumstances, value for money for the expenditure of Kshs.62,500,000 incurred on the project could not be confirmed.

1132. Delay in Construction of Early Childhood Development Education Block at Maranyona Primary School

Review of procurement records revealed that during the 2022/2023 financial year, the County Executive awarded a contract for construction of Early Childhood Development Education (ECDE) Block at Maranyona Primary School at a contract sum of Kshs.4,134,669 for a period of twelve (12) weeks commencing May, 2023. However, physical inspection carried out in July, 2025 revealed that the contract was yet to be completed over twenty-five (25) months from the contract date.

Further, works relating to painting, tiling, glass fixing and construction of latrine were incomplete despite the expiry of the project duration and no evidence was provided for audit in respect of the extension of the project period. This was contrary to Section 139 (2) (a) of the Public Procurement and Asset Disposal Act, 2015 which requires an Accounting Officer of a procuring entity to approve extension of contract period on the recommendation of an evaluation committee and be justified by the tenderer.

In the circumstances, value for money for the expenditure amount of Kshs.4,134,669 could not be confirmed.

1133. Irregular Tender Variation of the completion of Early Childhood Development Education (ECDE) Classrooms at Nyandheho Primary School

Management through the Department for Education entered into a contract for the proposed at a total cost amounting to Kshs.2,985,462. Review of supporting documents revealed that Management varied the project by an amount of Kshs.265,542. However, there was no evidence to indicate that the cost variation was evaluated and approved. This was contrary to Section 139(1) of the Public Procurement and Asset Disposal Act, 2015 which provides that an amendment or a variation to a contract resulting from a procurement proceeding is effective only if the variation or amendment has been approved in writing by the respective tender awarding authority within a procuring entity.

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

1134. Stalled Completion of Early Childhood Development Education Block at Nyabera Primary School

The County Executive engaged a company for the proposed completion of Early Childhood Development Education (ECDE) Block at Nyabera Primary School at a contract sum of Kshs.4,307,957. The project commenced on 9 March, 2022 and was scheduled for completion in June, 2022 with a project period of twelve (12) weeks. Review of procurement records revealed that the contractor had requested for an extension which was granted on 21 December, 2023 for a period of three (3) weeks. However, as at July, 2025 the project had stalled with the delay exceeding the original contract period by seventeen (17) months. The contractor was not on site, and the project location was in a state of neglect. No evidence was provided on measures being taken to complete the project.

In the circumstances, the value for money on the funds spent on the project could not be confirmed.

1135. Failure to Install Medical Equipment

Review of procurement records revealed that County Executive through the Department for Health awarded a tender to a company to supply, deliver and install medical equipment at Siaya Hospital Theatre Complex at a cost of Kshs.22,974,650 in January, 2025. Stores records revealed that the equipment was delivered and received in the stores on 6 February, 2025. Review of payment records indicated that the County Executive had paid the contractor an amount of Kshs.20,477,338 or 89% of the contract sum. However, physical inspection carried out in October, 2025 revealed that the medical equipment was yet to be installed and commissioned eight (8) months after delivery with some of them stored in the open and unsecured spaces exposing them to dust, moisture and physical deterioration.

In the circumstances, value for money on the expenditure amounting to Kshs.20,477,338 could not be confirmed.

1136. Unutilized County Facilities

The County Executive awarded a contract for proposed construction of maternity block at Malunga Dispensary at a cost of Kshs.4,400,000. However, physical inspection in July, 2025 revealed that the facility was complete but not in use.

Further, Management through the Department for Environment, Water, and Natural Resources awarded a contract to drill and equip two (2) boreholes in Ligose Primary and Ligala Dispensary at a contract cost of Kshs.5,819,100. However, physical inspection carried out in July, 2025 revealed that the borehole at Ligose Primary School was non-operational due to vandalism while the borehole at Ligala Primary School had evidence of piping leakages and corroded steel rails supporting the overhead tank as a result of poor paint works posing structural integrity risks.

In addition, Management awarded a contract for drilling and equipping of a borehole at Yenga. However, physical inspection of the project in October, 2025 revealed that the borehole was not functional due to lack of water from the elevated storage tank to the outlet tank. The paint works on the steel rails supporting the elevated tank were poorly done, thus exposing them to corrosion.

In the circumstances, value for money for the expenditure amounting to Kshs.10,219,100 could not be confirmed.

1137. Irregular Payment of Allowances

Review of the Integrated Payroll and Personnel Database (IPPD) and Government Human Resource Information System (GHRIS) records revealed that several officers were overpaid house allowances amounting to Kshs.22,331,251 in excess of their approved job grade entitlement as prescribed by the Salaries and Renumeration Commission. Further, payroll records revealed that medical personnel were paid emergency call allowances at rates exceeding those approved by the salaries and Renumeration Commission (SRC) circular Ref: SRC/TS/CGOVT/3/61 Vol.III/(136) dated 14 September, 2016 which states that "emergency call allowance is payable at the rate Kshs.30,000". No evidence was provided to confirm that the staff were either medical doctors, dentists or pharmacists deployed in the County hospitals as stipulated by the SRC Circular on health workers allowances.

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

1138. Non-Adherence to Approved Staff Establishment

Review of the County staff establishment revealed that Management approved three (3) and one (1) staff in respect of Job Groups A and B respectively. However, review of the May, 2025 GHRIS payroll data revealed that the County had two hundred and seventy-six (276) employees in Job Group A and fifteen (15) employees in Job Group B, resulting in excess staff by two hundred and seventy-three (273) and fourteen (14) staff respectively.

Further audit review of the Integrated Payroll and Personnel Database (IPPD) records for the month of June, 2025, revealed that job designations for sixteen (16) officers were not defined in the database. This was contrary to Section B.3 of the County Public Service Human Resource Manual, 2013 which provides that all appointments and designations must be based on an approved staff establishment and any creation or re-designation of positions must be authorized by the Board in accordance with the existing organizational structure and mandates.

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

1139. Employees Without Personal Numbers

Review of payroll records and Departmental returns revealed that a total of four hundred and forty-nine (449) employees did not have personal numbers assigned to them. No explanation was provided why personal numbers were not issued. This was contrary to Part 3.1 (vi) of the Payroll Management Policy for the Public Service, 2024, which states that "all public service employees whose salaries are paid from the consolidated fund shall be issued with a Unified Payroll Number (UPN)". UPN is a unique identifier for public service employees that track employment history across public service organizations from entry to exit.

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

1140. Unsupported Recruitment of Employees

Review of the human resource records and correspondences maintained by the Siaya County Public Service Board revealed that six hundred and eight (608) employees were appointed between 7 January and 10 February, 2025. However, supporting documents such as advertisements, shortlisting records, interview minutes, and appointment letters were not provided for audit. Management explained that the records of the County Public Service Board were submitted to the Ethics and Anti-Corruption Commission (EACC), as per the copy of inventory dated 24 September, 2025.

In the circumstances, the regularity in recruitment of new employees could not be confirmed.

1141. Failure to Provide Staff Appointment and Posting Documents

Review of sampled personnel records revealed that the County Executive appointed nineteen (19) health officers. However, appointment and deployment letters of twelve (12) officers were not provided for audit. Further, another sample of personnel files of six (6) health officers requested for audit were not provided. This was contrary to Section 9(1)(e) of the Public Audit Act, 2015 which states that "without prejudice to the powers given under the Constitution and this Act and for the purposes of carrying out his or her duties effectively, the Auditor-General, or an officer authorized for the purpose of this Act, shall have powers of unrestricted access to all books, records, returns, reports, electronic or otherwise and other documents of entities listed under Article 229(4) of the Constitution".

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

1142. Irregularities in the Construction of Modern Early Childhood Development Education Centre in Bondo Sub-County

The County Executive entered into a contract for the construction of a modern Early Childhood Development Education (ECDE) Centre in Bondo Sub-County. Review of payment records and documents revealed that Management made an advance payment amounting to Kshs.10,931,825 or 20% of the contract sum in accordance with the special conditions of the contract. However, the justification on the Payment, Project Implementation Status Report and details of the mobilization of plant, equipment and materials to the site were not provided for audit.

Physical inspection conducted in July and October, 2025 revealed unauthorized alterations in the construction including use of steel nails instead of U-bolt cups for fixing galvanized corrugated iron sheets, alterations in window installations and rafters in roof trusses were spaced 4.4 meters apart instead of the two (2) meters specified in the Bills of Quantities. No documentary evidence for approval of the changes by the Accounting Officer was provided to justify these changes. This was contrary to Section 151 2(a) and (b) of the Public Procurement and Asset Disposal Act, 2015 which provides that the Accounting Officer shall be responsible for monitoring the performance of the contractor, to ensure that all delivery or performance obligations are met or appropriate action taken by the procuring entity in the event of obligations not being met; ensure that there is right quality and within the time frame, where required.

In the circumstances, value for money for the expenditure amounting to Kshs.10,931,825 could not be confirmed and Management was in breach of the law.

1143. Delayed Supply, Delivery, Installation and Commissioning of Mortuary Cold-Room Plant

Review of procurement records revealed that the County Executive contracted a company for the supply, delivery, installation and commissioning of a mortuary cold-room plant at Bondo Sub-County Hospital at a contract sum of Kshs.54,685,880. The contract was awarded on 4 April, 2024 for a period of twelve (12) weeks with an expected completion date of 27 June, 2024. However, as at the time of the audit in October, 2025, the cold room plant had not been installed. This was contrary to Section 151 2(a) and (b) of the Public Procurement and Asset Disposal Act 2015, which requires the implementing team to monitor contract performance and ensure that all required milestones are properly maintained. Further, although the Contractor was on site, the contract period had lapsed, no extension had been requested and granted. This was contrary to Section 139(2) of the Public Procurement and Asset Disposal Act, 2015 which requires approval of contract extensions by the Accounting Officer.

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

1144. Non-Compliance with Fiscal Responsibility Principles on Wages

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects employees' amounting to Kshs.2,975,810,507 representing 43% of the total receipts amount of Kshs.6,958,101,730. This was contrary to Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the County Government's expenditure on wages and benefits for its public officers shall not exceed 35% of the County Government's total revenue.

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

1145. Non-Compliance with Fiscal Responsibility Principles on Debt

The statement of financial position reflects total liabilities totalling Kshs.1,891,436,239 representing 27% of the total revenue amount of Kshs.6,958,101,730. This was contrary to Regulation 25(1)(d) of Public Finance Management (County Governments) Regulations, 2015 which provides that the County public debt shall never exceed twenty (20%) percent of the County Governments total revenue at any one time.

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

1146. Long Outstanding Trade and Other Payables

The statement of financial position and as disclosed in Note 32 to the financial statements reflects trade and other payables balance of Kshs.1,889,967,165. Review of pending bills schedule revealed that bills totalling Kshs.184,615,904 were brought forward from prior years. However, pending payables dating back to ten (10) years have not been settled and no reason has been provided for the failure to pay the bills. This was contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that "debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible that the county government does not default on debt obligations". Further, failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent years as they form a first charge.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

1147. Weaknesses in the Legal Department

The County Executive paid legal fees totalling Kshs.25,505,473 to various firms representing the County Executive in various legal disputes and court cases. Review of legal documents and expenditures records provided for audit revealed that the County Executive did not have a substantive County Attorney during the year under review.

Further, the Office of the County Attorney had an approved staff establishment of twenty-two (22) legal officers out of whom only five (5) legal officers were in place representing 22% of the approved capacity. This was contrary to Section 4 (1 and 2) of the County Attorney Act, 2020 that requires County Governments to establish an Office of the County Attorney which will consist of County Attorney, County Solicitor and such other number of legal counsels.

In addition, review of a payment amounting to Kshs.2,100,000 on a court case of 2014 revealed that a judgment had been made in favor of a dismissal of a County Executive Member on 19 January, 2017 as compensation for twelve (12) months' salary together with 31% gratuity for the period served. In a letter dated 22 February, 2022 Management was advised to pay Kshs.9,083,062 which included accumulated interest. However, a report from the Legal Department indicated that the County Executive still owed balance of Kshs.4,829,862 as at 30 June, 2025. The delay to clear the claim may expose the County Executive to further avoidable expenditure.

In the circumstances, the effectiveness of the legal Department in carrying out its mandate could not be confirmed.

1148. Weaknesses in Internal Audit Function

Review of the Internal Audit Function and governance revealed that the County Executive had an Internal Audit Function in place with a total staff of twelve (12) officers including five (5) support staff instead of the approved staff establishment of nineteen (19) technical officers resulting in understaffing by seven (7) officers. Further, the staff were not members of professional bodies such as Institute of Certified Public Accountants of Kenya and Institute of Internal Auditors but were accountants seconded from the Finance Department. Information obtained from the Management indicated that the officers carrying out duties of the internal audit were employed as ward administrators and deployed to the Unit casting doubt on the effectiveness of the internal audit function.

In addition, review of the programme-based budget revealed that the Department's budget was reduced from Kshs.11,539,329 to Kshs.8,139,329. This allocation included Kshs.3,006,620 to the Audit Committee.

Further, the Internal Audit Function submitted to Management four (4) audit reports on various Departments and sections outlining the recommendations to be implemented by the Management. However, Management did not provide evidence on the implementation of the audit recommendations.

In the circumstances, the effectiveness of the Internal Audit Function and risk governance of the County could not be confirmed.

1149. Weakness in Information Communication Technology Internal Control

Management did not have an approved Information Commutation Technology (ICT) Strategic Plan for governance and management of Information Communication Technology ((ICT) resources. In addition, there was no evidence of an ICT steering committee in place to assist in the development of ICT Policy framework to enable

Management realize long-term ICT strategic goals. There was also no formal, documentation to confirm that emergency procedures had been tested. Further, there was no evidence of disaster recovery plans inform of backups stored in a secure off-site location to allow for business continuity in the event of an unforeseen disaster(s).

In the circumstances, effectiveness on the ICT controls and governance could not be confirmed.

1150. Irregular Double Payment of Salary

Review of the Integrated Payroll and Personnel Data (IPPD) records and manual payrolls at the Siaya County Referral Hospital revealed that a staff member was paid both as a casual and a permanent and pensionable employee. This resulted in double payment to the officer.

In the circumstances, effectiveness in internal controls in management of payroll could not be confirmed.

1151. Lack of Human Resource Plans and Policies

Review of human resources records revealed that the County Executive lacked an Annual Recruitment Plan, Career Progression Guidelines and Human Resource Plans. It was therefore not possible to confirm the appropriateness of the current staffing level for achieving the County Executive's strategic objectives.

In the circumstances, the existence of an effective control mechanisms on human resource management could not be confirmed.

List of Unresolved Prior Year Matters

No.	Audit Issue for 2023/2024
1	Excess and Unsupported Payment of Domestic Travel and Subsistence Allowance
2	Hiring of Transport Companies
3	Amounts Paid to the County Government
4	Irregular Payment of Sitting Allowances to Members of County Assembly
5	Unsupported Training Expenses
6	Unsupported Legal Fees
7	Unreconciled Variances Between IFMIS Records and Financial Statements
8	Inaccuracies in Bank Balances
9	Unsupported Acquisition of Assets
10	Non-Adherence to End of Period Cut-Off Procedures
11	Unexplained Voided Transactions
11	Budgetary Control and Performance
12	Pending Bills
13	Failure to Construct Governor's Residence and Irregular Rental Allowance.
14	Failure to Pay Full Premium on Staff Medical Insurance
15	Failure to Adhere to One Third of Basic Salary Rule
16	Ethnic Composition of Employees
17	Irregularities in Imprest Management
18	Failure to Implement Recommendations of the County Legislative Oversight Committee
19	Failure to Insure the County Government Buildings.
20	Irregular Payments to Council of Governors and Lake Region Economic Block
21	Delay in Installation of the Three-Phase Electricity Power at the Siaya Stadium
22	Installation of Stadium VIP Seats
23	Delay in Construction of Perimeter Wall at Migwena Sports Cultural Center
24	Delay in Completion of Proposed Washroom, Gravelling Works, Waterworks, Powerhouse and Electrification at Migwena
25	Irregular Escalation Project Cost and Delay in Construction of Stadium
26	Proposed Construction of County Aggregation and Industrial Parks
27	Proposed Construction of Yala Cattle Ring in Yala Township Ward
28	Construction of Four (4) Door Flushable Toilets and Four (4) Bathrooms at Akala Health Centre.
29	Idle Equipment-X-Ray Machine at Got Agulu Hospital
30	Failure to Prepare a Risk Assessment Report

COUNTY EXECUTIVE OF KISUMU – NO.42

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

1152. Non-Compliance with International Public Sector Accounting Standards Reporting Requirements

Management did not disclose in Note 2 to the financial statements on statement of Compliance and Basis of Preparation of the specific transitional provisions applied or steps taken towards full compliance with International Public Sector Accounting Standards (IPSAS) accrual. Further, Management did not indicate the elements of the financial statements that had not been recognized as a result of taking advantage of the transitional provisions outlined in IPSAS 33.

In the circumstances, the disclosure and fair presentation of the financial statements could not be confirmed.

1153. Inaccuracies in the Financial Statements

The statement of financial performance reflects an amount of Kshs.9,100,755,678 in respect of transfers from the County Revenue Fund (CRF), while the CRF financial statements reflects an amount of Kshs.9,290,898,968 resulting in unreconciled and unexplained variance of Kshs.190,143,290. Further, the statement of cash flows under cashflows from investing activities, reflects an amount of Kshs.388,118,718 relating to purchase of property, plant and equipment, while the statement of comparison of budget and actual amounts reflects an amount of Kshs.376,231,334 for the same component resulting in unreconciled variance of Kshs.11,887,384.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

1154. Lack of Land Ownership Documents

The statement of financial position reflects property, plant and equipment balance of Kshs.393,322,516 as disclosed in Note 15 to the financial statements. Included in the property, plant and equipment balance is addition to assets amount of Kshs.19,000,000 paid for acquisition of a ten (10) acre piece of land. However, the title deed for the land was not provided for audit to confirm the ownership status.

In the circumstances, the ownership of property, plant and equipment balance of Kshs.19,000,000 could not be confirmed.

1155. Unsupported Trade and Other Payables

The statement of financial position reflects a balance of Kshs.5,944,565,373 in respect of trade and other payables as disclosed in Note 17 to the financial statements. Included in

the balance is an amount of Kshs.4,074,201,380 in respect of verified pending bills out of which a balance of Kshs.1,240,781,349 has been outstanding for over three (3) years while an amount of Kshs.301,930,175 was outstanding for between two (2) and three (3) years. However, the ageing analysis and supporting records for payables amounting to Kshs.1,870,363,993 were not provided for audit.

Further, review of the supporting schedule provided for audit revealed that payments totalling Kshs.112,161,062 paid during the year were not listed or disclosed as part of the pending bills in the audited financial statements for the previous years.

In the circumstances, the accuracy, completeness, and obligation of trade and other payables balance of Kshs.1,870,563,993 could not be confirmed.

1156. Unsupported Customers Deposits

The statement of financial position reflects a balance of Kshs.46,149,043 in respect of refundable deposits and prepayments as disclosed in Note 18 to the financial statements. However, supporting ledgers provided for audit reflected a balance of Kshs.42,313,576 resulting in unreconciled variance of Kshs.3,835,467.

In the circumstances, the accuracy and completeness of refundable deposits and prepayments balance of Kshs.46,149,043 could not be confirmed.

Emphasis of Matter

1157. Budgetary Control and Performance

The statement of comparison of budget and actual amounts (recurrent and development combined) reflects final receipts budget and actual on comparable basis of Kshs.14,214,711,871 and Kshs.9,241,631,511 respectively, resulting in an under-funding of Kshs.4,973,080,360 or 35% of the budget. However, the County Executive spent Kshs.8,569,136,546 against actual receipts of Kshs.9,241,631,511 resulting in under expenditure of Kshs.672,494,965 or 7 % of the accrual receipts.

The under-funding 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.

Other Matter

1158. Unresolved Prior Year Matters

In the previous year's audit report, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the County Executive in 2024/2025 revealed that thirty-nine (39) matters listed at the end of this report remained unresolved as at 30 June, 2025.

Other Information

1159. There were no material issues relating to other information.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

1160. Procurement Process Undertaken after Cut-off Date

The statements of financial position and as disclosed in Note 17 to the financial statements reflects trade and other payables balance of Kshs.5,944,565,373. Included in the balance is an amount of Kshs.4,074,201,380 payables to third parties. Review of the procurement documents and payment vouchers revealed that the County Executive, through the Department of Water, Environment, Climate Change and Natural Resources, initiated the procurement of several water projects after the 31 May, 2025 cut-off date. However, explanation and documentation provided by Management did not demonstrate justification or explanations warranting deviation from approved procurement timelines. This was in contravention of The National Treasury Guidelines on implementation of 2024/2025 budget which required that no new procurement activities were to be initiated beyond the set cut-off date of 31 May, 2025 of the financial year to allow for proper financial closure and absorption planning within the fiscal year.

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

1161. Irregular Procurement Process on Purchase of Computers and Other Equipment

The statement of financial position reflects property, plant, and equipment balance of Kshs.393,322,516 as disclosed in Note 15 to the financial statements. The balance represents additions made during the year, excluding historical assets. Included in the balance are computers and related equipment amounting to Kshs.27,160,611. The amount included Kshs.2,977,500 paid to a company that was prequalified under provision of construction and other civil works and had a framework agreement to supply general office supplies but was irregularly invited to bid and awarded a contract to supply computers, while two hundred and seventy-seven (277) companies prequalified under the category of computer supply were denied an opportunity to bid and compete fairly. This was contrary to Article 227(1) of the Constitution of Kenya 2010, that states when a state organ or any other public entity contracts for goods or services, it shall do so in accordance with a system that is fair, equitable, transparent, competitive and cost-effective.

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

1162. Irregular Award of Contracts

Note 8 to the financial statements reflects expenditure on use of goods and services amounting to Kshs.2,374,381,143, out of which Kshs.795,722,748 relates to repair and maintenance of access roads and other roads. Review of procurement records for selected projects revealed material irregularities in the procurement and tender evaluation processes as outlined below;

1162.1. Award of Contract to an Unqualified Bidder

A firm was awarded a contract amouting to Kshs.3,939,447 for the opening and maintenance of the Glory-SDA-Baba Selina-Kobaso-Kodeny Corner Access Road. Review of the procurement file revealed that tender evaluation was conducted on 31 May, 2024 and the following irregularities were noted:

1162.1.1. Over-scoring at Technical Evaluation

Under the general experience criterion, the successful bidder was awarded sixteen (16) marks, exceeding the maximum allowable score of thirteen (13) marks. Further, based on the documentation provided, the bidder was only eligible for four (4) marks under this criterion.

1162.1.2. Improper Assessment of Financial Capability

Under the financial capability criterion, the bidder was awarded nine (9) marks for submission of certified audited financial statements. However, the financial statements submitted were incomplete and related to irrelevant financial years (2018 and 2019) instead of the required recent years (2021, 2022, and 2023).

As a result of the inflated technical scores, the bidder attained a total of sixty-one (61) marks, thereby qualifying for financial evaluation and ultimately being awarded the tender. However, had the evaluation been conducted in accordance with the tender requirements, the bidder would have scored forty (40) marks, which was insufficient to qualify for progression to the financial evaluation stage.

1162.2. Non-Compliance with Tender Requirements

A company was awarded a contract for the improvement of Kokumu-Naki-Pap Ndege - Korona Road at a contract sum of Kshs.4,993,986 on 14 March, 2025. Review of the procurement file revealed that the procurement method used was request for quotations. Three (3) tenderers were invited to bid and they all responded and consequently the company was deemed the most responsive. However, review of the tender documents revealed that all bidders were required to attach a copy of single business permit/trading license. It was noted that the winning bidder attached a single business permit belonging to another business entity. Based on the above, the bidder should have been disqualified at preliminary evaluation stage and excluded from further consideration.

Further, at technical evaluation, the bidder was awarded fifty-five (55) marks out of a maximum of seventy 70 marks. Review of the tender documents revealed that the bidder failed to provide evidence of meeting the required parameters. For example; eight (8) marks were awarded for general experience proof by attaching copies of reference letters/LPOs and or contracts of four (4) such assignments carried out by the bidder for public and private sector organizations. Further, under specific experience in similar works, twelve (12) marks were awarded without demonstrating or providing any supporting documentation. Further, on financial capability six (6) marks were awarded for attaching certified audited accounts for the last three financial years. However, these accounts were not provided for audit.

1162.3. Improvement of Nyamasaria Bridge - Kasaoke Access Road

A local contractor was awarded a contract for the improvement of Nyamasaria bridge - Kasaoke access road at a contract price of Kshs.3,470,723 on 21 June, 2024. Physical inspection during the audit on 23 July, 2025 revealed that the contractor installed a total of twenty-eight (28) culverts which were in four (4) different locations. Approximately one (1) year and one month after the project completion the following were observed;

The head walls, wing wall, aprons and the surround of the culverts had deteriorated with some culverts already blocked and structural components did not meet standard specifications with visible cracks already evident. Additionally, the concrete on some culverts was clearly visible indicating deficiencies in backfilling, gravelling and compacting works, which contributed to development of substantial potholes. Further, after the third culvert, it was noted that a ditch had been dug across the road rendering it impassable and most sections of the road exhibited rough patches and large potholes, indicating poor workmanship.

1162.4. Failure to Prepare and Maintain a Roads Infrastructure Register

The County Executive did not maintain a roads infrastructure register as required by The National Treasury Guidelines issued on July, 2020 in respect of asset and liability management reporting registers and templates. The roads infrastructure register should include details such as road description, road ID, length in kilometers, date of commissioning, type of road, mode of funding, useful life, and cost.

In the circumstances, Management was in breach of Law and value for money on the expenditure incurred on the projects could not be confirmed.

1163. Non-Compliance with Gender Representation Requirements in the County Executive Committee

Article 179(2) of the Constitution of Kenya provides that the County Executive Committee (CEC) shall consist of the Governor, Deputy Governor, and members appointed by the Governor with the approval of the County Assembly. Review of the composition of the County Executive Committee revealed that it comprised of twelve (12) members, of whom three (3) were female and nine (9) were male. As a result, more than two-thirds of the appointed members were of the same gender, contrary to the constitutional principle of

affirmative action as outlined under Article 27(8) which stipulates that not more than two-thirds of the members of any appointive body shall be of the same gender.

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

1164. Non-Compliance with National Cohesion and Integration Act, 2008

Review of human resource records as at 30 May, 2025 revealed that out of a total of four thousand, eight hundred and thirty-four (4,834) employees four thousand, two hundred and fifty-three (4,253) representing 88% of employees in the County Executive were from the dominant ethnic community, in the County contrary to the provisions of Section 7(2) of the National Cohesion and Integration Act, 2008. This section requires that no public institution shall have more than one-third of its staff from the same ethnic community.

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

1165. Non-Compliance with the Persons with Disabilities Act, 2025

Review of the payroll records and staff bio data for the year under review revealed that the total number of employees as at 31 March, 2025 stood at four thousand, eight hundred and thirty-four (4,834). Out of this number, only sixty-nine (69) employees were categorized as persons with disabilities, constituting 1.4% which was below the recommended level of 5% under Section 5(1e) of the Persons with Disabilities Act, 2025 which requires County Governments to promote inclusion of persons with disabilities in County Public Service by putting in place measures that ensure that at least five (5%) of the employment positions are filled by person with disabilities.

In the circumstances, Management breached the law.

1166. Failure to Develop and Maintain Skills Inventory and Succession Plan

The County Executive did not maintain a skills inventory for all its employees in the respective departments for the purpose of identifying the available and the required skills to guide training and succession management. This was contrary to Section 11.14 of the County Government of Kisumu Human Resource and Procedures Manual that requires authorized Officers to develop, analyze, update and maintain a comprehensive skills inventory for all staff in their respective departments for purposes of identifying the available and required skills.

In the circumstances, Management was in breach of the County Human Resource and Procedures Manual.

1167. Non-Compliance with Fiscal Responsibility Principles on Allocation to County Assembly

Review of approved budget for County Executive revealed that the County Assembly was allocated Kshs.1,108,619,656 for both recurrent and development expenditure. The total revenue of the County Executive was Kshs.9,080,593,167. Review of the County Revenue Fund statement of financial performance for the year ended 30 June, 2025

revealed transfer to County Assembly of Kshs.1,055,601,131. However, this amount exceeded the ceiling of Kshs.635,641,522 by Kshs.419,959,609. This allocation represents approximately 12% of the total revenue contrary to Regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015 which sets the funding to County Assembly at a maximum of 7% of the total revenues of the County Government.

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

1168. Irregular Wages to Casuals

Review of manual payrolls revealed that during the year under review, wages amounting to Kshs.23,848,817 was paid to Casuals.

However, approved staff establishment showing deficiency of staff to be filled by temporary employees and formal request by the user departments to engage temporary employees and evidence of authorization by the County Public Services Board to the departments to recruit temporary employees were not provided for audit.

Further, records in respect of how temporary employees were hired, the work for which they were hired for, criteria for their recruitment, terms and conditions of services and master rolls showing attendance of the temporary workers were also not provided for audit.

In the circumstances, the regularity and value for money on wages amounting to Kshs.22,848,817 paid to casuals could not be confirmed.

1169. Non-Compliance with Law on Fiscal Responsibility Principle on Wages

The statement of financial performance and as disclosed in Note 7 to the financial statements reflects expenditure totalling Kshs.5,748,210,378 in respect of employee costs. The amount represents approximately 63% of the total revenue of Kshs.9,080,593,167. This was contrary to Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the County Executive Committee member with the approval of the County Assembly shall set a limit on the County Government expenditure on wages and benefits for its public officers and that the limit set shall not exceed thirty-five (35) per cent of the County Government's total revenue.

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

1170. Unremitted Statutory Deductions

The statement of financial position reflects a balance of Kshs.5,838,359,852 in respect of employees' benefits obligations and as disclosed in Note 20 to the financial statements. However, this amount includes Kshs.5,075,728,885 in respect of unremitted contributions to the National Social Security Fund (NSSF) comprising of outstanding balance of Kshs.4,808,421,118, penalties of Kshs.256,259,007 and May and June, 2025 NSSF

contributions of Kshs.11,048,760. This was contrary to Section 27(1) of the National Social Security Fund Act, 2013 which states that if any contribution for which a contributing employer is required to pay to the Fund is not paid within one month after the end of the month in which the last day of the contribution period to which it falls, a sum equal to five per cent of the amount of that contribution shall be added to the contribution for each month or part of a month that the amount due remains unpaid, and any such additional amount shall be recoverable at the same time and in the same manner as the contribution to which it is added.

Further, review of pension documents provided for audit revealed that the County Executive owed an amount of Kshs.611,244,643 to four (4) pension funds which comprise of principle outstanding contributions amounting to Kshs.135,956,307, interest amount of Kshs.419,476,604 and arrears of Kshs.1,582,854. This was in contravention of Section 19(4) of the Employment Act, 2007, which states that an employer who deducts an amount from an employee's remuneration in accordance with subsection (1)(a), (f), (g) and (h) of the Act shall pay the amount so deducted in accordance with the time period and other requirements specified in the law, agreement, court order or arbitration as the case may be.

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

1171. Avoidable Legal Costs

The statement of financial performance reflects use of goods and services expenditure amounting to Kshs.2,374,381,143 which includes other operating expenses of Kshs.163,703,661 out of which Kshs.5,000,000, was paid to a law firm. The payment was for legal dues for certified amount of debt, interests, retention and costs for a case between the County Executive and a construction company. The court made a decree in favour of the contractor for undertaking construction of a hawkers' market but the payment certificates were not fully honoured prompting the contractor to move to court. According to the court decree, the final payment certificate amount was Kshs.5,260,020. Other claims to be paid were interest on payment certificate, full payment of retention amount, Interest on retention amount, and general damages totalling Kshs.21,016,710.

Review of the court ruling confirmed that the County Executive will eventually spend more than Kshs.20,000,000 which could have been avoided by complying with the contract agreements and terms of reference. The high legal costs were incurred as a result of poor contract management and conflict resolution by the County Executive.

In the circumstances, value for money on the expenditure could not be confirmed.

1172. Expenses Incurred on Behalf of Self-Reporting Entities

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects transfers to other government entities balance of Kshs.565,341,363. Included in the amount is an amount of Kshs.206,585,822 being payments related to the City of Kisumu and Kshs.29,923,120 made on behalf of Lakefront Development Corporation. Review of payments records revealed that the County Executive incurred

direct payments on behalf of self-reporting entities instead of transferring all the funds to the entities account. This was contrary to Regulation 83(1) of Public Finance Management (County Governments) Regulations, 2015, which states that the County Treasury shall be responsible for establishing sound cash management systems, procedures and processes, to ensure efficient and effective banking and cash management practices ensuring payments, including transfers to other levels of government and county-government entities are made when due for efficient, effective and economical programme delivery and the county government's normal terms for account.

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

1173. Poor Workmanship on Construction of Pap Konam Agricultural Training Centre Phase I Project

The statement of financial position and as disclosed in Note 15 to the financial statements reflect property, plant, and equipment balance of Kshs.393,322,516. The amount includes the proposed completion of the Pap Konam Agricultural Training Centre Phase I project, which was awarded to a local firm at a contract sum of Kshs.9,976,826, out of which Kshs.8,485,449 was paid on 10 July, 2025. However, site inspection conducted on 29 September, 2025 revealed visible cracks in the two lecture halls, and sections of the soft board ceiling had started to wear out and detach from the roof, posing a risk of falling.

In the circumstances, value for money on the expenditure could not be confirmed.

1174. Irregularities in Procurement and Implementation of Projects

During the year under review, the County Executive awarded contracts amounting to Kshs13,950,508. However, contract for construction of staff quarters at Oriang Dispensary was awarded to a local company at a contract price of Kshs.2,198,870. The contract agreement was signed on 24 February, 2025. However, the technical evaluation committee recommended the contractor despite the fact that bids submitted were not responsive as the key mandatory documents used were for another bidder. Further, no previous work experience was provided in form of LPOs and award letters.

Further, the Contract for construction of Muhoroni Mortuary Phase 1 was signed on 7 April, 2025 between a local company and the County Executive at a contract sum of Kshs.3,995,640. However, the contractor had abandoned the site, and the project implementation status report indicated that only 30% of work had been done.

In addition, the contract for completion and equipping of a theatre at Gita was signed on 7 February, 2025 between the County Executive and a local company. However, the Inspection and Acceptance Committee rejected the anaesthetic machine since it did not meet the required specifications provided in the tender document.

In the circumstances, value for money spent on the projects could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

1175. Lack of Annual Recruitment Plans

The County Executive recruited two hundred and one (201) employees during the year under review. However, review of the recruitment process revealed that the respective departments did not have an approved annual recruitment plans to guide the hiring process. Further, no evidence was provided to demonstrate that budgetary approval or funding confirmation was sought prior to the recruitment. This reflects lack of proper planning and budgeting procedures.

In the circumstances, the effectiveness of internal controls on human resource management could not be confirmed.

1176. Understaffing in Internal Audit Department

Review of the approved staff establishment for the Internal Audit Department revealed that the Department was supposed to have seventeen (17) officers headed by a Director of Internal Audit. However, the Department had six (6) officers and one administrative staff. Shortage of staff in the department may have resulted to reduced oversight.

In the circumstances, the effectiveness of internal controls, risk management and overall governance could not be confirmed.

1177. Internal Controls Weaknesses in Payroll Management

Review of payroll records for the month of June, 2025 revealed that thirty-six (36) employees were overpaid and the County Executive later started making recoveries for the overpayments. As at 30 June, 2025 the unrecovered balance amounted to Kshs.5,485,450. Reasons as to how these salary overpayments occurred were not provided and therefore it was not possible to confirm existence of internal controls in the management of the payroll data. This contravenes Section 149(1) of the Public Finance Management Act, 2012 which imposes on an Accounting Officer of a county government entity the responsibility of ensuring that the resources of the entity for which the officer is designated are used in a way that is lawful and authorized, effective, efficient, economical and transparent. Further, Regulation 120(3) of the Public Finance Management (County Governments) Regulations 2015 requires the Accounting Officer to certify the correctness of the payroll at least once every month.

In the circumstances, the effectiveness of internal controls over payroll management could not be confirmed.

1178. Discrepancies between the Integrated Personnel Payroll Data

Comparison of staff lists submitted by various Chief Officers with the Integrated Personnel Payroll Data (IPPD) and manual staff registers revealed that there were eighty-five (85)

employees who appeared in the IPPD records but were not included in the lists provided by the Chief Officers. This may indicate that the County Executive paid salaries to individuals who did not offer services to the County Executive.

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

1179. Failure to Update the Fixed Assets Register

Included in the statement of financial position is property, plant, and equipment with an opening balance as at 1 July, 2024 of Kshs.1,134,368,973. During the year under review newly acquired assets amounted to Kshs.417,976,865. However, Management did not maintain an updated assets register. The asset register lacked key information such as tag number, make and model, original location, current location, purchase amount, depreciation rate, annual depreciation, accumulated depreciation, net book value, responsible officer, and asset condition. It was therefore not possible to confirm the existence, ownership, and value of assets owned by the County Executive.

Further, it was not possible to establish the location of the assets and the individual staff members to whom the assets were assigned. This was contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015, which states that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

In the circumstances, the effectiveness of internal controls over fixed assets management could not be confirmed.

1180. Uncollected Rent Arrears

Review of payroll record for the month of June, 2025 revealed that five (5) employees had rent arrears amounting to Kshs.298,800. Management did not provide reasons why rent was not deducted from their salaries on monthly basis leading to rent arrears. Further, the Internal Audit Unit in its report dated 7 March, 2024, reported that there were County employees who were paying rent that was below the market rate. In addition, other staff occupied County houses and were also earning house allowances yet rent was not deducted from their monthly earnings. Management did not provide responses to the issue, and no evidence of the action taken to recover the uncollected rent was provided for audit. The County Executive may have lost revenue as a result of under-charging and non-deducted rent from County Staff Salaries.

In the circumstances, effectiveness of internal controls and procedures in rent deduction and remittance could not be confirmed.

Unresolved Prior Year Issues

No	Audit Issues for 2023/2024
1	Inaccuracies in Compensation of Employees
2	Unsupported Domestic Subsistence Allowances
3	Unaccounted for Fuel
4	Unsupported Legal Expenses
5	Transfers to Other Government Agencies
6	Inaccuracies in Cash and Cash Equivalents
7	Failure to Submit Financial Statement by County Entities
8	Non-Compliance with Fiscal Responsibility on Wage Bill
9	Irregular Payments to Members of County Assembly and Staff
10	Non-Irregular Payments to Members of County Assembly and Staff
11	Irregular Payment to Machine Based Staff Allowances
12	Irregularities in Procurement
13	Procurement Using Un-Prequalified Suppliers
14	Lack of Market Survey Reports
15	Delayed Execution of Consultancy Services on HR Manual
16	Delayed Execution of Consultancy Services on HR Manual
17	Delayed Execution of Consultancy Services on Training
18	Proposed Completion of Pap Konam Agriculture Training College
19	Irregular Procurement of Energy Efficient Streetlights and High Masts
20	Failure to Rotate Service Providers
21	Failure to Rotate Service Providers
22	Unsupported Framework Agreements
23	Failure to Poor Contracts Administration
24	Idle Health Facilities
25	Delay in Implementation of Contracts
26	Late Commitment for Supply of Goods and Services
27	Irregular Termination of Contracts
28	Automated County Revenue Management System
29	Pending Bills
30	Contingent Liability
31	Unexplained Voided IFMIS Transactions
32	Lack of an Annual Recruitment Plan
33	Lack of Human Resource Plans and Policies
34	Irregular Promotion of County Staff
35	Irregular Payment of Salaries Outside the IPPD
36	Retention of Staff Beyond Mandatory Retirement Age
37	Non-Compliance with a Third of Basic Salary Rule

No	Audit Issues for 2023/2024
38	Employees on Acting Capacity Beyond Stipulated Period
39	Employees on Non-Compliance with Affirmative Action on Gender, Ethnicity and Regional Distribution

COUNTY EXECUTIVE OF HOMA BAY – NO.43

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

1181. Unsupported Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.1,420,971,622 as disclosed in Note 17 to the financial statements. However, the balance includes motor vehicles valued at Kshs.80,870,775 which includes the cost of three (3) motor vehicles amounting to Kshs.22,457,100. However, the ownership documents for the motor vehicles were not provided for audit.

Further, the balance includes cost of buildings valued at Kshs.55,166,108 which constitutes additions to buildings during the year amounting to Kshs.57,464,696 out of which an amount of Kshs.21,217,151 was spent on the construction of boundary wall for Kendu Bay Show Ground. Review of interim payment certificate No.1 for the proposed construction of boundary wall for the show ground revealed that the contract was awarded to a firm at a contract sum of Kshs.21,217,151. However, the supporting documents including payment vouchers were not provided for audit.

In the circumstances, the accuracy, completeness and regularity of the expenditure of Kshs.21,217,151 on property, plant and equipment could not be confirmed.

1182. Unsupported Expenditure - Use of Goods and Services

The statement of financial performance reflects use of goods and services balance of Kshs.1,553,199,112 as disclosed in Note 10 to the financial statements. However, the expenditure includes an amount of Kshs.43,461,651 incurred on fuel, oil and lubricants. Review of the fuel management controls and procedures revealed that the County Executive did not issue detailed orders for the purpose of authorizing and managing the drawing of fuel at the petrol station. The instructions to draw fuel were given verbally with no records maintained for comparison between the supplier invoice and amount of fuel actually drawn.

Further, the balance includes an amount of Kshs.43,775,441 in respect of utilities, supplies and services out of which an amount of Kshs.4,576,577 was paid to The Kenya Power and Lighting Company. However, review of the supporting invoices revealed that customer details for invoices amounting to Kshs.4,001,590 did not match any of the County operating units. Management explained that the customer details related to Kenya Power and Lighting accounts whose customer details had not been changed to match the County units.

In the circumstances, the accuracy, completeness and regularity of the expenditure of Kshs.4,001,590 on electricity could not be confirmed.

Emphasis of Matter

1183. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.11,933,375,716 and Kshs.10,187,773,187 respectively, resulting in under-funding of Kshs.1,745,602,530, or 15% of the budget. However, the County Executive spent Kshs.9,373,258,136 of the actual receipts realized of Kshs.10,187,773,187, resulting in an under-utilization of Kshs.814,515,050 or 8% of the actual receipts.

The under-funding 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.

Other Matter

1184. Unresolved Prior Year Matters

In the previous years' audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the County Executive in 2024/2025 revealed that twenty-one (21) matters remained unresolved as at 30 June, 2025 as listed at the end of this report.

Other Information

1185. There were no material issues relating to other information.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCE

Basis for Conclusion

1186. Non- Compliance with Facility Improvement Financing Act, 2023

Review of revenue records obtained from Level 4 and Level 5 health facilities in Homa Bay County revealed that twenty-four (24) health facilities collected a total of Kshs.1,616,696,509 towards the health facilities improvement. Out of the amount, a total of Kshs.915,941,726 was transferred to Special Purpose Account at the Health Department. However, the Special Purpose Account reimbursed a total of Kshs.687,007,505 to the health facilities resulting in a deficit of Kshs.228,934,221. 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 impacted negatively on service delivery by the health facilities.

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

1187. Long Outstanding Trade and Other Payables

The statement of financial position, and as disclosed in Note 20 to the financial statements, reflects trade and other payables balance of Kshs.1,524,513,380 which includes payables totalling Kshs.1,091,975,059 that was outstanding for over one (1) year. This was contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015 which state that debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible that the county government does not default on debt obligations. Further, although Management provided a payment plan showing the order of priority in settlement of the debts, the plan did not indicate when the payables were to be settled.

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

1188. Employees on Acting Capacity for Periods Exceeding Six Months

Analysis of the payroll revealed that a total of nine (9) employees had been on acting capacity for more than six (6) months during the year under review resulting in, excess acting allowances amounting to Kshs.836,978. This was contrary to Section C14(1) of the Human Resource Policies and Procedure Manual for the Public Service, 2016, which provides that when an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary. Acting allowance will not be payable to an officer for more than six (6) months.

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

1189. Non-Adherence to One-Third Rule on Basic Salary

Analysis for the payroll for permanent staff of the County Executive for the period between July, 2024 and February, 2025 revealed that a number of employees received a net pay that were less than a third of their respective basic salaries, contrary to Section 19(3) of the Employment Act, 2007 which provides that total amount of deductions from the wages of an employee shall not exceed two third of such wages.

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

1190. Non-Compliance with the Law on Ethnic Diversity

Analysis of the payroll for May, 2025 revealed that the County Executive had a total work force of seven thousand two hundred and two (7,202) out of whom, five thousand five hundred and nineteen (5,519) or 77% were from the dominant ethnic community in the County. This was contrary to Section 7(1) and (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 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.

1191. Non-Compliance with Persons with Disabilities Act, 2025

Further, seventy-two (72) employees, representing one (1%) percent of the total employees were persons with disabilities. This was contrary to Section 5(1)(e) of the People with Disabilities Act, 2025 which states that 'every county government shall promote the inclusion of persons with disabilities in the county public service by putting in place measures to ensure that at least five per centum of the employment positions are filled by persons with disabilities.

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

1192. Underpayment of Casuals

The Regulation of Wages General Amendment Order of November, 2024 which sets the minimum monthly pay for employees working in Homa Bay County at Kshs.14,867. However, review of the casuals' payroll for of March, 2025 revealed that the County Executive hired two hundred and sixty (260) cleaners out of whom, two hundred and thirty-seven (237) were earning a monthly pay of less than Kshs.14,867, resulting in total underpayment of Kshs.1,153,460 per month, contrary to the requirements of Regulation of Wages General Amendment Order, 2024 of the Labour Institutions Act, 2007 that stipulates the minimum rates of remuneration.

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

1193. Non-Compliance with Fiscal Responsibility Principles on Wages

The statement of financial performance reflects employee costs amounting to Kshs.5,697,166,766 which represents 54% of the total revenue of Kshs.10,554,740,472 in the financial statements of the County Revenue Fund-County Government of Homa Bay. This was contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015, which stipulates that the County Government's expenditures on wages and benefits for its public officers shall not exceed thirty-five (35%) of the County Government's total revenue.

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

1194. Irregular Payments to the Council of Governors

Review of payment records revealed that during the year under review, the County Executive paid Kshs.3,000,000 to the Council of Governors for the purpose of meeting its operational expenses. This was contrary to Section 37 of the Intergovernmental Relations Act, 2012 which states that the operational expenses in respect of the structures and institutions established in the 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.

1195. Under-Utilized Microsoft Office 365 and Emailing Security Solution

During the year under review, the County Executive incurred an expenditure of Kshs.22,778,238 on acquisition of Microsoft Office 365 and Emailing Security Solution. The system was supposed to support a minimum of seven hundred and fifty (750) users. However, the license provided was for only five hundred and twenty (520) users comprising of E1 and E3 of 420 and 100 users respectively. As a result, two hundred and thirty (230) users licenses were not put into use. Further, most users who had been created in the system were not aware of its existence due to limited sensitization while others did not have official computers to facilitate use of the system. In addition, there was no evidence that proper needs assessment was conducted before the system was procured.

In the circumstances, value for money from the expenditure amount of Kshs.22,778,238 on the Emailing Solution could not be confirmed.

1196. Failure to Deduct and Remit Public Procurement Capacity Building Levy

Review of payments to suppliers for goods, works and services revealed that the County Executive did not deduct capacity building levy during the year under review as required by 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 point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes.

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

1197. Regularity of Procurements and Award of Contracts

1197.1. Delayed Completion of Accident and Emergency, Casualty and Outpatient Departments Block

During the year under review, an expenditure amounting to Kshs.95,616,0734 was incurred in respect of the proposed construction of a multistoried block for accident and emergency, casualty and outpatient departments at Homa Bay Teaching and Referral Hospital. The amount comprises Kshs.86,535,985 for builders works and Kshs.9,080,089 in respect of electrical works. The County Executive entered into two contracts with two (2) firms for builders work and electrical works at a cost of Kshs.229,619,315 and Kshs.39,039,200 respectively. The project commenced on 29 April, 2024 with an expected completion date of 28 April, 2025. The contract was subsequently extended for a further six (6) months commencing April, 2025. A total of Kshs.153,425,990 had been certified as at 30 June, 2025. Physical inspection of the project in June, 2025 revealed that the works were at the third-floor slab, the walling, plumbing works, electrical works, roofing, plastering, construction of fourth floor, and other finishing works were yet to be done. The percentage completion of the project was at 70%. The delayed completion of the project could lead to cost escalations and time overrun.

1197.2. Incomplete Male Ward at Magina Health Center

During the year under review, the County Executive incurred expenditure amounting to Kshs.2,211,900 towards the construction of a male ward at Magina Health Center. The full contract sum had been paid to the contractor. However, the toilets in the ward were incomplete, the ward had not been equipped with hospital beds and the project was not in use.

1197.3. Incomplete Staff House at Got-Agulu Health Centre in Kasipul-West Ward

During the year under review, an amount of Kshs.1,999,992 was spent on the construction of a single staff house at Got Agulu Health Centre. The full amount was paid to the contractor. However, the toilet in the house was done with no septic tank and water supply, rendering the house inhabitable.

1197.4. Delayed Completion of Homa Bay County Government Headquarters and Ancillary Facilities

The statement of financial position, and as disclosed in Note 19 to the financial statements, reflects a rights of use assets of carrying balance of Kshs.787,200,000 which represents the cost of acquiring the County Headquarters over a four-year period. The County Executive entered into a Tenant Purchase Agreement (Finance Lease to Own Contract) with the County Pension Fund for the purpose-built development of Homa Bay County Executive headquarters and ancillary facilities on 6 May, 2024 for a contract sum of Kshs.820,000,000. The money was to be paid over a four (4) year period. The construction was to take six (6) months, and the County Executive was to occupy the completed building by January, 2025. The completion date was subsequently revised to 2 May, 2025.

Review of records relating to the project revealed that the County Executive paid Kshs.141,142,672 to the County Pension Fund in the year under review. The total amount that had been paid was Kshs.181,142,672. Although the County Executive obtained approval from the Controller of Budget in July, 2024 to open and operate a special purpose account for the Homa Bay County Infrastructures Financing Fund at the Central Bank of Kenya, the County Executive was yet to establish the Fund and open the special purpose account in accordance with the Homa Bay County Infrastructure Financing Fund Act, 2023, which were the requirements in the tenant purchase agreement. The Tenant Purchase Agreement (Finance Lease to Own Contract) includes the construction of the main headquarter building, amphitheater and Ushuru center.

Physical inspection conducted in October, 2025 revealed that the project was not complete and was behind schedule. Although the County Executive had already occupied the main block, work on the amphitheater was still ongoing, landscaping was yet to be completed and painting was being done in sections of the main block. In addition, occupation safety and health certificate were not provided for audit.

1197.5. Slow Project Implementation of Roads and Ancillaries

The County Executive entered into a contract with a joint venture firm for the construction of roads, foot paths, storm water drainage, public lighting, water and sanitation and social amenities works for Makongeni, Shauri Yako, Sofia, a Thousand Streets, Nyandiwa and Rusinga Old Town on 22 April, 2024 at a contract sum of Kshs.1,407,104,544 for a contract period of three hundred and sixty-five (365) days. The commencement date of the contract was 27 June, 2024 and the expected completion date of 26 June, 2025. As at 30 June, 2025 the amount certified, inclusive of VAT was Kshs.609,175,602. The project was funded by the SECOND KENYA INFORMAL SETTLEMENT IMPROVEMENT PROJECT (KISIP 2)-GRANT NO. 6759-KE PROJECT ID P167814. HOWEVER, PHYSICAL inspection carried out on 18 June, 2025 revealed that the road works in Makongeni, Shauri Yako, Sofia, A thousand Streets, Nyandiwa and Rusinga Old Town had stalled. Further, market vending platform at Nyandiwa and Shauri Yako was incomplete and water and sanitation and social amenities works in Shauri Yako and Nyandiwa informal settlements had not started. The project completion date was extended to 4 December, 2025.

1197.6. Delayed Completion of the County Aggregation and Industrial Park

The County Executive entered into a contract with a joint venture firm for the construction of County Aggregation and Industrial Park on 3 August, 2023 at a contract sum of Kshs.498,338,151. This was preceded by an intergovernmental agreement between the National Government through the Ministry of Investments, Trade and Industry and the County Executive. Under this framework, the National Government was to contribute Kshs.250,000,000 while the County Executive was to contribute a similar amount. The project scope of works included construction of aggregation warehouse and cold storages, value addition warehouses, boundary walls, office block, power house, pump house, ablution block and civil works. Review of the project documents revealed that the contract was to run for seven (7) months lapsing on 6 April, 2024. However, a third extension of up to 30 July, 2025, had been granted. In addition, the project status report dated 13 February, 2025 indicated that the project was at 35% completion and an amount of Kshs.130,564,927 or 26% of the total contract sum had been paid. However, the amount could not be verified due to the fact that Management did not provide certificate Number 2 and 4 for audit.

Physical inspection conducted on the project on 17 June, 2025, revealed that the project was not complete. The boundary wall was constructed to 95%, while the outstanding areas had been left for gates and sentry houses. Steel works and walling were ongoing in all the eight warehouses, erection of columns had been done in the value addition warehouses and the walling of the aggregation warehouses had been done to 95%. The roofing structure for the aggregation warehouses had been completed but roofing had not commenced. The completion of the warehouses was estimated at 50%. Foundation works for the office block and ablution blocks were ongoing and estimated at 25% and 10% respectively. Borehole drilling had been done but the power house and pump house works had not yet commenced. Sections of the construction sites were flooded and the performance security expired on 2 August, 2024.

In the circumstances, value for money spent on the projects could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

1198. Effectiveness of the Internal Audit Function

Review of the internal audit function revealed that none of the Internal Audit reports were considered by the Audit Committee. This was due to the late appointment of the committee which was done on 12 March, 2025. Further, the Internal Audit Charter detailing the scope, responsibilities and purpose of the Internal Audit function and the Internal Audit Work Plan were yet to be approved by the Audit Committee. It was further noted that only eight (8) out of the thirty-eight (38) internal auditors had official laptops which are critical tools in their work. In addition, the internal auditors had not attended any training for the last two (2) years to enhance their capacity.

In the circumstances, the effectiveness of the internal audit function in strengthening the internal controls and risk management could not be confirmed.

1199. Lack of Feedback Mechanism for County Managed Hospitals

Review of hospital records revealed that the County Executive had two hundred and eleven (211) level 2 and 3 hospitals, twenty-three (23) level 4 hospitals and one level 5 hospital. It was however, observed that there were no mechanisms for handling complaints and giving feedback to the complainants, contrary to the provisions of Section 14 (1) and (4) of the Health Act, 2017 which provides that every complainant under subsection (1) has a right to be informed, in writing and within a period of three months from the date the complaint was lodged, of the action taken or decision made regarding the complaint.

In the circumstances, the effectiveness of disputes and complaints resolutions could not be confirmed.

Unresolved Prior Year Matters

No.	Audit Issues for 2023/2024
1	Expenditure Misclassification on Use of Goods and Services
2	Budgetary Control and Performance
3	Pending Accounts Payable
4	Employees on Acting Capacity for Prolonged Durations
5	Non-Adherence to One Third of Basic Rule
6	Non-Compliance with Provisions on Ethnicity Diversity, Affirmative Action on Gender and Persons Living with Disabilities
7	Regularity of Procurement and Award of Contracts
8	Payment for Consultancy Services - Payroll and Personnel Census
9	Proposed Construction of County Aggregation and Industrial Park
10	Rehabilitation of Kapana - Sombro Earth Dam
11	Idle Projects - Solar Pump Kits and Farm Ponds
12	Construction of JNC B2 - Lake Front Access Road Phase 1 and 2
13	Construction of Buildings – Non-Residential
14	Incomplete Landscaping and Drive Way Works at Kigoto Milling Plant
15	Incomplete Drilling and Equipping of Borehole, Installation of Underground Water Tank, Installation of Overhead Water Tank and Water Pump at Kigoto
16	Incomplete Fencing and Construction of Gate at Kigoto Maize Milling Plant
17	Incomplete Construction of Sentry House, Changing Rooms, Generator Room and General Repairs at Kigoto Maize Milling Plant
18	Non-Compliance with Fiscal Responsibility Principle on Development
19	Non-Compliance with the Fiscal Responsibility Principle on Compensation of Employees
20	Unsupported Payments on Legal Expense
21	Non-Submission Municipalities Financial Statements

COUNTY EXECUTIVE OF MIGORI – NO.44

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

1200. Variance in Transfers from County Revenue Fund

The statement of financial performance reflects transfer from County Revenue Fund balance of Kshs.8,642,443,185 as disclosed in Note 6 to the financial statements. However, the County Revenue Fund financial statements reported transfers amounting to Kshs.8,700,611,436, resulting to an unreconciled variance of Kshs.58,168,251.

In the circumstances, the accuracy and completeness of the transfers from County Revenue Fund of Kshs.8,642,443,185 could not be confirmed.

1201. Unsupported Property Plant and Equipment and Intangible Assets

The statement of financial position reflects property, plant and equipment and intangible assets balances of Kshs.2,490,463,012 and Kshs.8,587,453 as disclosed in Notes 16 and 17 to the financial statements respectively. However, the assets register provided for audit was incomplete and did not contain all the assets owned by the County Executive. Further, the register did not indicate the individual asset value, date of acquisition and the projected useful life of the assets to aid in the computation of the depreciation, unique identifiers and its location.

In addition, Management did not have a depreciation policy in place to guide on the rates of depreciation to be applied on the various categories of assets.

In the circumstances, the existence and valuation, of the property, plant and equipment balance and intangible assets balance totalling Kshs.2,499,050,465 could not be confirmed.

1202. Unconfirmed Utilization of Early Childhood Development Education Funds

The statement of financial performance as disclosed in Note 9 to the financial statements reflects an amount of Kshs.75,042,193 as transfers to other government entities. Included in the amount is a balance of Kshs.72,151,125 transferred to various primary schools for the construction of Early Childhood Development Education (ECDE) classrooms and latrines. However, the approved policy guiding the transfer of funds to the ECDEs was not provided for audit verification. Further, the School's Board of Management did not submit expenditure returns. Additionally, there was no evidence of advertisements or quotations to ensure competitive procurement and minutes of the opening and evaluation committee meetings were not provided for audit.

In the circumstances, the accuracy and completeness of the transfers to other government entities amounting to Kshs.75,042,193 not be confirmed.

Emphasis of Matter

1203. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.9,994,922,213 and Kshs.8,725,237,886 respectively, resulting in an underfunding of Kshs.1,269,684,327 or 13% of the budget. However, the statement reflects actual expenditure amount of Kshs.8,663,687,035 against actual receipts of Kshs.8,725,237,886 resulting in an under-utilization of Kshs.61,550,851, or 1% of actual receipts.

The underfunding 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.

Other Matter

1204. Unresolved Prior Year Matters

In the previous year's audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the County Executive in 2024/2025 revealed that thirty (30) matters relating to 2023/2024 financial year listed at the end of this report remained unresolved as at 30 June, 2025.

Other Information

1205. There were no material issues relating to Other Information.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

1206. Non-Compliance with Facility Improvement Financing Act, 2023

Review of revenue records obtained from Level 4 and Level 5 health facilities in Migori County revealed that sixteen (16) health facilities collected a total Kshs.321,376,360 towards the health facilities improvement which was all transferred to Migori County Health Services Fund Account. However, Management reimbursed a total of Kshs.175,085,960 to the health facilities resulting in a deficit of Kshs.146,290,400. Failure to reimburse the total amount transferred by the facilities negatively impacted on service delivery by the health facilities. 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 the circumstances, Management was in breach of the law.

1207. Failure to Settle Accounts Payables as First Charge

The statement of financial position and as disclosed in Note 18 to the financial statements reflects trade and other payables balance of Kshs.866,572,632 which includes payables totalling Kshs.498,077,436 that had been outstanding for more than one (1) year. This was contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015, which states that debt service payments shall be a first charge on the County Revenue Fund and the accounting officer shall ensure that the County Government does not default on debt obligations.

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

1208. Non-Compliance with Law on Staff Ethnic Composition

Review of personnel records revealed that the County Executive had three thousand, one hundred and fifty-nine (3,159) members of staff as at 31 March, 2025 out of whom tow two thousand, two hundred and fifty-four (2,254) representing a 71% were from the dominant ethnic community in the County. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which provides 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.

1209. Non-Compliance with Persons with Disabilities Act, 2025

Analysis of the Integrated Personnel and Payroll Database (IPPD) records for the month of March, 2025 revealed that the County Executive had a total workforce of three thousand, one hundred and fifty-nine (3,159) out of whom forty-nine (49) or (1.5%) were persons with disabilities. This was contrary to Section 5(1)(e) of the People with Disabilities Act, 2025 which states that 'every county government shall promote the inclusion of persons with disabilities in the county public service by putting in place measures to ensure that at least five per centum of the employment positions are filled by persons with disabilities.

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

1210. Non-Compliance with the One-Third Rule on Basic Salary

Review of the March, 2025 payroll revealed that four hundred and twenty-nine (429) employees received net salaries which were less than a third (1/3) of their respective basic salaries. This was contrary to Section 19(3) of the Employment Act, 2007 which provides that 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.

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

1211. Retention of Employees Beyond Retirement Age

Review of the IPPD staff register as at 1 July, 2025 revealed that the County Executive had three thousand three thousand, one hundred and fifty-three (3,159) employees out of whom, twenty-six (26) were over the mandatory retirement age of sixty (60) years without any justification. No evidence was provided to show that any of the officerbelong to the peoples living with disabilities or have special skills. This was contrary to Regulation 70(1)(a), (b) and (c) of the Public Service Commission Regulations, 2020 which states that the mandatory retirement age in the Public Service shall be sixty (60) years and/or as may be prescribed by the Government from time to time.

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

1212. Irregular Engagement of Casual Workers Beyond the Stipulated Period and Delayed Payments

Review of human resource records revealed that the County Executive hired a total of six hundred and seventy-seven (677) casual workers for a period exceeding three months, contrary to Paragraph B.16 of the County Human Resources Manual, 2013 which states that that county governments can employ casual staff for urgent short-term tasks not exceeding three months and will be paid in accordance with statutory wages regulations. Further, the casual workers had not been paid wages for March and April, 2025 as at the time of the audit. This was contrary to Section 18(2)(a)(b) and (c) of the Employment Act, 2007, which states that wages and salaries shall be deemed due in the case of casual employees at the end of the day or at the end of the period as agreed in the engagement.

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

1213. Regularity of Procurement and Award of Contracts

Review of the procurement and contract award processes revealed the following inconsistencies:

1213.1. Substandard Fencing Work at Awendo Stadium

Review of project records revealed that an amount of Kshs.2,495,044 was spent on fencing the Awendo Stadium. However, physical inspection conducted on 29 May, 2025 revealed evidence of murram extraction from the field which resulted in some concrete fencing posts hanging loosely above the ground, posing a safety risk as the fence may collapse.

In the circumstances, the value for money realized from the expenditure of Kshs.2,495,044 on the project could not be confirmed.

1213.2. Lack of Disposal Plan for Unserviceable Motor Vehicles

Review of records revealed that the County Executive had a fleet of one hundred and ninety-five (195) vehicles, out of which forty-four (44) vehicles were grounded. However, no disposal plan for the assets was provided for audit review, contrary to Regulation 176(1) of the Public Procurement and Asset Disposal Regulations, 2020, which requires

the Accounting Officer of a procuring entity to ensure that an annual assets disposal plan is prepared for items declared as unserviceable, surplus, or obsolete. In addition, Management did not provide measures put in place to either repair or dispose the grounded vehicles to prevent further losses from wear and tear and the cost of repair of unserviceable vehicles.

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

1213.3. Non-Operational Cold Storages in Migori County

Review of records revealed that the County Executive spent Kshs.9,981,022 on the construction of fish cold storages at Uriri and Isebania. However, physical inspection conducted on 4 June, 2025 revealed that the cold storages were neither operational nor commissioned, one year after completion.

In the circumstances, the value for money realized from the expenditure amount of Kshs.9,981,022 on the project could not be confirmed.

1213.4. Incomplete County Aggregation and Industrial Parks

Review of records revealed that the County Executive entered into a contract for the construction of the County Aggregation and Industrial Park at Nyatike at a contract sum of Kshs.499,380,603 on 30 August, 2023. The contract period was twelve (12) months commencing on 19 September, 2023 and ending on 12 September, 2024 but was later extended to 30 August, 2025. As at 30 June, 2025, a total of Kshs.358,337,493 had been paid. However, the extension of contract period was not supported by a formal request from the contractor. Further, physical inspection conducted in April, 2025 revealed that the project remained incomplete with key works such as plastering, installation of doors and windows, painting and steel works, among others, had not been done.

In the circumstances, the value for money that may be realized from the expenditure amount of Kshs.358,337,493 on the project could not be confirmed.

1213.5. Incomplete Projects at Department of Public Health

1213.5.1. Delayed Completion of New Staff House at Taragwiti Dispensary

The County Executive awarded a contract to a local contractor for the construction of a new staff house at Taragwiti Dispensary at a contract sum of Kshs.2,139,500. The project was scheduled to commence on 5 April, 2022, with an expected contract period of 120 days. However, physical inspection conducted on 4 June, 2025, revealed that the project had only progressed up to the lintel level, despite the contract period having lapsed.

1213.5.2. Delayed Completion of Twin Staff House and Patient Waiting Bay

The County Executive awarded a contract for the construction of Twin Staff house and Patient waiting Bay at Komomange Dispensary at a contract sum of Kshs.999,896. The project was scheduled to commence on 6 May, 2022, with an expected contract period of 120 days. However, physical inspection conducted on 4 June, 2025 revealed that the staff house was incomplete. The outstanding works included branding, ceiling installation, plumbing, and electrical wiring.

1213.5.3. Delayed Completion of Laboratory

The County Executive awarded a contract for the completion of a laboratory at Nyamekongoroto Dispensary at a contract sum of Kshs.4,138,334. The project commenced on 22 April, 2020 with an expected contract period of 120 days. However, physical inspection conducted on 4 June, 2025, revealed that the project was incomplete with outstanding works including plumbing, construction of a septic tank and door installation.

In the circumstances, the value for money realized from the expenditure amount of Kshs.7,277,730 on the incomplete projects could not be confirmed.

1213.5.4. Maternity Ward at Nyamotembe Dispensary

The County Executive awarded a contract for the construction of a maternity ward at Nyamotembe Dispensary at a contract sum of Kshs.3,862,876. The project was scheduled to commence on 22 April, 2020, with an expected completion period of 120 days. However, physical inspection conducted during the audit on 4 June, 2025, revealed that although the structure was complete, it had not been equipped for use.

1213.5.5. Laboratory in Getabwanga Health Centre

The County Executive awarded a contract for the refurbishment of the laboratory at Getabwanga Health Centre, at a contract sum of Kshs.1,498,824. The project commenced on 4 April, 2024, with an expected contract period of 120 days. However, physical inspection conducted on 4 June, 2025, revealed that the facility was not in use and had not been branded.

1213.5.6. Market Shades at Gupimo

Review of records revealed that Kshs.2,730,582 was paid to a local contractor for the construction of a Market Shade project at Gupimo. However, physical inspection in the month of May, 2025 revealed that the project was complete but not operational.

1213.5.7. Land Purchased for the Construction of a Market

Review of records revealed that an amount of Kshs.2,800,000 was spent to purchase of land for the construction of a market in Uriri. However, physical inspection in May, 2025 established that the market had not been constructed and the parcel of land remains idle.

1213.5.8. Car/Lorry Park at Kehancha Municipality

Review of records revealed that Kshs.4,391,020 was spent in respect of a contract for the construction of Car/lorry park at Kehancha Municipality. However, physical iinspection done on 4 May, 2025 revealed that although the project was complete, it remained unutilized.

In the circumstances, the value for money realized from the expenditure amount of Kshs.15,283,302 on the unutilized projects could not be confirmed.

1213.6. Unsatisfactory Implementation of Water Projects

Note 16 to the financial statements reflects additions to infrastructure assets amount of Kshs.1,262,759,613. The following unsatisfactory matters relating to water projects were noted:

1213.7. Unequipped Boreholes

Review of records revealed that an amount of Kshs.2,144,820 was spent on drilling a borehole at Marera. However, physical inspection on 30 May, 2025 revealed that while the borehole had been drilled it was not equipped, and the County Executive had not allocated a budget for equipping the project.

Review of records revealed that Kshs.3,810,146 was spent on drilling and equipping a borehole at Owich Primary school Macalder Kanyarwanda. Physical inspection in May, 2025 revealed that although the project was complete and in use, residents reported that frequent breakdowns of the pumping system, casting doubt on the quality of equipping.

1213.8. Pump Break Down at Oyani Treatment Works

Review of records revealed that Kshs.1,339,800 was utilized to repair the pump at Oyani Treatment Works. However, physical inspection in May, 2025 revealed that the repaired pump had broken down again, casting doubt on the quality of repair works.

1213.9. Unreliable Got Kwach Borehole in Macalder Kanyarwanda

Review of records revealed that Kshs.3,498,009 was spent on equipping Got Kwach Borehole in Macalder Kanyarwanda. Physical inspection in May, 2025 revealed that the borehole was complete and in use. However, residents complained of frequent break down of the pumping system, casting doubt on the quality of equipping.

1213.9.1. Unbranded Borehole at Kanyasrega Secondary School

Review of records revealed that Kshs.2,270,148 was spent on drilling of a borehole at Kanyasrega Secondary School. However, physical inspection in May, 2025 revealed that the borehole was complete and in use, but was not branded.

1213.9.2. Incomplete Bongu Raga Water Project

The Department of Water and Energy awarded a contract worth Kshs.24,999,880 for the construction of main water kiosks and distribution of pipelines under the Bongu Raga Water Project Phase 4. The contract duration was 120 days, from 13 March, 2024 to

12 July, 2024. However, physical inspection on 30 May, 2025 revealed that the project was incomplete.

1213.9.3. Dry Borehole at Minyere

Review of records revealed that Kshs.2,145,920 was spent on drilling Minyere Borehole. However, physical inspection on 4 June, 2025 revealed that the boreholes did not yield adequate water, casting doubt on whether hydrological survey was conducted before drilling.

1213.9.4. Vandalized Ngege, Lichota Pipeline

Review of records revealed that Kshs.4,738,267 was paid for the extension of Ngege, Lichota pipeline. However, verification of documents in May, 2025 revealed that there was no running water in the extended pipelines due to vandalized pumps and damaged pipelines.

1213.9.5. Vandalized Kokuku Water Project

Review of records revealed that an amount of Kshs.3,999,989 was utilized towards the drilling and equipping of Kokuku Water Project. However, audit inspection revealed that drilled borehole had no running water due to vandalized pumps and damaged pipelines.

1213.10. Non-Operational Public Wi-Fi

Review of records revealed that an amount of Kshs.9,576,000 was spent on the provision and installation of public Wi-Fi hotspot access points across various locations in Migori County. However, physical inspection conducted in October 2025 at sampled points revealed that the installed Wi-Fi hotspots were not operational due to non-payment of quarterly internet subscription fees.

In the circumstances, the value for money realized from the expenditure of Kshs.9,576,000 on the project could not be confirmed.

1214. Avoidable Interest on Accrued Legal Expenses

Review of records revealed that the County Executive spent Kshs.3,972,779 in interest charges on late discharge of legal expenses of Kshs.6,644,247, which included decretal amounts and judicial review costs. The expenses could have been avoided had timely settlement of obligations been made.

In the circumstances, the value for money realized from the expenditure of Kshs.3,972,779 could not be confirmed.

1215. Non-Compliance with the Fiscal Responsibility Principle on Development Expenditure

The statement of financial performance reflects total expenses of Kshs.6,807,826,030 relating to recurrent expenditure while Note 16 to the financial statements reflects

additions to property, plant and equipment amounting to Kshs.2,305,015,923, resulting in total expenses for the year of Kshs.9,112,841,953. The development expenditure represents 25% of the total expenditure which is below the minimum 30% threshold required by Regulation 25(1)(g) of the Public Finance Management (County Governments) Regulations, 2015.

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

1216. Failure to Prepare Memorandum for Supplementary Budgets

As disclosed in the statement of comparison of budget and actual amounts, the County Executive had original approved budget of Kshs.8,596,649,061 for the 2024/2025 financial year, which was subsequently adjusted by Kshs.1,398,273,152 through a supplementary budget to a final budget of Kshs.9,994,922,213. However, the supplementary budget adjustments were not supported by memoranda from Accounting Officers to confirm that the changes had been requested and explanations given for either scaling up or changing of planned development programmes. This was contrary to Regulation 39(7) of the Public Finance Management (County Governments) Regulations, 2015 which provides that, the county government entity requesting additional funds through a supplementary budget process to submit a memorandum to the County Treasury.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

1217. Lack of Approved Monitoring and Evaluation Policy

During the year under review, the County Executive spent Kshs.2,305,015,923 on additions to property, plant and equipment as disclosed in Note 16 to the financial statements. However, as at the time of audit in November, 2025 the Monitoring and Evaluation Policy prepared by Management remained in draft form and had not been approved. This was contrary to Regulations 129(1) of the Public Finance Management (County Governments) Regulation, 2015, which requires the County Executive Committee Member responsible for planning to prescribe a framework for monitoring on non-financial performance. The framework should enable accounting officers to evaluate programmes and projects using financial indicators (expenditure on implementation), output indicators (direct deliverables), and outcome indicators (expected effects on beneficiaries).

In the circumstances, the existence of an effective mechanism to evaluate programmes and projects could not be confirmed.

1218. Failure to Develop Annual Recruitment Plans

Review of records revealed that during the period under review, two hundred and eleven (211) staff were hired by the County Executive. However, no annual recruitment plan was developed as required by Paragraph B.2(2) of the Human Resource Policies and Procedures Manual for the Public Service May, 2016.

Further, Management failed to prepare human resource plans to support achievement of goals and objectives in their strategic plans as required by Paragraph B.2(1) of the Human Resource Policies and Procedures Manual for the Public Service May, 2016.

In the circumstances, the effectiveness of internal controls over human resource management could not be confirmed.

1219. Non-Compliance with the County Approved Staff Establishment

Review of the staff establishment approved and operationalized in 2023 compared to the employees in position revealed that the County Executive had a staffing need of 11,023 employees out of which, only 3,509 or 32% were in-post, resulting in understaffing of 7,514 employees.

In the circumstances, the understaffing may adversely affect the County Executive's ability to implement its mandate and offer services to the public.

1220. Lack of ICT Security Policy and Disaster Recovery Plan

Review of the Information and Communication Technology (ICT) of the County revealed that the County Executive did not have an ICT, Data Recovery Plan (DRP) and ICT Security Policy. In addition, the Management had not installed antivirus programs in its systems and did not have mechanisms for ensuring that there was up-to-date security on the systems software. Further, the County Executive did not have an IT Steering Committee, a Disaster Recovery Plan, a backup and retention strategy to guarantee continuity of operations in case of system failure. In addition, regular review and risk assessment of the operational areas were not conducted. As a result, the system users lack guidance on procedures to minimize risks of errors, data loss and compromise data integrity and availability.

In the circumstances, the effectiveness of the County Executive's IT internal controls, risk management and governance processes could not be confirmed.

1221. Failure to Operationalize Risk Management Policy and Framework

The County Executive had an approved risk management policy. However, there was no evidence that the policy was operational. Documents including risk registers, risk assessment reports, risk mitigation measures taken and mapping future risks, forecasts and a documented disaster recovery plan were missing.

In the circumstances, the effectiveness of the County Executive's risk management strategies could not be confirmed.

1222. Weak Internal Controls Over Inventory Management

Review of records revealed that the value of items in stores could not be confirmed since the Management did not carry out quarterly stock take, contrary to Regulation 171(1)(d) of the Public Procurement and Asset Disposal Regulations, 2015 which requires the Head of the Procurement Function of a procuring entity to conduct quarterly and annual stock taking.

Further, there were no records of stores items requested, approved and issued at any particular time, while the stores ledger had not been updated.

In the circumstances, the effectiveness of internal controls over inventory management could not be confirmed.

1223. Weak Controls over Medical Supplies and Services

During physical inspection conducted in May, 2025, weaknesses in controls over medical suppliers and services were noted in seven (7) facilities; Migori County Drugs Store, Rongo Sub-County Hospital, Ngere Health Centre, Awendo Sub-County Hospital, Mariwa Dispensary, Uriri Sub-County Hospital and Lwala Nyarago Dispensary.

At the Migori County Drugs Store, the absence of quarterly stock undermines assurance on the County's overall inventory position. Other facilities experienced understaffing in pharmacy units, lack of appropriate pharmacy infrastructure and reliance on manual bin cards due to lack of computers and internet connectivity. Further, frequent power outages affected cold-chain medicines at Mariwa Dispensary and there was widespread failure by patients to acknowledge receipt of drugs.

In the circumstances, the effectiveness of internal controls over medical supplies and services in health facilities could not be confirmed.

List of Unresolved Prior Year Matters

S/No.	2023/2024 Audit Issue
1	Unsupported Expenditure on Wages
2	Unsupported Legal Expenses
4	Budgetary Control and Performance
5	Late Exchequer Releases
6	County Executive Preparedness to Transition to Accrual Accounting
7	Non-Compliance with Fiscal Responsibility Principle on Development Expenditure
8	Pending Accounts Payable
9	Non-Compliance with Fiscal Responsibility Principle on Wage Bill
10	Non-Compliance with Ethnic and Special Needs in the Staff Composition
11	Violation of One-Third Rule on Net Pay
12	Failure to Customize Schemes of Service to Suit the County Executive
13	Under Staffing of County Attorney's Office
14	Non-Compliance with Access to Government Procurement Opportunities (AGPO)
15	Payments to the Council of Governors
16	Payment to the Lake Region Economic Bloc
17	Inadequate Allocation of Funds for Major Road Works
18	Supply, Installation and Commissioning of Containers Fish Collection Centre (Cold Rooms)
19	Construction of Kwiriba Market Shed
20	Completion of Masaba Market Shed
21	Partial Completion of Midoti Market Shed
22	Other Incomplete Markets
23	Un-Utilized Projects
24	Rehabilitation of Kaknene Dam – Under FLLoCA Program
25	Proposed Construction of Maternity Block at Olasi Dispensary
26	Unsupported Completion of Project -Construction of Buembu Dispensary
27	Unsupported Completion of Nyamware Dispensary
28	Projects Not in Use – Department of Medical Services
29	Bongu Raga Water Project
30	Lack of Segregation of Duties in the Processing of Payments of Salary Arrears

COUNTY EXECUTIVE OF KISII – NO.45

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

1224. Non-Compliance with International Public Sector Accounting Standards Reporting Requirements

Note 2 to Financial Statements on Statement of Compliance and Basis of Preparation of the financial statements, Management having taken advantage of the transitional provisions under IPSAS 33 did not indicate the elements of the financial statements that were not recognized and the steps being taken towards full compliance with Annual Financial Reporting Template issued by the Public Sector Accounting Standard Board.

In the circumstances, the presentation and disclosure in financial statements is not compliant with the IPSAS reporting framework.

1225. Unexplained Voided Transactions

The statement of financial performance reflects total expenses amount of Kshs.7,560,021,975. Review of the Integrated Financial Management Information System (IFMIS) payments revealed that six hundred and ninety-three (693) transactions amounting to Kshs.1,094,702,969 were voided during the year 2024/2025. However, the supporting documents and reasons for voiding were not provided for audit.

In the circumstances, the regularity and completeness of payments could not be confirmed

1226. Use of Goods and Services

The statement of financial performance, and as disclosed in Note 8 to the financial statements, reflects use of goods and services amount of Kshs.1,373,224,911. However, the following unsatisfactory matters were noted:

1226.1. Unreconciled Fuel, Oil and Lubricants

The balances includes expenditure totalling Kshs.40,645,666 in respect of fuel, oil and lubricants. However, the supporting schedules provided for audit reflected fuel, oil and lubricants amounted to Kshs.37,245,666, resulting in an unreconciled and unexplained variance of Kshs.3,400,000. Although Management explained that the variance relates to accrued expenditure on fuel, oil and lubricants, supporting documents including the specific vouchers were not provided for audit.

In the circumstances, the accuracy and completeness of use of goods and services expenditure of Kshs.40,645,666 could not be confirmed.

1226.2. Unsupported Avoidable Legal Expenses

Further, the balance includes an amount of Kshs.347,089,030 in respect of other operating expenses, which further includes legal fees of Kshs.7,762,065. However, documents provided for audit revealed that a court ruling had been made against the County Executive on alleged infringement of constitutional rights against a petitioner. The Environment and Land Court ruling on the case awarded the petitioner Kshs.5,605,885, comprising Kshs.5,000,000 damages and Kshs.605,885 being costs of petition borne by the County Executive. The ruling was made on 31 March, 2023. According to a demand letter dated 17 February, 2025 by an advocate on behalf of the petitioner, the County Executive was supposed to pay the petitioner an accrued amount of Kshs.7,762,065 computed up to December 2024 and which had not yet been settled by the County Executive. The delay by the County Executive to honour the court ruling resulted in extra costs of Kshs.2,156,180 which could have been avoided had the settlements been made in full.

In addition, no evidence was provided for audit to confirm whether the County Executive explored avenues of appeal against the court ruling. The total outstanding amount in respect of this petition could not be confirmed as Management did not provide the breakdown of payments already made to date. Review of pending bills listing as at 30 June, 2024 did not confirm existence of amount payable to the petitioner.

In the circumstances, the accuracy and disclosure of the Kshs.7,762,065 in respect to legal expenditure could not be confirmed.

1227. Cash and Cash Equivalents - Failure to Observe Cut-Off Period in Bank Reconciliation

The statement of financial position, and as disclosed in Note 12 to the financial statements, reflects a balance of Kshs.309,124,367 in respect of the cash and cash equivalents. However, review of documents provided for audit revealed that the bank reconciliation statements provided for audit revealed reconciling items of unpresented cheques and receipts in cash book not yet recorded in bank statements which related to transactions after the end of the financial year on 30 June, 2025 as shown below:

Bank Details	Unpresented Cheques (Kshs)	Receipt in Cash Book not yet Recorded in the Bank Statement (Kshs)
CBK-Kisii County Development Account	751,280,300	305,576,605
CBK-Kisii County Recurrent Account	297,954,624	244,289,655
CBK- Kisii County Deposit Account	11,001,687	59,689,238
Total	**1,060,236,611**	**609,555,498**

Further, bank confirmation certificates for all the accounts that are operated in the Central Bank of Kenya (CBK) were also not provided for audit.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.309,124,367 could not be confirmed.

1228. Trade and Other Payables

The statement of financial position, and as disclosed in Note 16 to the financial statements, reflects trade and other payables balance of Kshs.2,623,281,983. However, the following unsatisfactory matters were noted:

1228.1. Unsupported Trade and Other Payables

Review of the supporting schedules provided for audit revealed that the balance comprised of eligible and ineligible payables of Kshs.1,551,846,299 and Kshs.1,071,435,684, respectively. However, Management did not confirm why pending bills totalling Kshs.1,071,435,684 were classified as in-eligible. Further, contrary to The National Treasury Circular No. 03/2025 dated 14 April, 2025, Management did not provide circularization results from all suppliers and obtain supplier statements as at 30 June, 2024, and reconcile the payables with their records to ensure completeness of trade and other payables. The guideline requires that these bills be adequately supported with all relevant documentation. The bills will form the opening balances as of 1 July, 2024 and will be subject to audit by the Office of the Auditor-General.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.2,623,281,983 could not be confirmed.

1228.2. Unconfirmed Legal Liability

The trade and other payables balance includes legal payables balance of Kshs.155,831,232. A detailed listing of forty-five (45) suits revealed some payables dating as far back as 2015/2016 financial year. No plausible justification was provided on why the payables had not been paid in the subsequent years, which could lead to escalation of penalties and accrued interest. Further, Management provided a listing of accounts payable as at 30 June, 2025 totalling Kshs.2,623,281,983. However, none of the payables listed by the Legal Department had been incorporated in the balance.

In addition, out of the forty-five (45) suits, twenty-eight (28) suits were indicated as relating to decretal sum totalling Kshs.132,560,058. However, evidence of certified decree in respect of outstanding balance was not provided for audit. Review of the suits also revealed that the forty-five (45) suits were not supported by evidence of formal requisition from the user department and contract agreements for each of the suits. The balance of Kshs.155,831,232 was not supported by fee notes or any computation of cost.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.155,831,232 could not be confirmed.

1229. Unreconciled Revenue Collections and Revenue Management System Administrative Costs

The statement of financial performance and as disclosed in Note 8 to the financial statements reflects an amount of Kshs.1,373,224,911 in respect of use of goods and services. Included in this amount is Kshs.347,089,030 in respect of to other operating expenses which includes Kshs.24,902,063 for administrative costs/transaction fees for the Revenue Management System. However, data migration a key deliverable in milestone two had not been achieved at the time of audit in May 2025. Management did not provide explanation on challenges impeding full data migration into the System and action plans towards achieving this milestone.

Review of records for administrative costs for the Revenue Management System revealed that two (2) invoices dated 7 June, 2024 and 7 July, 2024 of Kshs.8,059,684 and Kshs.8,598,998, respectively, were paid during the year under review for transaction fees for revenues collected between 1 April, 2024 to 31 May, 2024. However, the amount of total revenue collected during the year under review varied, with the first invoice indicating Kshs.59,434,341 and the second invoice indicating Kshs.87,611,115 resulting in a unexplained variance of Kshs.28,176,774.

Further, re-computation of expected transaction fees at 5.4% of revenue collected in the invoices revealed that an amount of Kshs.3,209,454 and Kshs.4,731,000 ought to have been billed for the first and second invoice respectively resulting in overpayments of Kshs.4,850,230 and Kshs.3,867,998 for the first and second invoice respectively. Management did not provide explanations for the inconsistencies in amounts of revenue collected on the invoices for the same period and the administrative costs paid.

In addition, during the year under review, the Revenue Management System service provider was paid an amount of Kshs.4,850,230 as administrative costs for revenues of Kshs.89,819,066 collected between 26 January, 2024 and 31 March, 2024. However, review of revenue reports maintained at the County Revenue Department revealed that no revenue was collected through the System during this period. System review established that the reporting module in the System had not been fully implemented. Consequently, system generated reports could not be produced and it was not possible to perform reconciliation between the invoiced amount and the amount banked.

In the circumstances the accuracy and completeness of administrative costs for the Revenue Management System of Kshs.24,902,063 could not be confirmed.

Emphasis of Matter

1230. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total receipts budget and actual on comparable basis of Kshs.13,953,991,832 and Kshs.9,320,328,103 respectively, resulting in under-funding of Kshs.4,633,663,729 or approximately 33% of the approved budget. The County Executive spent an amount of Kshs.9,011,203,736 against actual receipt of Kshs.9,320,328,103 resulting in difference of Kshs.309,124,367 or 3% of actual receipts.

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

1231. Unresolved Prior Year Matters

In the previous year's audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in the Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the County Executive in 2024/2025 revealed that forty-eight (48) matters indicated at the end of this report remained unresolved as at 30 June, 2025.

Other Information

1232. There were no material issues relating to other information.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

1233. Failure to Retain Facilities Improvement Funds at the Hospitals

Review of revenue records obtained from Level 4 and Level 5 health facilities in Kisii County revealed that eighteen (18) health facilities collected a total Kshs.190,435,651 towards the health facilities improvement. Out of the amount, a total of Kshs.173,444,017 was transferred to County Health Facilities Improvement Fund Board account. However, the amount reimbursed by the Board to the facilities could not be confirmed. This was because the Board made payments on behalf of the health facilities without disclosing the expenditures incurred on behalf of specific health facilities. 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 was in breach of the law.

1234. Provision, Customization, and Implementation of Hospital Management Information System

Hospital Management Information System documents provided for audit revealed that the County Executive awarded a tender for the provision, commissioning and implementation design, development, installation and commissioning of the Integrated Hospital Management Information System (HMIS) at a cost of Kshs.27,878,280 for a contract period of 2 April, 2024 to 2 April, 2025. Review of the project implementation report revealed that as at May, 2025, the project was not yet complete. Milestone 4 (receipt of an acceptable system go live) and milestone 5 (issuing of the certificate of practical completion) had not been undertaken, because the infrastructure environment had not

been provided. No explanation was provided why the Hospital Management requested a system upgrade before assessing the infrastructure environment of the user facilities.

In the circumstances, the value for money for the amount spent on the project could not be confirmed.

1235. Delay in Completion of Reproductive Health Centre in Kisii Mother-Child Hospital

The County Executive entered into a contract on 20 May, 2024, for the completion of reproductive health centre at the Kisii Mother-Child Hospital at a contract sum of Kshs.100,000,000. The contract period was twenty-four (24) weeks from 4 June, 2024 to 28 November, 2024. However, physical inspection of the project in May 2025, indicated that the project was estimated at 65% completion despite the lapse in contract period with no extension period. The cumulative payments as at the time of audit amounted to Kshs.55,508,805.

Further, review of the project documents revealed that a contract variation of Kshs.8,529,250 was made within two (2) months of the contract period contrary to Section 139(3) of the Public Procurement and Asset Disposal Act, 2015 that prohibits upward variation of contract price within twelve months from signing the contract. There was second variation of Kshs.1,809,250 and both variations were not reviewed by the Evaluation Committee or Contract Implementation Team contrary to Regulations 132(2) of the Public Procurement and Asset Disposal Regulations, 2020.

In addition, the County Executive did not comply with Regulation 150(1) of the Public Procurement and Asset Disposal Regulations, 2020 which requires prompt payment within sixty days from date of receipt of invoice since the contractor issued notice of delayed payments exceeding five months which affected project cashflows.

In the circumstance management was in breach of law.

1236. Irregular Payment to Council of Governors

Review of payment records revealed that during the year under review, the County Executive paid an amount of Kshs.3,000,000 to the Council of Governors for the purpose of meeting its operational expenses, contrary to Section 37 of the Intergovernmental Relations Act, 2012, which states that the operational expenses in respect of the structures and institutions established in Act shall be provided for in the annual estimates of revenue and expenditure of The National Government.

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

1237. Projects Status - Department of Water, Energy, Environment and Climate Change

During the year under review, the County Executive implemented various projects in the Department of Water, Environment and Energy. Physical inspection carried out in the month of May, 2025 revealed the following anomalies:

1237.1. Poor Workmanship in the Reticulation of Eronge Borehole in Monyerero Ward

The County Executive entered into a contract with a company on 22 April, 2024 for the reticulation of Eronge borehole in Monyerero ward at a contract sum of Kshs.1,999,600. However, physical inspection conducted did not confirm whether the project was implemented by the County Executive as it had not been branded. In addition, the pipe connecting the borehole and the bump chamber had already cracked and, therefore, a lot of water was lost through leakage.

1237.2. Underutilization of the Manga Hills Water Project

The County Executive entered into a contract with a company for the construction and reticulation of Manga Hills Water Project on 20 December, 2024 at a contract sum of Kshs.9,298,050. The audit established that the water produced from the plant was of good quantity. However, physical inspection revealed that the water was being misused by the community and was going to waste. it was further noted that Management did not have a sustainability plan for the project.

1237.3. Substandard Works at the Daraja Mbili Secondary School Back Street Drainage

The County Executive entered into a contract with a company for construction of Daraja Mbili Secondary School backstreet drainage on 2 January, 2024 at a contract sum of Kshs.2,499,684. However, there were no weep holes in retaining walls placed to allow water to drain from behind the wall to prevent water buildup and potential damage.

1237.4. Substandard Works in the Installation of Solar System at Nyamache Level 4 Hospital

The County Executive entered into a contract with a company, for installation of a 6.0KWP of solar photovoltaic system at Nyamache Level 4 Hospital on 3 July, 2023 at a contract sum of Kshs.2,948,990. However, the system was not in use since it could only produce 24A but the facility required a system which produces 70A for it to run the machines. It was not clear whether the proposal arose from the users and whether there was feasibility study before the inception of the project. Further, the project was not branded as evidence that it was implemented by the County Executive.

1237.5. Under Utilized Riyabu Borehole in Bokimonge Ward

The County Executive entered into a contract with a company for drilling and reticulation of Riyabu borehole at Bokimonge ward on 22 January, 2024 at a contract sum of Kshs.4,297,400. However, the water produced from the borehole was underutilized since the storage facility provided was only 10,000 litres tank, hence a lot of water was underutilized. Further, the project was not branded as evidence that it was implemented by the County Executive.

1237.6. A Dry Borehole at Nyabera Market in Moticho Ward

The County Executive entered into a contract with a company for drilling and equipping of a borehole at Nyabera market with hand bump in Moticho ward at a contract sum of Kshs.2,499,600. However, there was no evidence of existence of water in the borehole during the time of physical inspection. Further, the audit established that it had taken more than four (4) months since the pump broke down. In addition, the project was not branded as evidence that it was implemented by the County Executive.

In the circumstances value for money realized from the expenditure of Kshs.23,543,324 on the six (6) projects could not be confirmed.

1238. Delayed Construction of County Aggregation and Industrial Park

The County Executive awarded a contract for the construction of County Aggregation and Industrial Park at a contract sum of Kshs.477,941,470 which commenced on 18 September, 2023. An advance payment of Kshs.95,588,294 was made to the contractor upon winning the tender. Further, the project was still ongoing and approximately 50% complete despite the contract period having expired on 18 March, 2025. Further, ownership documents for the land on which the construction was being undertaken was not provided for audit to confirm that the land belonged to the County Executive. In addition, the feasibility study for the project, National Environment Management Authority (NEMA) approvals, and signed programme of works were not provided for audit.

In the circumstances, value for money realized from the expenditure paid in respect to the project could not be confirmed.

1239. Abandoned Project- Egorofa- Riotwori-Keboba-Amasago Road Project

The County Executive entered into a contract with a company on 7 December, 2023 for the construction, repair and maintenance of eighteen (18) Lot 4 roads in Nyaribari Chache Sub-County for a period of twenty-four (24) weeks at a contract sum of Kshs.53,696,806. Included in this category is repair and maintenance of Egorofa-Riotwori-keboba-Amasango road at a cost of Kshs.3,551,746. The contract period lapsed on 10 May, 2024 with no extension and the contract was terminated on 15 November, 2024. Cumulatively, the contractor had been paid Kshs.11,677,836 as at 30 June, 2025.

Physical inspection conducted on 4 June, 2025 revealed that the contractor was not on site and drainage works and culverts were not done for Riotwori-Egorofa road (0.8km), gravelling, compaction, drainage works and culverts were not done on Egorofa-Nyamira River (0.8km) and no works were ongoing on the Riotwori-Egorofa and Egorofa-Nyamira River sections. Further, no signages had been erected to identify the project with the County Executive. In addition, review of project documents revealed that the contractor did not submit a program of works and monthly progress reports in line with Clauses 8.3.1 and 4.2.1 of the contract agreement.

In the circumstances, value money spent on the project could not be confirmed.

1240. Irregular Operation of Commercial Bank Accounts

The County Executive operated a total of seventy-nine (79) bank accounts in both the Central Bank of Kenya and several commercial banks. Seventeen (17) accounts were operated in the Central Bank of Kenya, and the remaining sixty-two (62) in commercial banks. This was contrary to Regulation 82(1)(b) of the Public Finance Management (County Governments) Regulations, 2015, which requires that the County Government bank accounts be opened and maintained at the Central Bank of Kenya with the exemption of imprest bank accounts, such as petty cash and revenue collection bank accounts.

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

1241. Non-Compliance with Fiscal Responsibility Principle on Wages

The statement of financial performance reflects employee costs of Kshs.5,433,906,661 representing 59.7% of the total revenue of Kshs.9,106,135,362. This was contrary to Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the County Executive Committee Member with the approval of the County Assembly to set a limit on the County Government's expenditure on wages and benefits for its public officers and the limit not to exceed thirty-five (35%) of the County Government's total revenue.

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

1242. Non-Compliance with the One-Third Rule on Basic Salary

Analysis of the County Executive's monthly payroll revealed that three hundred and thirty-five (335) employees received net pay that was below a third (1/3) of their respective basic salaries. This was contrary to Section 19(3) of the Employment Act, 2007 which stipulates 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 made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

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

1243. Non-Compliance with the National Cohesion and Integration Act, 2008

Review of personnel records revealed that as at 30 June, 2025 the County Executive had a total of five thousand four hundred and seventy-eight (5478) out of whom five thousand one hundred and sixty-three (5,163) or 94.45% were from the dominant ethnic community in the County. This was contrary to the provisions of section 7(1) and (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 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.

1244. Non-Compliance with Fiscal Responsibility Principle on Development Expenditure

The statement of comparison of budget and actual amounts reflects development expenditure of Kshs.2,243,229,092 or 24% of total expenditures of Kshs.9,011,203,736. This was contrary to Regulation 25(1)(g) of the Public Finance Management (County Governments) Regulations, 2015, which requires that, the county government actual expenditure on development shall be at least thirty percent (30%) of the total County Government expenditure.

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

1245. Lack of County Spatial and Valuation Roll

During the year under review, the County Executive did not have the updated and approved county spatial plan and valuation roll. As a result, the County Executive may not be in a position to identify all the revenue collection points leading to under collection of own generated revenue. This was contrary to Section 30 (1) of the National Rating Act, 2024 which states 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".

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

1246. Ineffective Internal Controls in the Collection and Accounting for Own Generated Revenue

During the year under review, the County Executive used two revenue systems for collection of revenue. However, the point of sale (POS) machines assigned to the various revenue collectors had no power back up and a proper maintenance plan and, therefore were likely to affect the operations in case of power failure. Further, two hundred and eighty (280) point of sale machines were inadequate for the operations of the County Executive. It was also observed that the super-admin rights were held by the service provider hence the security and the management of the data could not be confirmed.

The Local Authorities Integrated Financial Operations Management System (LAIFOM) was last updated in the year 2010. In addition, it was not clear why the County Executive had not transferred all the land rates data from the LAIFOM to Jambo Pay system. Additionally, the County Executive did not have debt recovery plan for all the outstanding arrears on the land rates.

In the circumstances, the effectiveness of internal controls on the revenue administration at the County Executive could not be confirmed.

1247. Weak Internal Controls on Imprest Management

Review of imprest records revealed that an amount of Kshs.1,750,000 in respect of various surrender of imprests. The imprests were issued to various personnel within the Department of Finance for cash purchases. Review of imprest surrender vouchers provided for audit revealed that expenditure amounting to Kshs.1,750,000 was not accounted for in full. The Department had a procurement unit and no justification for incurring the expenditure of Kshs.1,750,000 through imprest.

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

1248. Understaffing of Climate Change Unit and Oversight Structures

The County Executive had put in place a climate change action plan 2023-2027 to guide in adaptation to the effects of the climate change and reducing greenhouse gas emissions. Review of climate change documents provided for audit however, revealed that the technical unit had seven (7) staff against the requirement of nine (9) staff as per the climate action plan which could compromise on the achievement of key objectives of the Unit. Further, County Executive did not have the capacity to report on the greenhouse gas emissions as no output had been raised on the same.

In the circumstances, the effectiveness of the Climate Change Action Plan could not be confirmed.

1249. Weak Controls in Information and Communication Technology

During the year under review, the County Executive utilized a number of automated systems such as the County Electronic Revenue Collection and Management System, the Integrated Financial Management Information System (IFMIS), the Integrated Payroll and Personnel Data (IPPD) system, the LAIFOM Land Rate Management System, and the Liquor Management System to manage its operations. However, the County Executive lacked business and IT continuity plans, a disaster recovery and offsite backup plan, an ICT capacity building training program, environmental controls policies and procedures, an IT security/risk management policy, and an approved IT Steering Committee to ensure that the IT Department was in harmony with the County Government's mission and objectives. Further, the County Executive did not have both the hardware maintenance program and hardware reviews.

In the circumstances, the effectiveness of the County Executive's ICT internal controls and IT governance could not be confirmed.

1250. Lack of an Audit Committee

During the year under review, the County Executive did not have an Audit Committee in place. This was contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that each County Government entity shall establish an Audit Committee. As a result, the internal audit reports were

discussed only at departmental level. Further, the internal audit did not have a charter and operationalized workplan that was approved by the Audit Committee contrary to Regulation 163(2) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, effective oversight of the internal audit function could not be confirmed.

1250.1. Dormant Bank Accounts

Included in the cash and cash equivalents balance is an amount of Kshs.309,124,367 held in twelve (12) bank accounts that were dormant and had no operations for more than one year. Management did not provide explanation for continuing to operate the dormant bank accounts. This was contrary to Regulation 88(2) of the Public Finance Management (County Governments) Regulations, 2015, which provides that the County Executive Committee Member may suspend the operations of any county government bank account or impose certain conditions, if he or she reasonably believes the purpose of that account no longer exists.

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

List of Unresolved Prior Year Matters

No.	Audit Issues for 2023/2024
1	Unexplained Voided Transactions
2	Budgetary Control and Performance
3	Pending Accounts Payable
4	Non-Compliance with Fiscal Responsibility Principles - Development Expenditure
5	Non-Compliance with Fiscal Responsibility Principles – Wage Bill
6	Under-Payment of Staff
7	Non-Compliance with the Law on Ethnicity Diversity in Staffing
8	Non-Compliance with One-Third Basic Salary Rule
9	Irregular Earnings of Salary by the County Attorney
10	Irregular Recruitment of Staff
11	Long Outstanding Disciplinary Cases
12	Advance Payment for Fuel
13	Unutilized Market Facilities
14	Irregular Payment of Retention Money
15	Over-payment for Printing and Supply of Assorted Materials
16	Incomplete Projects - Department of Roads and Public Works
17	Irregular Procurement of Cleaning Services
18	Irregular Procurement of Insurance Services
19	Upgrading of Mosocho Market Health Centre
20	Installation of Generator at Gusii Stadium Office
21	Funding of Idle Projects - Department of Medical Services, Public Health and Sanitation
22	Payment for Works not Done
23	Proposed Levelling of Marani Stadium
24	Irregular Appointment of Private Investor to Run the Banana Processing Plant Unutilized but Completed ECDE Classrooms
25	Project Implementation Status - Department of Education
26	Project Implementation Status
27	Project Implementation Status - Culture, Sports and Social Services
28	Construction of County Aggregation and Industrial Park
29	Failure to Perform Project Handover and Acceptance after Completion
30	Delayed Installation of Metro Optical Cable at Governor's Office
31	Acquiring Software without Proper Service Level agreement
32	Funding of Idle Road

No.	Audit Issues for 2023/2024
33	Lack of Public Participation and Title Deeds for Land Parcels Occupied by Projects
34	Failure to Remit Retirement Contributions
35	Adjustments in Supplementary Budget
36	Regularity of Legal Expenses
37	Irregularities in Imprest Management
38	Non-Preparation of Financial Statements for Municipalities
39	Non-Submission of Financial Statements for Sub-County Hospitals
40	Weaknesses in Revenue Collection System - Manual Invoicing
41	Weaknesses in Revenue Collection System - Uncollected Revenue of Property Rates
42	Ineffective Revenue Collection Systems
43	Uncollected Revenue from Land Lease
44	Anomalies in Jambo Pay Revenue Collection System
45	Weak IT Internal Controls
46	Weaknesses in Internal Audit Function and Audit Committee
47	Lack of an Approved Staff Establishment and Organogram
48	Staff Acting Without Formal Appointment

COUNTY EXECUTIVE OF NYAMIRA – NO.46

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

1251. Unsupported Trade and Other Payables

The statement of financial position and as disclosed in Note 32 to the financial statements reflects trade and other payables balance of Kshs.583,338,021. However, the balance was not supported by local service orders (LSO's), local purchase orders (LPO's), supply contracts, supplier invoices and inspection and acceptance certificates.

Further, the balance of Kshs.583,338,021 excludes an amount payable to the Kenya Medical Supplies Authority (KEMSA). However, records maintained at KEMSA reflect an amount of Kshs.67,957,404 receivable from the County Executive of Nyamira for medical supplies.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.583,338,021 could not be confirmed.

1252. Duplicate Expenditure Payments

The statement of financial performance and Note 10 to the financial statements reflects use of goods and services expenditure amounting to Kshs.1,399,751,997. However, review of payment records revealed that the County Executive irregularly processed and authorized duplicate payments amounting to Kshs.8,719,154 to the same contractors for identical scope of works that had already been settled.

In the circumstances, the completeness and occurrence of the use of goods and services expenditure amounting to Kshs.8,719,154 could not be confirmed.

1253. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects cash and cash equivalents balance of Kshs.223,350,754. However, re-computation resulted in cash and cash equivalents credit balance of Kshs.474,305,207 resulting in unreconciled and unexplained variance of Kshs.250,954,453. The statement further reflects use of goods and services payments amount of Kshs.895,537,171. However, re-computation resulted in an amount of Kshs.1,593,193,133 leading to unexplained and unreconciled variance of Kshs.697,655,962.

In the circumstances, the accuracy and completeness of the statement of cash flows could not be confirmed.

Emphasis of Matter

1254. 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.8,102,897,542 and Kshs.5,648,166,753, respectively, resulting in under-funding of Kshs.2,454,730,789 or approximately 30% of the budget. However, Management spent an amount of Kshs.5,989,553,374 against actual receipts of Kshs.5,648,166,753 resulting to an over utilization of Kshs.341,386,621 or 6% of actual receipts. The over-absorption implies failure to realize the revenue budget and poor budget monitoring by Management.

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

My opinion is not modified in respect of this matter.

Other Matter

1255. 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 and Report of Effectiveness in Internal Controls, Risk Management and Governance. Review of the status during the audit of the County Executive revealed that twenty-nine (29) issues listed at the end of this report, remained unresolved as at 30 June, 2025.

Other Information

1256. There were no material issues relating to Other Information.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

1257. Failure to Establish County Budget and Economic Forum

Review of budget records revealed that the County Executive did not establish a County Budget and Economic Forum as required under Section 137 of the Public Finance and Management Act, 2012. Further, there were no appointment letters for the representatives who are not County public officers and meeting minutes to show that the forum held consultation meetings on preparation of county plans, the County Fiscal Strategy Paper and the Budget Review and Outlook Paper for the County, matters relating to budgeting, the economy and financial management at the county level, were also not provided for audit.

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

1258. Late Remittance of Statutory Deductions

Analysis of the payroll records revealed that Management deducted NSSF contributions but remitted the amounts after the due date. This was contrary to Section 20(1A) of the National Social Security Fund (NSSF) Act, 2013, which requires employers to remit contributions on or before the 9th day of the month following the month in which the contributions fall due. Further, late remittances attract penalties under the same section.

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

1259. Irregular Payment to the Council of Governors

During the year under review, the County Executive made payments totalling Kshs.3,000,000 to the Council of Governors and Kshs.1,000,000 to the Lake Region Economic Bloc (LREB), 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.

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

1260. Irregular Operation of Commercial Bank Accounts

Review of bank records revealed that the County Executive operated twelve (12) commercial bank accounts without authority from the County Treasury. This is contrary to Regulation 82(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires that subject to the provisions of Section 119 of the Act, the following criteria shall be considered by the County Treasury before granting approval to a County Government entity to open and operate a County Government bank account;

(a) all county exchequer accounts shall be opened at the Central Bank of Kenya;

(b) for avoidance of doubt, all County Government bank accounts shall be opened at the Central Bank of Kenya except for imprest bank accounts for petty cash.

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

1261. Completed Projects not Commissioned and Handed Over

Physical inspection conducted in June, 2025 revealed that two (2) projects with a total contract sum of Kshs.107,084,482 were completed but were not commissioned and officially handed over to the respective user departments or beneficiaries.

In the circumstances, value for money spent on the projects could not be confirmed.

1262. Stalled Projects

1262.1. Completion of Manga Stadium Sports

The contract for the construction and completion of the Manga stadium sports/football pitch and a running track was awarded to a contractor at a contract sum of Kshs.20,301,660 for a period of one (1) year with completion date of

20 May, 2020. Review of project records revealed that the Project Implementation Committee approved the extension of the contract to 31 December, 2021. Another extension was granted for forty (40) weeks up to 31 August, 2022. Further, a third extension was granted up to 20 June, 2023. In addition, there was a variation of extra works at a cost of Kshs.4,980,550 on 15 March, 2023 to undertake drainage works.

At the time of the audit, an amount of Kshs.17,939,512 or 71% of the total contract sum had been paid to the contractor. Further, the contractor's performance bond of Kshs.1,015,083 expired on 16 December, 2021. Physical inspection of the project in the month of June, 2025 revealed that the contractor was not on site and works remained incomplete. Management did not demonstrate measures put in place to ensure that the project is completed as the contract period had lapsed and the performance bond had expired.

1262.2. Construction of an Eye Hospital

The County Executive awarded a contract for the construction of an eye Hospital at Nyamwetureko, at a contract sum of Kshs.35,104,864. The contract was for a period of twenty (20) months with a completion date of March, 2022. Review of the financial records, including payment vouchers and procurement records revealed that the contractor had been paid cumulative sums of Kshs.15,127,212 or 43% of the contract sum. The contractor requested for an extension of the contract period citing a delay of eight (8) months before the official handing over of the site due to the COVID-19 pandemic. The approval for extension was granted on 20 June, 2023, and the contract period was extended for twenty-four (24) weeks from 30 June, 2023 to 30 December, 2023.

On 10 September, 2024, Management issued a default notice with a fourteen (14) day notice for termination of the contract in case the contractor persisted with the fundamental breach of the contract. However, no response from the contractor was received in regards to the same. Physical inspection carried out on 11 June, 2025, revealed that the works had stalled and the contractor was not on site. Management did not provide an explanation for the delay in the termination and subsequent retendering of the project.

1262.3. Stalled Construction of Outpatient Department and Inpatient Wards

The County Executive awarded a contract for the construction and completion of outpatient department and inpatient wards block at Ekerenyo Sub-County Hospital for a contract sum of Kshs.34,589,321, which was signed on 12 August, 2020. The Project Implementation Committee report indicated that the contractor had been paid Kshs.12,480,341 or 36% of the contract sum as at the time of audit in June, 2025. Review of the contract file revealed that the contractor was granted a contract extension period of fifty-two (52) weeks from 28 October, 2022 to 28 October, 2023. An additional extension of twenty-four weeks was granted from 28 October, 2023 to 30 April, 2024, and a further extension of fifty-two (52) weeks from 30 April 2024, to 30 April, 2025.

However, physical inspection carried out in June, 2025, revealed that the contractor was not on site and no work was ongoing and the contract period had since expired but works

had not been completed. Management did not provide an explanation for the delay in the completion of the project.

1262.4. Stalled Construction of Kenyamware Health Facility

The County Executive awarded a contract for the construction of Kenyamware Health Facility to a contractor at a contract sum of Kshs.3,982,658. The contract period was one hundred and twenty (120) days, commencing on 20 July, 2020, with an expected completion date of 20 October, 2020.

Review of the procurement file revealed that the first interim payment certificate of Kshs.2,644,744 or 66% of the contract sum was issued on 25th November, 2021 after the expected completion date. However, the financial records were not provided to confirm whether the payment made. Further, the bid documents, Bills of Quantities and project structural designs, tender opening, and evaluation reports were also not provided for audit.

Physical inspection carried out on 18 June, 2025 revealed that the contractor had abandoned the site and the works had stalled. The contract period had expired and Management did not provide measures instituted to ensure the works are completed.

1262.5. Construction of Twin Staff House at China Health Centre

The County Executive awarded a contract for the Construction of a twin staff house at China Health Centre to a contractor at a contract sum of Kshs.3,502,363. The contract period was ten (10) months, commencing on 12 August, 2020, with an expected completion date of 12 June, 2021.

Review of the procurement file revealed that the first Interim Payment Certificate for Kshs.2,742,247 or 78% of the contract sum, was issued on 24 April, 2023, almost two (2) years after the expected completion date. The financial records were not provided to confirm if the payment was made. Further, the Bills of Quantities and project structural designs, tender opening, and contract extensions documents were also not provided for audit.

In addition, physical inspection carried out on 18 June, 2025 revealed that the contractor had abandoned the project and works had stalled. The contract period had also expired. However, Management did not demonstrate the measures put in place to ensure the project is completed.

1262.6. Construction and Completion of a Twin Staff House

The County Executive awarded a contract for a sum of Kshs.3,840,876 for construction and completion of a twin staff house with a pit latrine at Nyandoche Ibere Health Centre on 21 May, 2019. The contract period was one hundred and eighty (180) days with an initial completion date of 21 November, 2019. However, no financial records were provided to establish actual payment made. Further, the certified Bills of Quantities, project structural designs, contract extensions document and progress reports from project implementation team were not provided for audit.

Physical inspection carried out on 12 June, 2025 revealed that the project was only 15% complete. The contractor was not on site and works remained incomplete. Management did not provide the measures taken to ensure the County Executive gets compensation from the contractor for breaching the terms of the contract.

1262.7. Construction and Completion of a Staff House

The County Executive awarded a contract for construction and completion of a staff house at Nyaigesa Health Facility at a contract sum of Kshs.4,786,403. The contract was awarded on 7 June, 2023, with a contract period of one hundred and fifty (150) days with an initial completion date of 7 November, 2023. At the time of audit in June, 2025, the Contractor had been paid an amount of Kshs.2,703,393 or 56% of the contract sum. Physical inspection carried out on 12 June, 2025 revealed that items in the Bills of Quantities totalling Kshs.1,817,650 had not been completed and the contractor was not on site.

Management did not provide measures taken to terminate the contract or obtain compensation from the contractor for breaching the terms of the contract, and measures taken to complete the project.

In the circumstances, value for money on the expenditure of Kshs.53,637,449 on the seven (7) stalled projects could not be confirmed.

1263. Delayed Projects

1263.1. Delayed Completion of the In-Patient Wards Block

The contract for the construction of in-patient wards block at Nyamusi Sub-County Hospital was awarded to a contractor on 28 June, 2018, at a contract sum of Ksh.34,865,540. The contract period was for thirty-six (36) weeks. Six (6) interim payments certificates were issued and paid, and the progress of work at the sixth interim payment was 95%, and a sum of Ksh.5,648,862 paid. Physical inspection carried out in June, 2025 revealed that the contractor was not on site despite the inspection report showing 95% progress. Further, the project was not in use, and the extensions for the project period expired on 30 December, 2023.

1263.2. Implementation of the Proposed Construction of County Aggregation and Industrial Park

The County Executive through the Department of Trade, Tourism, Industrialization and Cooperative Development in collaboration with the State Department for Industry, entered into a contract with a contractor on 25 July, 2023 for the construction of the County Aggregation and Industrial Park at Sironga at a contract sum of Kshs.498,545,945. The contract commencement date was 30 September, 2023 with a contract period of fifty-two (52) weeks.

The progress report as at 23 September, 2024, indicated that the project was 25% complete and payments totalling Kshs.126,039,797 had been made to the contractor, with Kshs.75,580,271 paid during the year under review. An extension of the contract completion date to 30 September, 2025 was communicated vide a letter dated 4 September, 2024. However, there was no evidence or work plan provided to support the requisition and formal approval of the extension or implementation schedules provided for audit.

In the circumstances, value for money on the expenditure of Kshs.131,688,659 on the two (2) delayed projects could not be confirmed.

1264. Construction and Rehabilitation Works at Nyamaiya Stadium

The County Executive, incurred an expenditure of Kshs.6,798,376 on construction and renovation works at Nyamaiya Stadium. However, review of procurement records revealed the following anomalies:

(i) Bills of Quantities (BQ) initially valued at Kshs.6,993,756 were split into two (2) separate tenders of Kshs.3,917,516 and Kshs.2,880,860, respectively. However, no documentation was provided for audit to support the authorization or justification for splitting the original BQ into two (2) tenders.

(ii) Certified Bills of Quantities for the two (2) tenders were not provided for audit and the inspection of the scope of work and confirmation of the consistency with the original Bills of Quantities was not confirmed.

(iii) The renovation works were not supported by defects assessment reports detailing the recommended renovations and post-inspection reports to confirm whether the works were completed as specified. Consequently, the nature and extent of the repairs and rehabilitation works could not be confirmed.

(iv) There were no certificates of commissioning or handing over for the two (2) projects.

(v) During physical inspection conducted on 19 June, 2025, the ablution block was not labelled, was not in use and the painted surfaces in the renovated pavilion exhibited visible dirt and substandard workmanship.

In the circumstances, value for money for the amount spent could not be confirmed.

1265. Unsupported Medical Insurance Costs

Review of the payment records revealed that payments totalling Kshs.172,890,000 were made to an insurance company for the provision of medical insurance cover for the County Executive staff at a contract price of Kshs.192,000,000. However, insurance returns and claims reports to indicate the extent to which staff accessed and benefited from the medical services were not provided for audit.

It was not possible to confirm whether, the medical insurance cover was delivered as per the contract terms, and if the intended beneficiaries, received and utilized the medical services.

In the circumstances, value for money on the expenditure of Kshs.172,890,000 could not be confirmed.

1266. Irregular Commitments of Funds

Review of the County Executive expenditure records revealed that commitments totalling Kshs.20,707,251 were entered into after 31 May, 2025, which was beyond the statutory deadline for making financial commitments in the financial year under review. This was contrary to Regulation 50(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires all commitments for supply of goods or services to be done not later than the 31st May each year.

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

1267. Non-Compliance with Fiscal Responsibility Principles on Wages

The County Executive incurred an expenditure of Kshs.3,013,312,447 on compensation of employees. The amount was 50% of total revenue amount of Kshs.6,065,786,676. This was contrary to Regulation 25(1) (a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, which requires the County Executive Committee member with the approval of the County Assembly to set a limit on the County Government's expenditure on wages and benefits for its public officers of not more than thirty five percent (35%) of the County Government total revenue.

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

1268. Non-Compliance with Law on Staff Ethnic Composition

Review of the staff register data from the Human Resource Information System (HRIS-Kenya) revealed that the County Executive had a total of four thousand three hundred and two (4,302) employees out which four thousand and seventy-five (4,075) officers or 95% were from the dominant ethnic community in the County. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, which prohibits public institutions from having more than one-third of their staff from a single ethnic group. It also contravenes Article 232(h) of the Constitution of Kenya, 2010, which requires promotion of representation of Kenya's diverse communities in the public service.

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

1269. Non-Compliance with Law on Affirmative Action

Review of the Consolidated Annual Procurement Plan for the County Executive revealed that the County Executive had an approved budget estimate of Kshs.1,666,934,221 for expenditure on goods and services. However, analysis of the plan revealed that only

Kshs.452,151,511, representing 27% of the total procurement budget was reserved for special interest groups (women, youth, and persons with disabilities).

This was below the minimum threshold of 30% required under Section 53(6) of the Public Procurement and Asset Disposal Act, 2015, which requires that at least thirty percent of the annual procurement budget be allocated to enterprises owned by youth, women, and persons with disabilities. Further, the youth being individuals below the age of 35 make up 26% of the workforce and there was no evidence to show that the County Executive had developed or implemented targeted policies or recruitment drives aimed at enhancing youth participation in public service as envisioned in Article 55 of the Constitution of Kenya, 2010.

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

1270. Non-Compliance with Persons with Disabilities Act, 2025

Review of the staff register data from HRIS-Kenya revealed that out of a total workforce of four thousand three hundred and two (4,302), only forty-seven (47) officers or 1% of the total staff establishment were Persons with Disabilities. This was below the statutory threshold set under Section 5(1)(e) of the Persons with Disabilities Act, 2025, which states that 'every county government shall promote the inclusion of persons with disabilities in the county public service by putting in place measures to ensure that at least five per centum of the employment positions are filled by persons with disabilities'.

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

1271. Non-Compliance with the Provisions of the Public Procurement Capacity Building Levy Order, 2023

Review of procurement transactions for the year under review, revealed that the County Executive did not comply with key provisions of the Public Procurement Capacity Building Levy Order, 2023 and Public Procurement Regulatory Authority (PPRA) Circular No.01/2024 which requires the entity to apply the mandatory 0.03% levy on the value of contracts signed with suppliers and initiated from 1st September, 2024, as required by Paragraph 2 of the Levy Order and an amount of Kshs.105,611 was not collected. Further there was no evidence that any amounts were remitted to the Public Procurement Regulatory Authority (PPRA) through the e-Citizen platform by the 20th of the following month, as stipulated in Paragraph 5 of PPRA Circular No. 01/2024. This delay may result in penalties of 5% per month on the unremitted amounts as stated in the circular.

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

1272. Non-Compliance with Law on Mandatory Retirement Age

Review of the Integrated Payroll and Personnel Database (IPPD) and personnel records revealed that two (2) officers who had attained the mandatory retirement age of sixty (60) years were still in service as of 30 June, 2025. No evidence was provided to show that

they are peoples living with disabilities or have special skills. This was contrary to Regulation 70(1)(a) of the Public Service Commission Regulations, 2020, which states that the mandatory retirement age in the public sector shall be sixty (60) years. The officers were paid emoluments totalling Kshs.841,200 in the year under review.

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

1273. Lack of Annual Recruitment Plan

Review of the personnel records revealed that the Human Resource Department did not prepare and submit the recruitment plans to the County Public Services Board. This is contrary to Section B (2)(1) of the Human Resource Policies and Procedures Manual for the Public Service of May 2016 which requires every entity to prepare Human Resource Plans to support the achievement of goals and objectives in the strategic plans. Further, the plans must be based on comprehensive job analysis and reviewed annually to address emerging issues and needs.

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

1274. Unutilized Modern Ablution Block at Nyamira Bus Park

The County Executive paid an amount of Kshs.4,828,446 to a contractor for the construction and completion of the Nyamira bus park modern ablution block. However, physical inspection conducted in June 2025 revealed that the project was complete but was not in use. Further, the project had not been formally handed over to the County Executive thereby denying the public the intended benefits.

In the circumstances, value for money spent on the project could not be confirmed.

1275. Irregularities in the Recruitment Process

Review of the personnel records revealed that the County Executive advertised for vacancies in various positions. However, the advertisements for the vacancies were run for less than twenty-one 21 days, contrary to Section B4(1) of the public service Human Resource Policy 2016 which requires entities to advertise all vacant posts in a manner that reaches the widest pool of potential applicants and allow for at least twenty-one (21) days before closing the advert. Further, the appointed staff did not undergo induction within the first three (3) months, contrary to Section H.6 of the Public Service Human Resource Manual, May 2016.

In addition, there was no evidence to confirm that the filled posts were derived from authorized staff establishment gaps, contrary to Section B.5(2) of the County Public Service Human Resource Manual, May 2016, which requires all vacancies to be declared in a prescribed format.

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

1276. Non-Compliance with the One-Third Rule on Basic Pay

The statement of financial performance and Note 9 to the financial statements reflects employee costs amount of Kshs.3,013,312,447. Review of the monthly payroll records revealed that a number of employees had salary deductions that were more than two-thirds of their basic salaries as indicated below:

Month	Number of Staff	Month	Number of Staff
July, 2024	461	January, 2025	264
August, 2024	436	February, 2025	265
September, 2024	427	March, 2025	269
October, 2024	668	April, 2025	265
November, 2024	626	May, 2025	271
December, 2024	2	June, 2025	274

This was contrary to the provisions of Section 19(3) of the Employment Act, 2007, which provides that the total amount of all deductions that may be made by an employer from the wages of an 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.

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

1277. Irregular Promotions

The statement of financial performance and Note 9 to the financial statements, reflects employee costs amount of Kshs.3,013,312,447. Review of the staff files revealed the following anomalies;

(i) An employee was appointed as a Tipper Driver II on 27 September, 2021. However, the copy of the appointment letter was missing in the personal file. The officer reported on duty on 4 October, 2021, with the letter indicating his Job Group as "F". An addendum for salary arrears done on 2 February, 2022 for five (5) months, indicated the officer was in Job Group "E". A letter of confirmation was issued on 6 December, 2023 confirmed the employee into permanent and pensionable terms with effect from 1 July, 2021, which was before his date of appointment. This was contrary to Section B.18(1) of the Human Resource Policies and Procedures Manual for Public Service. PSC HR Manual, 2016, which states that an officer appointed to the service in a pensionable post will be confirmed in appointment and admitted into the permanent and pensionable establishment on completion of a probationary period of six (6) months satisfactory service.

Further review of the payroll for the year under review revealed that the officer was upgraded from Job Group "E" to Job Group "G" without any supporting documentation for the promotion.

(ii) An employee was promoted to the position of Principal Internal Auditor on 1 November 2018. The officer was later appointed as the Director of Internal Audit and Risk Management in an acting capacity on 22 December, 2021 after interviews conducted did not identify a suitable candidate. Later, the officer was appointed as a substantive director Job Group "R" on 7 July, 2022. However, the County Public Service Board did not provide evidence of any subsequent advertisement to formally fill the vacancy, nor the legal basis for the appointment.

(iii) An employee was appointed as a Ward Administrator in Job Group "M" on 1 November, 2014 and confirmed on 1 May, 2015. The officer requested for redesignation as Assistant Director, Administration County Results Office, on 4 July 2016. However, no correspondence was provided to confirm approval of this request or the justification for the change in designations. The officer was later appointed as Deputy Director ICT and E-learning, Job Group "Q", on an acting capacity on 1 February, 2018 and confirmed in the same post effective on the same date. This was contrary to Section B.21 (3) of the Human Resource Policies and Procedures Manual for Public Service. Manual, 2016, which states that re-designation of officers shall be subject to a suitability interview for officers who are moving from one cadre to another.

(iv) The officer was later reassigned to the office of the County Secretary as Deputy Director ICT and E-Governance, Job Group Q, on 9 June, 2020. The justifications for the upgrading and change in job group and job designation were not provided for audit.

(v) An employee was promoted to a Senior Nursing Officer job group "L" effective from 8 March, 2011. Review of her personal file revealed that she was upgraded to the position of Chief Nursing Officer, Job Group "M" with effect from 1 October, 2015. The employee was later upgraded to a Principal Nursing Officer Job Group "N" on 1 November, 2017, a change effected within two (2) years, contrary to the scheme of service. She was later demoted to Job Group "H" during the year under review and later reinstated to Job Group "M". However, there was no evidence or justification for the changes effected and movements from one job group to another.

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

1278. Avoidable Expenditure

Review of court cases documents revealed cases whose judgments were made, with decree awards payable totalling Kshs.93,086,971 and interest charges amounting to Kshs.23,490,953. Had the County Executive paid the decretal sum in time, the interest charges could have been avoided. The interest charges of Kshs.23,490,953 amounted to avoidable expenditure.

In the circumstances, value for money for the interest charges amounting to Kshs.23,490,953 could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

1279. Inadequate Internal Audit Capacity and Governance Structures

Review of the internal audit records revealed that the Directorate of Internal Audit and Risk Management had five (5) staff members against the establishment of eleven (11) indicating inadequate staffing to effectively execute the mandate. The Directorate lacked an approved internal audit budget for the year under review, which may have hindered the proper planning and execution of audit activities.

Further, there was no Internal Audit Charter to define the mandate, authority and responsibilities of the internal audit function. There were no risk management reports or structured risk assessments conducted during the period, an indication of weaknesses in the County's risk management framework.

In the circumstances, the effectiveness of internal controls and risk management structures could not be confirmed.

1280. Failure by the Audit Committee to Conduct Meetings

Review of audit committee records revealed that the County Audit Committee held only one meeting during the year under review, on 8th August, 2024. This was contrary to Regulation 172(1) of the Public Finance Management (County Governments) Regulations, 2015, which requires the Audit Committee to meet at least once every three months.

In the circumstances, the effectiveness of oversight by the Audit Committee could not be confirmed.

1281. Failure to Conform with the Approved County Staff Establishment Staffing Levels

Review of human resource records revealed that the County Executive conducted key Human Resource functions, including recruitment, promotion, and staff transfers, without a formally approved staff establishment. Lack of an approved establishment hindered the process to determine the existence of vacancies, the appropriateness of appointments or promotions and the basis for staff distribution and development planning.

Analysis of departmental staff establishments and current staffing and staff returns as of June, 2025 revealed significant variances. Some Departments had no approved

establishment but had substantial staff numbers, while others had staffing levels that exceeded or fell far below the approved structures.

In the circumstances, the existence of effective control mechanisms on human resource management and functions could not be confirmed.

1282. Lack of Approved Human Resource Plans and Policies

Review of human resource records revealed that the County Executive did not have approved key policy manuals for Human Resource Management including Career Progression Guidelines and Human Resource Plans and Policy. As a result, it was not possible to confirm the appropriateness of the current staffing level for achieving the strategic objectives. This was contrary to the Human Resource Policies and Procedures Manual for the Public Service, 2016, which requires departments to prepare human resource plans. Further, staff promotions during the year were based solely on qualifications, as the County Executive had not developed career progression guidelines.

In addition, the County Executive did not maintain a skills inventory for its employees, which hindered effective training, recruitment, and succession management decisions. As a result of the lack of these key policies, the County Executive faced ninety-seven (97) legal cases on-going petitioned against it which might result in financial burden and costs, which otherwise would have been avoided.

In the circumstances, the effectiveness of internal controls on Human Resource Management could not be confirmed.

List of Unresolved Prior Year Matters

No.	Audit Issues for 2023/2024
1	Compensation of Employees - Variance Between Bank Remittance Records and Payroll
2	Unsupported Expenditure on Research Studies, Project Preparation Design
3	Unsupported Cash and Cash Equivalents
4	Budgetary Control and Performance
5	Pending Bill
6	Non-Compliance with the Law on Minimum Development Expenditure
7	Composition of Employees
8	Non-Compliance with Fiscal Responsibility Principles
9	Non-Compliance with Law on Staff Ethnic Composition
10	Non-Compliance with the Third Rule on Basic Salary Role
11	Delay in Confirmation of Staff in Employment
12	Irregular Transfers to the County Assembly
13	Lack of Training Needs Assessment
14	Delayed Completion of Projects
15	Delayed Completion of Nyamira County Headquarters
16	Termination of Contract for Construction and Completion of Nyamira County Referral Hospital Complex
17	Delayed Completion of Twin Houses at Motagara Health Centre
18	Delayed Completion of Twin Houses at Nyakeore Health Centre
19	Delayed Completion of Twin Houses at Kahawa Health Centre
20	Delayed Completion of Twin Houses at Emenyenche Health Centre
21	Delayed Completion of Outpatient Department and Inpatient Wards at Ekerenyo Sub-County Hospital
22	Delayed Completion of Construction of Eye Hospital at Nyamwetureko
23	Termination of Contract for Construction of Inpatient Block at Manga Sub-County
24	Delay Implementation of the Development of Nyamira County Spatial Plan
25	Delayed Finalization of Nyamira County Valuation Roll
26	Tinga Ekoro Water Supply Project
27	Grounded Motor Vehicles and Machinery
28	Failure to Hold Minimum Number of Audit Committee Meetings
29	Unremitted and Omitted Retirement Contribution

COUNTY EXECUTIVE OF NAIROBI CITY – NO.47

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

1283. Employee Costs

The statement of financial performance reflects employee costs amount of Kshs.19,845,158,094 as disclosed in Note 8 to the financial statements. However, review of employee records s provided revealed the following;

1283.1. Unsupported Employee Costs

Employee costs includes an amount of Kshs.840,426,436 under other personnel costs. However, the beneficiary lists, claim forms, invoices, approvals or any documentation to support the payments were not provided for audit. As a result, it was not possible to confirm the nature, purpose and regularity of the other personnel costs.

1283.2. Personal Allowances Provided in Kind

Further, the balance includes an amount of Kshs.90,582,862 under personal allowances provided in kind. However, the list of beneficiaries, applicable payment rates, computation details or the specific justification for the expenditure was not provided. It was therefore not possible to determine the criteria used to identify beneficiaries, the basis of payment or whether the expenditure related to active County staff or external personnel. Further, no evidence of approvals or correspondence from the County Public Service Board was provided to confirm that the payments were authorized and consistent with existing human resource and payroll policies.

1283.3. Migration to Human Resource Information System

The employees' costs balance includes an amount of Kshs.31,654,304 which was paid to seventy-six (76) officers who were introduced into the payroll upon migrating from the Integrated Payroll and Personnel Database (IPPD) to Human Resource Information System (HRIS) in December, 2024. However, records in respect of the financial year 2024/2025 for those who joined or exited, transfer approvals, contract extensions, appointment letters and approvals were not provided for audit review.

1283.4. Payment of Wages Outside HRIS-Ke System

The balance includes an amount of Kshs.666,968,319 for basic wages of temporary employees. Review of employees' records provided revealed that the expenditure were payments to casual workers, community health volunteers (CHVs) and other health staff. However, payroll records, contracts, or attendance register were not provided to

substantiate the payments. Further, the amounts were not processed through the HRIS system as required but were instead processed using a manual payroll.

1283.5. Unsupported Withdrawals from the Salary Account

Review of withdrawals records revealed seven (7) withdrawals totalling Kshs.1,923,574,338 from salary account held at a local bank during the year. However, the withdrawals were not supported with payroll summaries, registers, payment vouchers, or approvals and were not processed through the approved payroll system.

1283.6. Irregular Payment of Per Diem from Salary Account

Review of the salary account held in a local bank revealed that a total of Kshs.263,959,402 was paid out as per diem. However, the payments were processed directly from the salary account instead of the designated operations or travel imprest accounts. The payment of per diem from a non-designated account represents irregular financial practice and undermines expenditure control mechanisms.

1283.7. Irregular Recruitment and Payment of Casual Employees

Review of sampled payment vouchers revealed that an amount of Kshs.11,642,923 was paid to casual workers engaged at Langata Cemetery, Nairobi Funeral Home and the Department for Works for the months of October and November, 2024 and February to May, 2025. However, the significant control weaknesses were identified including; absence of documented recruitment criteria and approvals, lack of staff rationalization reports, incomplete and inconsistent payroll records and muster rolls and attendance registers, unexplained variances in the number of casual workers paid, unsupported daily wage rates and lack of evidence of work performed. In several instances, funds were transferred to the County bank accounts without adequate evidence that payments were subsequently made to the intended beneficiaries.

Although, the Chief Officer, Public Health, through a memorandum, requested the County Secretary for authority to recruit one hundred and fifty (150) casual workers with effect from September, 2024, the County Secretary advised that further engagement of additional staff would worsen the existing County personnel budget and instead proposed that the sector liaise with the Chief Officer, Environment, with a view to redeploying the recently recruited additional Green Army support staff to the Health, Wellness and Nutrition Sector to perform the identified functions. The response however, did not provide evidence of approval for recruitment of the casual workers paid, and not supported by deployment records, payroll documentation, proof of payment to individual beneficiaries, and evidence of remittance of statutory deductions.

1283.8. Undisclosed Third-Party Deductions and Net Salaries

Review of payroll and payment records revealed that an amount of Kshs.4,637,328,259 relating to third-party deductions and net salaries was paid during the year. Although payment vouchers and supporting schedules were provided for audit, this amount was

not disclosed in the payroll analysis schedule in the financial statements under employee-related costs.

1283.9. Irregular Recruitment and Payment of Community Health Promoters

Review of the payroll revealed that the County Executive made payment totalling Kshs.195,352,000 for monthly stipends of seven thousand, eight hundred and twenty (7,820) Community Health Promoters (CHPs). The following anomalies were noted.

(i) No documentation was provided to confirm whether the County conducted a needs assessment prior to engaging the CHPs, raising concerns on whether the deployment was aligned with actual service delivery needs.

(ii) The recruitment process was not supported, with shortlists, and interview reports and therefore, there was no evidence to confirm that the CHPs were competitively hired by the County Public Service Board as required.

(iii) Engagement letters indicated a stipend of Kshs.3,500 per month (comprising Kshs.3,000 stipend and Kshs.500 SHA contribution), but the deduction for SHA was not referenced in the engagement letters, and no approval for this deduction was provided.

(iv) The stipends included a Kshs.500 SHA contribution per promoter per month, totalling Kshs.46,920,000, but no receipts, remittance slips, or acknowledgment documents were provided. Consequently, the authenticity of SHA deductions and remittances could not be confirmed.

(v) Terms of Reference or guidelines outlining the duties and responsibilities of CHPs were not provided.

(vi) Sub-county confirmations of payments were not provided, while payment vouchers were addressed to Nairobi County.

(vii) There were no acknowledgments or signed pay-lists from CHPs to confirm receipt of their stipends, and bank statements were not provided for verification.

(viii) The database of CHPs also lacked crucial information such as age, recruitment dates, and records of joiners and leavers, limiting the ability to verify authenticity and continuity of payments.

(ix) Supporting documents for stipend distribution, such as Ruaraka Sub-County lists, did not include names of Community Health Units (CHUs), making it difficult to confirm whether stipends corresponded to the reported 782 CHUs.

1283.10. Irregular Annual Salary Increments

The audit noted several inconsistencies and irregularities in human resource management, payroll administration, and statutory compliance. Two hundred and twenty-

five (225) officers had multiple annual salary increments within the financial year contrary to Paragraph C.3 of the Public Service Commission, Human Resource Manual, 2016. These increments led to irregular basic salary progression. Annual salary increments were processed outside the approved policy framework, leading to irregular and unbudgeted payroll expenditures.

1283.11. Defunct Local Authority Collective Bargaining Agreement Irregularities

Extraneous allowances totalling Kshs.48,233,833 were paid to two hundred and seventy (270) officers in FY 2024/25 without legal backing. The applicable Collective Bargaining Agreement (CBA) expired in 2014 but continued to be applied. Additionally, two hundred and fifty-five (255) officers were paid Kshs.47,751,167 in excess of the allowable 90 days per year. Officers' contracts did not provide for extraneous allowances. These payments were made without legal or contractual basis, contrary to PSC and SRC frameworks.

1283.12. Irregularities in Payment of Leave Allowances

Four (4) officers received leave allowance three (3) times in one year, and three hundred and forty-seven (347) officers received multiple payments, totalling Kshs.31,975,989 contrary to Paragraph C.11(1) of the PSC HR Manual, 2016. This indicates failure to comply with established leave allowance policies.

1283.13. Off-Payroll Payment of Security Allowance

An amount of Kshs.9,662,200 described as security allowance was paid from the salary account but was not processed through payroll or approved by the SRC. No documentation was provided to support the payment. The payment constitutes irregular and unapproved expenditure, made outside established controls.

In the circumstances, the regularity and completeness of the compensation of employees could not be confirmed.

1283.14. Irregularities in Engagement and Payment of Casual Employees

Audit review of four payment vouchers totalling Kshs.10,638,687 in respect of casual employees for the months of February, March, September and December revealed significant control weaknesses. There were material discrepancies between muster rolls and daily attendance registers on the number of casuals engaged, unsupported claims for overtime and weekend work, and cases where payments were made for excess days not backed by attendance records.

Further, departmental requisitions did not specify the number of casuals engaged, duration of work or justification for their engagement. No contracts, engagement terms or wage guidelines were provided to support varying daily rates, while payment vouchers lacked individual payroll breakdowns and no payroll soft copy was provided for detailed audit verification.

1283.15. Unsupported Accrued Employee Costs

Review of employee costs revealed that an amount of Kshs.1,564,156,384 was reported as accrued employee costs in the general ledger. The accrued amount comprised of basic salaries for permanent employees' balance of Kshs.700,039,514, personal allowances paid as part of salary balance of Kshs.692,361,934, employer contributions to compulsory National Social Security Schemes of Kshs.156,973,603 and personal allowances paid in kind balance of Kshs.14,781,333. However, Management did not provide reconciliations between payroll records, the Human Resource Information System (HRIS) and the general ledger to support the accrued balances. Further, the accrual schedules detailing the basis of computation, period covered, beneficiaries or evidence of subsequent settlement of the accrued amounts after year end were also not provided for audit. Further, documentation to support accruals relating to unpaid allowances, terminal benefits or pension liabilities was also not provided for audit review. No analytical review or variance analysis was not provided to explain movements between the current and prior year employee costs.

In the circumstances, the accuracy, completeness and occurrence of the employee costs amounting to Kshs.19,845,158,094 could not be confirmed.

1284. Unsupported Transfers to Free Early Childhood Development and Education Programme

The statement of financial performance and Note 10 to the financial statements reflects transfers to other Government entities amount of Kshs.100,000,000. Review of transfers records revealed that the amount was transferred on 5 February, 2025 to Free Early Childhood Development and Education Program bank account. However, the transfer and the related expenditure were not supported by payment vouchers or other relevant accounting records including returns and a departmental cashbook. Further review of the bank statements revealed payments amounting to Kshs.54,044,611 made during the period from July, 2024 to June, 2025, for which payment vouchers, supporting documents and departmental cashbooks were not provided for audit and the expenditure was not disclosed in the financial statements. An analysis of bank statements revealed total debit balance of Kshs.104,212,439 and credit of Kshs.104,731,388, whose sources and application could not be confirmed, with some debit entries described as "iKONNECT bulk upload."

Further, the account was not disclosed in the schedule of County Executive bank accounts and documentation relating to authority to open and operate the account, bank confirmation, cashbook and authority to debit the account was not provided. The bank reconciliation statements submitted reflected Nil balances in both the bank statement and cashbook for the period July, 2024 to January, 2025, however, the February, 2025 reconciliation disclosed receipts amounting to Kshs.100,000,000 and payments amounting to Kshs.57,049,280 recorded in the bank statement but not captured in the cashbook, indicating that transactions were processed outside the accounting records.

Another bank account, correspondence from UNICEF to the County Chief Officer for Education indicated that an amount of Kshs.7,867,000 had been disbursed quarterly for the implementation of Early Childhood Education and Pre-Primary School Programmes in Ruaraka and Mathare informal settlements and was required to be liquidated. However, no documentation was provided for audit to confirm receipt of the funds, the terms and conditions of the donation, its utilization or liquidation. Further, the donation was not disclosed in the financial statements.

In the circumstances, the accuracy, completeness and regularity of transfers to Free Early Childhood Development and Education Programme amounting to Kshs.100,000,000 could not be confirmed.

1285. Unsupported Scholarships and Other Educational Benefits

The statement of financial performance reflects other grants and subsidies amount of Kshs.2,275,084,269 which includes an amount of Kshs.270,434,062 relating to scholarships and other educational benefits as disclosed in Note 12 to the financial statements. However, the scholarship amount was not supported with respective ledgers and there was no detailed breakdown or description of the beneficiaries.

In the circumstances, the accuracy, completeness and regularity of other grants and subsidies expenditure of Kshs.270,434,062 could not be confirmed.

1286. Trade and Other Payables

The statement of financial position and as disclosed in Note 16 of the financial statements reflects trade and other payables balance of Kshs.87,240,740,803. However, the following anomalies were noted;

1286.1. Unsupported and Long Outstanding Trade and Other Payables

Trade and other payables totalling Kshs.75,067,826,239 were outstanding for more than one (1) year and were not supported with ledgers and schedules to justify what the amounts relate to. The trade and other payables as at 1 July, 2024 amounted to Kshs.118,794,238,631 while the balance as at 30 June, 2025 amounted to Kshs.75,067,826,239 as at 30 June, 2025 which indicates pending bills totalling Kshs.43,726,412,392 were paid during the year. However, the expenditure amounting to Kshs.43,726,412,392 was not supported. Further, records provided revealed that Management paid an amount of Kshs.3,422,835,912 pending bills during the year. The basis for non-payment of the remaining balance of Kshs.40,303,576,480 could not be confirmed.

1286.2. Irregular Payment for Renovation Works at Pumwani Maternity Hospital

Included in the trade and other payables balance is a payment amounting to Kshs.9,006,286 to a local contractor for repainting of Pumwani Maternity Hospital. Review of the list of pending bills revealed that the payment did not appear in the pending bills

register for 2023/2024 year. Further the supporting documents provided were photocopies as the original payment voucher was reported missing. An indemnity for the lost voucher was raised in February, 2020 and no invoice was attached to the payment records.

In the circumstances, the accuracy, completeness, existence and regularity of trade and other payables balance of Kshs.87,240,740,803 could not be confirmed and the County Executive is exposed to loss of funds through fines, penalties and litigation.

1287. Unconfirmed Receivables from Non-Exchange Transactions

The statement of financial position and Note 14 to the financial statements reflect receivables from non-exchange transactions balance of Kshs.216,448,631. Included in the balance is an amount of Kshs.200,411,931 due from the County Revenue Fund (CRF). However, the remaining balance of Kshs.16,036,700 was not supported with ledgers, invoices or contract agreements. Further, Management did not make provision for bad and doubtful debts, contrary to the requirements of the applicable financial reporting framework, increasing the risk of overstating receivables and total assets in the financial statements.

In the circumstances, the accuracy and recoverability of the receivables balance of Kshs.16,036,700 could not be confirmed.

1288. Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.5,813,752,973 as disclosed in Note 15 to the financial statements. Review of assets records provided revealed the following;

1288.1. Undisclosed Expenditure of Buildings Costs

The balance includes an amount of Kshs.6,136,472,523 relating to additions to assets out of which an amount of Kshs.1,097,150,026 relates to additions to buildings. Review of the sampled documents provided for audit revealed that two (2) payments totalling Kshs.10,096,705 and pending payments totalling Kshs.38,825,527 were not disclosed in the ledgers. Further, the contract documents for the two (2) contractors were cleared for signing on 1 August, 2024. However, the actual signing of the contracts was done on 2 July, 2024 which is a month earlier. The inconsistencies were not explained or supported.

1288.2. Supply and Delivery of Hard Core for Dandora Dump Site

Included in the property, plant and equipment balance is Kshs.3,127,506,554 relating to additions to infrastructure which includes a payment of Kshs.257,624,729 made for the supply and delivery of hardcore. However, supporting documents including the approved procurement plan indicating the activity, request for quotation or tender documents, tender opening and evaluation minutes, award letter and contract agreement with the

supplier, delivery notes duly acknowledged by the receiving officer, Inspection and Acceptance Committee Report, payment voucher with relevant approvals, supplier invoices, stores ledger cards or stock records showing receipt of the items, goods received note, and local purchase or service order were not provided for audit review.

1288.3. Unsupported Expenditure in Acquisition of Assets

The property, plant and equipment balance includes an amount of Kshs.19,623,154 for purchase of motor vehicles which was not supported with procurement records including advertisements, tender minutes, evaluation reports and acceptance letters, or regret letters issued to unsuccessful bidders. Further, supporting documents for expenditures totalling Kshs.2,783,064 under refurbishment of buildings were not provided for audit.

In the circumstances, the accuracy, completeness and existence of property, plant and equipment balance of Kshs.5,813,752,973 could not be confirmed.

1289. Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.594,053,131 as disclosed in Note 13 to the financial statements. Review of Cash and Bank records provided revealed the following;

1289.1. Unexplained and Unsupported Variances in Cash and Cash Equivalents

The balance includes a balance of Kshs.25,938,092 under a Trust Fund. However, the cash book revealed a balance of Kshs.18,530,837 resulting in unexplained and unreconciled variance of Kshs.7,407,255.

1289.2. Unauthorized Opening and Operation of a Bank Account

Review of bank records revealed that Management opened a bank account titled "NCC Imprest Operations Account" at a local commercial bank in November, 2024. The account received inward transfers from a supplier amounting to Kshs.98,118,250 on 25 November, 2024 and Kshs.53,584,630 on 22 January, 2025 respectively. Subject to bank charges of Kshs.2,940, the account reflected a closing balance of Kshs.151,699,940 as at 30 June, 2025. However, the authority to open the account was not provided, and there was no justification provided for establishing an imprest operations account.

Further, the signatories to the account were not disclosed, and no explanation was provided for operating an expenditure account that only received revenue. Further, the nature of the receipts could not be confirmed as no supporting invoices from the remitting entity or corresponding statements were provided for audit review. In addition, the account was not supported by a cash book or bank reconciliation statements for the year under review.

1289.3. Unsupported Donor Funds

The statement of financial performance reflects transfers from CRF and miscellaneous revenue amount of Kshs.31,459,394,683 and Kshs.370,055,730 all totalling

Kshs.31,829,450,413 as disclosed in Note 6 and Note 7 to the financial statements. However, review of the bank statement of a local bank account revealed that the County Executive received funds totalling Kshs.357,684,030 from the Center for International Health, Education and Biosecurity (CIHEB) between July, 2024 and June, 2025. However, the receipts from CIHEB Kenya were not supported by ledgers, donor agreements, or other documentation to confirm the source of the funds and their utilization. In addition, the County Executive operated a Centre for Disease Control (CDC) US dollars account which had an equivalent amount of Kshs.31,868,241. The source of the funds transferred to the account was also not provided for audit.

In the circumstances, the accuracy, completeness and existence of the cash and cash equivalents balance of Kshs.594,053,131 could not be confirmed.

1290. Unsupported Adjustments

The statement of changes in net assets reflects adjustments to recognize assets and liabilities totalling Kshs.118,794,238,631 and additions during the year totalling Kshs.43,726,412,394 which were not explained or supported.

In the circumstances, the accuracy of the adjustments and additions amounts of Kshs.118,794,238,631 and Kshs.43,726,412,394 respectively could not be confirmed.

1291. Unsupported Refundable Deposits and Prepayments

The statement of financial position and Note 17 to the financial statements reflect refundable deposits and prepayments, balance of Kshs.44,468,929. The balance relates to deposits and retentions account balance of Kshs.18,530,837 and an account in a local bank with a balance of Kshs.25,938,092. However, the underlying obligations and the parties to whom the deposits relate to were not provided for audit review.

Further, the County Executive withheld 5-10% as retention money to safeguard the quality of works done. From the sampled contract payments, the County Executive withheld an amount of Kshs.123,518,008. However, the funds were not transferred to the retention account and could not be traced in the bank statements.

In the circumstances, the accuracy, occurrences and completeness of the deposits and prepayments balance of Kshs.44,468,929 could not be confirmed.

1292. Irregularities in Use of Goods and Services

The statement financial performance and Note 9 to the financial statements reflect use of goods and services amount of Kshs.15,768,509,567. Review of expenditure records revealed the following;

1292.1. Expensing of Capital Expenditure

Included in the use of goods and services expenditure is an amount of Kshs.347,470,614 for routine maintenance - other assets. The expenditure on routine maintenance includes

a payment to a supplier of Kshs.13,790,911 incurred on LAN materials and installation services for City Hall Annex. However, this amount was expensed under use of goods and services instead of being capitalized as assets.

1292.2. Unsupported Payments to Kenya Power and Lighting Company

The use of goods and services expenditure includes an amount of Kshs.144,416,184 on utilities, supplies and services, out of which, an amount of Kshs.139,437,145 was paid to Kenya Power and Lighting Company (KPLC) without supporting schedules and reconciliations as per the agreed settlement formula. Further, there were reported cases of missing linkages between verified meters and billed accounts, lack of consumption data and detailed billing records and incomplete meter verification documentation.

1292.3. Unsupported for Domestic Travel and Subsistence Allowance

Included in the use of goods and services amount is training expenses totalling Kshs.179,905,782 which further includes Kshs.2,989,000 for a retreat on public participation, citizen engagement and customer service sub-sector staff held in Mombasa from 17 to 21 March, 2025. Review of payment vouchers and supporting documents revealed that payments to forty-nine (49) staff were not supported with evidence of travel documents such as vehicle work tickets, bus, train or airline tickets. Further, the County Executive records revealed that eighty-three (83) officials attended the Revenue Mobilization Workshop scheduled from 2 to 7 September, 2024 at Pride Inn Hotel in Mombasa, vide a memo dated 23 August, 2024 and an amount of Kshs.4,657,600 paid. However, both payment vouchers were not supported with participant list, transport requisitions or imprest warrants.

Further, the expenditure includes domestic travel and subsistence allowance amounting to Kshs.1,430,239,192 which includes multiple imprests totalling Kshs.612,765,818 that were issued without supporting documentations such as imprest registers, imprest warrants, or surrender documents to substantiate the purpose of the payments. The imprests were processed through regular payment vouchers instead of the prescribed imprest documentations and no imprest register was maintained to track their issuance and surrender.

In addition, standing imprest totalling Kshs.9,225,000 and Kshs.3,825,000 under the Office of the Governor and the Department of Inclusivity, Public Participation and Customers Services respectively, were issued with no official appointment of imprest holders, established authorized float limits and no detailed memorandum cash books to record and monitor reimbursements.

1292.4. Unsupported Expenditure on Fuel Supplies

Included in the use of goods and services expenditure is fuel, oil and lubricants amount of Kshs.544,987,677 which includes a payment amounting to Kshs.20,000,000 paid to a supplier for fuel to support the flood mitigation program. Review of records revealed that during the County Executive Committee meeting held on 6 November, 2023, it was resolved that in order to aid disaster preparedness, an amount of Kshs.20,000,000 would be invoiced from the Disaster Management Fund Account to procure fuel for

emergencies. However, the Authority to Incur Expenditure dated 29 November, 2023 requisitioned the funds for fuel supplies to support the El Nino Emergency Response Program. No response report from the program was provided for audit review. It was therefore, not possible to assess the extent of the El Nino impact including how many people and the areas affected.

Further, fuel statement provided revealed fuel drawn from the various Sub-sectors of the County Executive totalling Kshs.20,749,969. However, the statement did not include any fuel expenditure relating to Disaster Management and Coordination unit. Therefore, it was not possible to confirm whether the requisition was utilized for the El Nino Emergency Response and indicated in the requisition documents. The fuel statement was not supported with work tickets and the listing of County Executive's vehicles assigned to the Sub-sector with the subsequent fuel cards issued to those vehicles were not provided for audit review.

1292.5. Unsupported Foreign Travel and Training Expenses

Review of foreign travel and subsistence expenditure of Kshs.798,845,285 revealed that expenditure relating to international conferences, trainings and study tours totalling Kshs.16,487,324 were not supported with adequate documentation such as travel approvals, boarding passes, passports and visa stamps, attendance registers, programs, back-to-office reports or proof of attendance. In some cases, per diem was paid for periods exceeding the approved event dates, accommodation was paid despite sponsor commitments and inconsistent and unauthorized rates were applied.

Further, payments amounting to Kshs.7,262,485 and Kshs.3,756,265 were for training expenditure on sustainability in Public Sector Finance of training scheduled for 1 to 7 February, 2025 in Singapore. However, the expenditure were not supported with air tickets, visas, travel insurance and facilitation fees and procurement records, while others were misclassified or charged to unrelated votes. Instances were noted where expenditure exceeded approved limits, payments were made before travel took place, procurement documentation appeared to have been prepared after the events, statutory supplier documents were missing, and no post-event impact assessments were undertaken. There were also cases of duplicate or unjustified procurement of services already contracted by the County Executive, lack of imprest management, and unsupported lump-sum travel claims.

1292.6. Unsupported Expenditure on Construction Materials

Review of expenditure records under use of goods and services revealed that during the year under review, the Mobility Sector incurred an amount of Kshs.302,111,213 on procurement of construction materials and an amount of Kshs.19,284,799 for fueling the asphalt concrete plant located along Kagundo Road, which produces asphalt concrete used in road construction. However, the expenditure was not supported with the status report detailing the specific roads that were repaired or renovated using the materials and fuel.

1292.7. Unsupported Expenditure on Garbage Collection

The use of goods and services amount included fuel, oil and lubricants expenditure of Kshs.544,987,677. Although the County Executive procured various private contractors and assigned them to specific zones for solid waste collection, the County Executive also operated fifty-six (56) solid waste collection trucks for which it incurred fuel expenditure amounting to Kshs.124,520,438. However, no evidence was provided to show that these trucks were assigned to any operational zones or activity logs, trip sheets, fuel consumption records, or supervisory reports to demonstrate that the trucks participated in garbage collection activities during the year under review. This raises concerns regarding the utilization of County Executive's assets and accountability for fuel expenditure.

1292.8. Unsupported Procurement and Payment for Internet Services and Wireless LAN Infrastructure

Included in the use of goods and services expenditure is a payment of Kshs.10,334,845 made to a local supplier for the provision of internet services and wireless LAN infrastructure to County Executive. The award was under a contract dated 24 March, 2022 with a contract sum of Kshs.46,496,259. However, review of the contract document provided revealed that they did not relate to the works or services under review.

1292.9. Unsupported Insurance Expenditure and Undisclosed Payables

The use of goods and services expenditure includes insurance costs of Kshs.1,302,257,569. However, review of insurance contracts and related records revealed that the County Executive procured a comprehensive medical insurance scheme for a total contractual commitment of Kshs.2,020,918,416. Of this amount, a contract valued at Kshs.1,495,474,577, was awarded to an insurance company for provision of a substantive annual policy, following an earlier direct procurement of a three-month interim cover from the same firm at a contract sum of Kshs.525,443,883.

Although payments amounting to Kshs.1,275,443,883 were made during the year under review. The outstanding balance of Kshs.745,474,533 was not disclosed as a payable in the financial statements, or supported by reconciliations or correspondence to confirm the status of the outstanding liability. Further, general insurance services were contracted at Kshs.129,713,854, yet only Kshs.26,813,686 was reported as paid, with the unpaid balance of Kshs.102,900,168 not supported by payment documentation or disclosed as a payable.

In addition, insurance services contracted in the prior financial year could not be substantiated as the contract agreement were not provided for audit review and no related payments or liabilities were disclosed. Review of outstanding premium schedules further revealed unexplained variances between reported balances and supporting invoices, and significant outstanding premiums for prior years which were not supported by invoices or reconciliations.

1292.10. Irregular and Unsupported Expenditure on Conference Facilities and Workshops

The use of goods and services expenditure includes training expenses totalling Kshs.179,905,782. Review of records revealed that during the year, the County Executive incurred expenditure amounting to Kshs.19,227,097 on provision of conference facilities, accommodation, per diem, transport and lunch allowances for officers attending various activities, and related workshops attended by participants from the Innovation and Digital Economy Sector and the Department for Finance. However, audit review of the supporting documentation revealed instances of expenditure incurred without proper authorization, Local Service Orders (LSOs) issued before approval of the expenditure and material inconsistencies noted between LSOs, invoices and payment vouchers regarding the number of participants, duration of workshops and amounts payable.

Further, key procurement documents including requests for quotations, tender advertisements, bid documents, evaluation committee appointment letters, minutes, professional opinions, notifications and acceptances of award were not provided for audit review.

In addition, attendance registers, participant lists, workshop programs, back-to-office reports or service completion certificates to confirm that the workshops were conducted as planned, the number of officers who attended, or that the services paid for were actually delivered were not provided for audit review. In some cases, there was no evidence that the user departments monitored service delivery, while discrepancies were observed between approved workshop details and invoiced services.

In the circumstances, the regularity, accuracy and completeness of use and goods and services expenditure amount of Kshs.15,768,509,567 could not be confirmed.

1293. Unsupported Expenditure in the Kenya Informal Settlements Improvement Project

The statement of financial position reflects cash and cash equivalents balance of Kshs.594,053,131 which as disclosed in Note 13 to the financial statements includes Kenya Improvement Settlement Project (KISIP) Project account balance of Kshs.322,206,514. Review of the financial statements and the cash book revealed that the County Treasury transferred a total of Kshs.448,538,617 to the Nairobi City County Kenya Informal Settlements Improvement Project 2 bank (KISIP 2) account during the financial year, comprising of Kshs.366,140,190 on 26 February, 2025 and Kshs.82,398,427 on 11 July, 2024. The Kenya Informal Settlement Improvement Project (KISIP 2) account maintained at a local commercial bank had an opening balance of Kshs.182,395,897 as at 1 July, 2024 and a closing balance of Kshs.322,206,514 as at 30 June 2025. Based on the opening balance, transfers received and closing balance, the total expenditure for the year was Kshs.308,728,000. However, only expenditure totalling Kshs.32,814,350 was supported with adequate documentation. The remaining expenditure totalling Kshs.275,913,650 was not accompanied by payment vouchers,

supporting schedules, expenditure returns, financial performance reports, interim certificates of completion or engineers' progress reports.

Further, although the Government of Kenya, through the State Department for Housing and Urban Development, received financing from the World Bank and AFD to support Kenya Informal Settlements Improvement Project 2 (KISIP 2) infrastructure works, no agreement was provided to demonstrate formal arrangements with Nairobi City County Executive regarding management, utilization, and accountability of the funds.

In the circumstances, the accuracy, completeness and occurrence of the project expenditure of Kshs,275,913,650 and that the funds were applied for the intended purpose could not be confirmed.

1294. Unsupported Voided Payments

Analysis of the IFMIS system payments indicated that one thousand three hundred and seventy-six (1,376) transactions totalling Kshs.6,206,840,196 were voided during the year under review. Management did not provide the reasons for voiding the transactions which had been approved by the Controller of Budget for payment. Further, Management did not maintain a voided transactions register detailing the dates and reasons for each voided transaction.

In the circumstances, the accuracy and completeness of the voided expenditure totalling Kshs.6,206,840,196 could not be confirmed.

1295. Unreconciled Cash Withdrawals for Support to Level 1 and Level 2 Hospitals

The statement of financial performance reflects other grants and subsidies amount of Kshs.2,275,084,269 which as disclosed in Note 12 to the financial statements includes civil contingency reserves totalling Kshs.1,142,838,007. During the year under review the Department for Health withdrew an amount of Kshs.89,566,950 for the support of various Level 1 and Level 2 Hospitals within the County. However, the acknowledgements from the beneficiary hospitals and the corresponding expenditure returns were not provided for audit review.

In the circumstances, the accuracy, completeness and regularity of the amount of Kshs.89,566,950 withdrawn for support of various Level 1 and Level 2 Hospitals could not be confirmed.

1296. Unauthorized Expenditure Without Budget Approvals

The statement of financial performance reflects other grants and subsidies amount of Kshs.2,275,084,269 as disclosed in Note 12 to the financial statements. Review of payment details in the Integrated Financial Management Information System (IFMIS) revealed that a total of Kshs.340,413,761 was paid during the year for items described as "construction other and refurbishment other". However, the specific line items under which these payments were charged had no approved budgetary provisions, implying that these expenditures were incurred without prior budget approval.

In the circumstances, the completeness and regularity of the expenditure of Kshs.340,413,761 could not be confirmed.

1297. Irregular Hire and Procurement of Heavy Equipment, Plant and Machinery

The statement of financial performance and Note 9 to the financial statements reflect use of goods and services amounting to Kshs.15,768,509,567. Audit review of sampled payments totalling Kshs.94,050,100 relating to the hire of heavy equipment, plant and machinery at Dandora Dumpsite revealed significant procurement, contractual and payment irregularities as follows;

(i) The County Executive entered into contracts under Framework Arrangements without providing evidence of the underlying procurement processes, tender documents, local purchase orders or call-off references to justify engagement of the suppliers or to define the machinery required, duration of assignment and scope of work.

(ii) Letters of Award were issued before the signing of the contract, while contract agreements referenced attachments on specifications, drawings and priced bills of quantities that were unrelated to the hire of machinery services.

(iii) No needs assessment was undertaken to establish the number, capacity and type of machinery required for the assignment. Further, no approvals or deployment schedules were provided to confirm specific machinery assigned to the dumpsite.

(iv) Billing was based solely on odometer-hour readings, yet the supporting evidence indicated continuous machine operation without any documented downtime, fuel logs, operator attendance registers or independent verification, undermining the reliability of invoiced hours. Identical working hours recorded for different machines further cast doubt on the accuracy of records.

(v) Key supporting documents such as procurement files, inspection reports prior to deployment, monitoring procedures, duty rosters and maintenance records were not provided for audit review.

(vi) Further, anomalies were noted under review of tender awarded including unsupported night-shift operations, unjustified deductions of a 3% contract fee and inconsistencies between authority-to-procure memos and items procured.

(vii) Lack of regret letters, incomplete bid opening records, questionable responsiveness determinations during evaluation, and absence of critical procurement approvals and contract documentation cast doubt on the accuracy and legality of the records.

(viii) Payments amounting to Kshs.44,848,200 for machinery operating day and night were inadequately supported, while some unpaid amounts were not disclosed in the pending bills register.

In the circumstances, the accuracy, occurrence and completeness of use of goods and services amount of Kshs.94,050,100 could not be confirmed.

1298. Solid Waste Collection, Transportation and Disposal Services

The statement of financial performance and as disclosed in Note 9 to the financial performance reflect use of goods and services expenditure amounting to Kshs.15,768,509,567 in respect of solid waste collection, transportation and disposal services across the City County. Audit review involving payments totalling Kshs.1,614,001,260 revealed widespread weaknesses in procurement, contract administration, operational controls and financial management, as detailed below;

(i) Payment records indicate that, in May, 2023, a payment of Kshs.3,059,549 was made to a local contractor. However, the procurement file was not provided for audit verification. Further payment of Kshs.6,273,745 was made for waste collection activities undertaken outside the approved service area of Roysambu, including parts of Westlands and Ruaraka.

(ii) In August, 2023, a payment of Kshs.17,667,257 was processed despite non-submission of mandatory final work plan within thirty days after the commencement of the contract. The payment documents did not include a Local Purchase Order issued specifying service areas, dates or expected service volumes. Further, withholding tax amounting to Kshs.834,624 was deducted but not remitted to the Commissioner of Income Tax, while the expenditure was not recorded as pending bills in IFMIS for financial year 2023/2024.

(iii) During the financial year 2022/2023, a contract for waste management services in Embakasi Central, executed from 14 April, 2023, resulted in payments amounting to Kshs.82,623,704. However, the tender was not advertised on the Public Procurement Information Portal (PPIP) as required by law.

(iv) Audit review disclosed several unsupported payments totalling Kshs.3,445,865 which were based on estimated waste weights despite the existence of a functional weighbridge at Dandora Dumpsite. Comparisons between daily monitoring sheets and monthly summaries revealed inconsistencies in tonnage, number of trips, days worked and disposal times. Additionally, payments of Kshs.1,404,237 were made for garbage deliveries without signed monitoring forms.

(v) Several operations involved unauthorized vehicles without logbooks or written authorization. Analysis of cashbook records further revealed payments amounting to Kshs.279,468,542 that were not supported by payment vouchers or procurement documentation.

(vi) During the year under review, payments totalling Kshs.122,949,830 were made to a contractor for waste management services. However, only payments amounting to Kshs.41,427,394 were supported by invoices, delivery notes and weighbridge tickets. Consequently, expenditure amounting to Kshs.81,522,436 could not be accounted for due to lack of supporting documentation.

In the circumstances, the accuracy, regularity, occurrence and completeness of use of goods and services amount of Kshs.473,240,410 could not be confirmed.

1299. Unsupported Pending Bills Register

The statement of financial position and Note 16 to the financial statements reflects amount of Kshs.87,240,740,803 in respect of trade and other payables. However, review of records revealed that the County Executive on 28 October, 2024 through the County Executive Committee Member for Finance and Economic Planning wrote a memo to the Chief Officer Finance authorizing the suspension of Government guaranteed loans totalling Kshs.19.1 billion from the County pending bills register. However, the withdrawal was not supported with approval minutes of the County Executive Committee meetings. Further, the loan withdrawal schedules, loan repayment schedules and total outstanding balances for the loans as highlighted in the withdrawal memo were not provided for audit review hence it was not possible to confirm the loans balance of Kshs.19.1 billion.

In addition, the same Memo required the Chief Officer Finance to update the County pending bills register with an amount of Kshs.8,225,048,262 emanating from a consent of case number 468 of 2019 between LAPFUND and the County Executive. As at the date of audit, the County Executive had not updated the pending bills register to reflect the outstanding amount.

In the circumstances, the accuracy and completeness of the account payable balance of Kshs. Kshs.87,240,740,803 could not be confirmed.

1300. Payments Outside the Disclosed List of Prior Year Pending Bills

Review of payment records relating to various projects revealed that an amount of Kshs.319,486,332 was paid during the year in respect of projects initiated and procured during the previous financial years. However, the pending bills were not disclosed in the prior years audited financial statements. This was contrary to Paragraph 2.2.4 of The National Treasury Circular PSASB 1/12/Vol.1(44) dated 25 June, 2019 which requires disclosure of pending bills to enhance transparency in their management. Further, a total of Kshs.311,486,332 was not supported with an approved debt verification forms from the Head of Debt Management Department, hence the payments constitute irregular settlement of unverified debt.

In the circumstances, the accuracy, completeness and regularity of the payments could not be confirmed.

Emphasis of Matter

1301. Budgetary Control and Performance

The statement of comparison of budget and actual amounts, recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.43,564,266,834 and Kshs.32,546,363,019, respectively resulting to an under-funding of Kshs.11,017,903,815 or 25% of the budget. Similarly, the County Executive

spent Kshs.31,952,309,883 against actual receipts of Kshs.32,546,363,019 resulting to under-performance by Kshs.594,053,131or only 2% of the actual receipts.

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

1302. Unsupported Budget Analysis

Review of budget records provided for audit revealed that the approved second supplementary budget for the County Executive provided for recurrent expenditure of Kshs.33,129,494,248 and development expenditure of Kshs.4,735,967,613. However, the detailed ledger analysis to reconcile the actual expenditure for each category were not provided for audit review.

1303. Deviation from Approved Budget and Work Plan

The Office of the Governor had an approved budget of Kshs.286,640,142 for the year under review. However, no payments were made for expenditure incurred in the Department during the year under review and all expenses remained as pending bills at the end of the year. Instead, the entire budgeted amounts were used exclusively to settle pending bills from prior years.

1304. Unauthorized Expenditure Beyond Approved Budget Limits

Review of budget implementation records for the year under review revealed that the County Executive prepared and passed an original budget, a first supplementary budget, and a second supplementary budget in accordance with the law. However, the County Executive incurred additional expenditure amounting to Kshs.710,085,810 beyond the approved budget allocations in various sub-sectors. Management did not demonstrate any emergency to occasion the unauthorized expenditure or the source of funds spent.

My opinion is not modified in respect of these matters.

Other Matter

1305. Unresolved Prior Year Matters

In the previous years' audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Nairobi City County Executive in 2024/2025 revealed that thirty-eight (38 matters as listed at the end of this report remained unresolved as at 30 June, 2025.

Other Information

1306. There were no material issues relating to Other Information.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

1307. Non-Compliance with the Public Procurement Capacity Building Levy Order

Review of records revealed that the County Executive entered into contracts during the year. However, no documentary evidence has been provided to confirm that the County Executive 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 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.

1308. Non-Compliance with the Law on Fiscal Responsibility on Wage Bill

The County Executive spent an amount of Kshs.19,845,158,094 in respect of employee compensation which represents approximately 62% of the total revenue of Kshs.31,829,450,413 for the year under review. This ratio exceeds the prescribed ceiling of 35% of total revenue as provided by about 27 percentage points contrary to the Public Finance Management 2015, Section 15 which requires county government's expenditure on the compensation of employees (including benefits and allowances) not to exceed 35 percent of the county government's equitable share of the revenue raised nationally plus other revenues generated by the county government.

The high and rising wage bill continues to exert pressure on the County's recurrent expenditure, limiting the fiscal space available for development projects and essential service delivery. It also reflects weaknesses in payroll management, unplanned recruitments and inadequate control over personnel costs.

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

1309. Non-Compliance with Inclusivity for Persons with Disabilities Act, 2025

Out of nineteen thousand, two hundred and fifty-eight (19,258) employees, only one hundred and eighty-nine (189) (1%) were persons with disabilities, significantly below the 5% statutory threshold. This was contrary to Section 5(1)(e) of the People with Disabilities Act, 2025 which states that 'every county government shall promote the inclusion of persons with disabilities in the county public service by putting in place measures to

ensure that at least five per centum of the employment positions are filled by persons with disabilities.

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

1310. Non-Compliance with One-Third Basic Salary Rule

Analysis of payroll revealed that six hundred and twenty -five (625) officers earned net pay below one-third of their basic salary. This was contrary to Section 19(3) of the Employment Act, 2007 which stipulates 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 made by an employer from the wages of his employee at any one time shall not exceed two-third of such wages.

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

1311. Unremitted Statutory Deductions

The statement of financial performance reflects employee costs amounting to Kshs.19,845,158,094 as disclosed in Note 8 to the financial statements. The amount includes basic salaries for permanent staff of Kshs.8,700,511,178. Review of statutory deduction schedules and salary account bank statements revealed that statutory deductions—comprising NHIF/SHA, NSSF, PAYE, and the Affordable Housing Levy—were not remitted to the respective statutory agencies within the required timelines, and in several cases not remitted at all.

Further, review of bank statements for the County Executive revealed that statutory deductions amounting to Kshs.1,052,835,469 were remitted late during the year ended 30 June, 2025. This included Kshs.451,451,080 to the Social Health Authority and Kshs.601,384,389 to KRA and NITA. No justification was provided for the delays and no evidence was provided to show whether penalties or interest were incurred. This was contrary to Section 18(1) of the NHIF Act, 2012, Section 4(3) of the Affordable Housing Levy Act, 2024 and Section 10(1) of the Income Tax (PAYE) Rules, 1973 as administered by the Kenya Revenue Authority. Only two (2) payments for NHIF September, 2024 dated 02 October, 2024 of Kshs.22,000,000 and Kshs.62,600 respectively could be traced in the statement provided. No evidence was provided to confirm remittance of deductions for NSSF, PAYE, or the Affordable Housing Levy.

Delayed remittance of deductions violates statutory requirements and may result in financial penalties. It undermines compliance with national laws and weakens public confidence in financial management.

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

1312. Employee Costs

The statement of financial performance and as disclosed in Note 8 to the financial statements reflects employee cost of Kshs.19,845,158,094. Review of records revealed the following unsatisfactory matters;

1312.1. Irregular Engagement of Council of Governor Advisors

Included in the employee costs amount of Kshs.19,845,158,094 is an amount is Kshs.17,057,880 in relation to Council of Advisors expenditure. Review of records provided revealed that the Governor appointed seven (7) advisors: health advisor, political advisor, mobility advisor, urban and regional advisor, innovation, technology and digital economy advisor and economic advisor contrary to Salaries and Remuneration Commission (SRC) circular dated 29 July, 2013 and Transition Authority circular dated 6 September, 2013" which caps the advisors at a maximum of three (3) advisors. On average every advisor earns Kshs.203,070 therefore the extra four advisors earned totaled to Kshs.9,747,360 which was an irregular expenditure.

In the circumstances, value for money on the expenditure could not be confirmed.

1312.2. Avoidable Expenditure on Salary Account

Review of the transactions in the salary account held a local bank revealed that the County Executive incurred an expenditure of Kshs.200,940,052 in penalties, interest, and related charges due to repeated delays in reimbursing salary overdrafts. No justification or preventive measures were provided by Management and there was no evidence of accountability for the loss. The charges constitute avoidable expenditure that could have been avoided through proper cash flow management.

In the circumstances, Management was in breach of law and the value for money on the expenditure could not be confirmed.

1313. Use of Goods and Services

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects use of goods and services expenditure of Kshs.15,768,509,567. Review of records revealed the following unsatisfactory matters;

1313.1. Irregular Funding of County Assembly Activities

The expenditure includes procurement of conference services at a contract sum of Kshs.2,912,000. However, the inspection and acceptance was conducted after the event had begun and the supplier's invoice was dated before the event was concluded. The services were contracted for eighty (80) participants but records indicated that only fifty (50) participants attended. There was no evidence of cost adjustment, verified attendance lists or activity records for the entire period. The monitoring by the user or procurement department was also lacking.

Further, air travel for County Assembly delegates totalling Kshs.5,258,000 was paid from the County Executive Vote, despite the County Assembly having its own independent budget. No formal authorization or inter-institutional agreement justified the use of County Executive resources for County Assembly activities. Further, this constituted an irregular charge to the wrong vote, undermining financial segregation, budgetary integrity and accountability and indicated possible misallocation of funds or broader patterns of budgetary indiscipline. This was contrary to Section 149(1) of the Public Finance Management Act, 2012 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 lawful and authorized; and effective, efficient, economical and transparent.

1313.2. Irregular Payment for Land Settlement Exercise

The expenditure includes regularization of land settlements and mapping of public land in various locations amounting to Kshs.3,840,000 transferred to the Nairobi County bank account as field allowances for six (6) survey teams. However, breakdown of the allowances for individual officers, evidence confirming that the officers received the payments, and reports on the exercise conducted were not provided for audit review.

1313.3. Irregularities in Program Design and Implementation of the School Feeding Program

The expenditure includes payments relating to the School Feeding Program - Dishi na County. The programme was established through Executive Order No. 1 of 2022 to improve nutrition, retention and academic performance among learners in public primary schools and ECDEs. However, audit review revealed material weaknesses in programme design, governance, procurement, financial management and oversight as analysed below;

(i) The County did not provide a documented needs assessment, costed programme design, sustainability or exit strategy, or a performance framework with baseline data and key indicators to justify and guide implementation.

(ii) Although an intergovernmental agreement was entered into with the Ministry of Education, audit could not confirm compliance with key provisions, including performance evaluations, cost-sharing arrangements, disclosure of third-party agreements, deployment of human resources and accountability for donor and partner contributions.

(iii) Records evidencing oversight structures, kitchen selection criteria, delivery logistics, beneficiary verification, daily meal distribution and service acknowledgment were not provided.

(iv) The digitally administered "Tap to Eat" system was implemented without evidence of procurement, contractual arrangements, system audit, or safeguards on data protection, despite involving minors. Similarly, the co-

payment model requiring parental contributions lacked controls over collection, accounting and reconciliation, with no provisions to safeguard access for vulnerable learners.

(v) The programme exhibited characteristics of a Public-Private Partnership, yet no formal PPP agreement was in existence.

(vi) Key elements such as risk sharing, asset ownership, performance metrics, dispute resolution and exit clauses were absent, while reliance on a single service provider without competitive retendering raised sustainability and value-for-money concerns. Procurement and payment irregularities were noted, including missing tender documentation, inconsistencies in procurement timelines, execution of contracts without full authorization, advance payments not supported by work plans, unsupported and irregular payments to designated and non-designated kitchens, unverified expenditure, and overpayments arising from failure to deduct learner contributions. In addition, amortization of advance payments were not effected as required under the contract.

(vii) A total of seventeen (17) central kitchens were reportedly established but no completion certificates, handover documents, commissioning reports, operational readiness records, or public health inspections were provided.

(viii) A discrepancy was noted in Embakasi Central where the awarded kitchen was Thawabu Primary School but audit documentation indicated Kayole 1 Primary School.

(ix) Audit review of payments made under the Dishi na County School Feeding Programme revealed significant weaknesses in financial management and contract administration.

(x) Payments amounting to Kshs.9,335,400 were made to Dagoretti South Central Kitchen despite the existence of a similar CDF-operated programme, without evidence of harmonization or verification of outputs.

(xi) An advance payment of Kshs.160,000,000 was justified using proforma invoices, contrary to prudent financial management, and was not supported by phased work plans.

(xii) Payments totalling Kshs.118,371,525 were made to non-hub kitchens without documentation to confirm official designation, beneficiaries served or costs incurred, while an additional Kshs.118,630,050 was paid without any supporting documentation.

(xiii) Gaps in monthly billing for several months raised concerns over service continuity, while seven kitchens reportedly ready for handover lacked certification and supervision records. Overpayments amounting to Kshs.72,889,815 were identified due to failure to deduct learner contributions, resulting in the County paying Kshs.25 per plate instead of Kshs.20. Moreover, amortization of the Kshs.160,000,000 advance was not initiated as required under the contract, exposing the County to undue cash-flow risks.

(xiv) Audit was further constrained by significant documentation gaps, including missing bid documents, cumulative payment schedules, procurement records, agreements with partners and governance arrangements for digital infrastructure.

1313.4. Gaps in Fuel, Oil and Lubricants Management

During the year under review, it was noted that there exist significant weaknesses in the management of fuel across County departments. Despite a CEC directive on 6 November, 2023 requiring each sector to manage its own fuel budget and restricting the Mobility and Works subsector from handling fuel for other departments, the subsector continued centralized fuel management contrary to the resolution.

Fuel card management was notably deficient as shared cards across multiple departments facilitated the drawing of 1,477,962 litres worth Kshs.247,380,132, while multiple cards held per department led to fragmented usage of 100,371 litres valued at Kshs.16,898,366. Cards not listed in the approved limit list drew 337,907 litres worth Kshs.54,709,427. Irregular fueling practices were observed, including Kshs.1,607,542 drawn between 2300 and 0400 hours without documentation and Kshs.22,687,082 drawn on weekends without supporting rosters.

Further, operational monitoring was weak with at least 50 active vehicles lacking fuel consumption logs while fuel worth Kshs.32,147,290 was issued to grounded, under-repair or vandalized vehicles, including a fire engine, station wagon and ambulance. Additional irregularities included fuel of Kshs.345,349 issued to detained or written-off vehicles and Kshs.288,722 drawn for vehicles formally handed over to external institutions.

In addition, the County fuel register reflected Kshs.326,170,891 while the supplier statement recorded Kshs.326,654,869. Payment vouchers amounted to Kshs.352,399,999 and bank payments totalled Kshs.432,266,379, resulting in an unexplained variance of Kshs.79,866,380.

1313.5. Irregularities in the Engagement and Implementation of General Insurance Services for 2024/2025

The expenditure includes insurance costs totalling Kshs.1,302,257,569. The County procured general insurance services under a tender which was awarded to a local insurance company at a contract sum of Kshs.129,713,854 for a one-year period. However, audit review of the procurement and implementation of general insurance services for the financial year 2024/2025 revealed significant procurement, financial and contract management weaknesses.

(i) The new contract commenced before the expiry of the previous insurance contract, resulting in overlapping coverage and potential duplication of insurance costs, thereby undermining value for money.

(ii) Key contractual obligations were not complied with or supported by documentation. This included failure to provide policy documents, appoint a designated claims management officer, conduct valuation of County vehicles, extend cover to newly acquired assets, and implement training and sensitization programmes for staff and drivers.

(iii) Outstanding insurance premium balances could not be confirmed, with unexplained variances balance of Kshs.9,034,030 relating to the current insurer and unsupported balances of Kshs.207,866,752 relating to the previous insurer.

(iv) Losses related to a mobile studio and reported fire and theft incidents could not be substantiated due to missing records.

(v) The audit could also not confirm advertisement of the tender on the Public Procurement Information Portal, raising concerns on compliance with procurement regulations. Overall, gaps in procurement processes, contract administration, financial verification and insurer capacity exposed the County to periods without effective insurance cover and heightened risk of financial loss.

1313.6. Irregularities in Payment of Nairobi Integrated Urban Plan Project

Included in the expenditure under the use of goods and services is an amount of Kshs.22,586,035 paid to a local University as part payment of the contract sum of Kshs.56,465,088 for the Nairobi Integrated Urban (NIU) Plan Project. Review of the payment details revealed several anomalies;

(i) The inspection and acceptance of the submitted reports was not conducted and no statement of account was provided to reconcile the amount paid against the contract sum which was to be paid in four phases.

(ii) While the invoice indicated it was a Phase 2 payment of Kshs.22,586,035, the payment voucher reflected an amount of Kshs.10,000,000.

(iii) The tender related to 2015, the payment was indicated as relating to phase 2 of the project and did not appear in the pending bills for the financial year 2023/2024.

(iv) Management did not provide corroborative evidence to confirm the authenticity and validity of the service delivery and existence of the project exposing the County to potential misstatements in financial records.

1313.7. Irregularities in the Proposed Renovation of the Main Intensive Care Unit (ICU) at Mbagathi Hospital

During the year under review, the renovation of the main ICU at Mbagathi Hospital was awarded to a contractor at a contract sum of Kshs.19,738,228. Site possession was granted on 2 October, 2023 with an anticipated completion date of 1 April, 2024. The first interim payment certificate amounted to Kshs.10,115,086. Review of the procurement

process and supporting documentation for financial year 2024/2025 identified the following anomalies:

(i) Although specified under the contract, critical documents were not provided for audit verification including signed drawings, priced Bills of Quantities and standard, special and technical specifications. The absence of these documents limits confirmation of contract validity, scope and compliance with approved works.

(ii) The payment voucher relating to the interim certificate had not been settled at the time of audit. However, the contractor was not included in the County Executive's pending bills schedule, raising concerns regarding the completeness and accuracy of reported liabilities.

(iii) The contract agreement dated 1 September, 2023 reflected a contract value of Kshs.19,738,228 while the Inspection and Acceptance Committee report cited the original contract sum at an amount of Kshs.15,241,157. The unexplained variance of an amount of Kshs.4,497,071 raises concerns regarding possible inconsistencies or undocumented alterations to contract records.

1313.8. Irregular Procurement and Inconsistencies in Training Activities in Dubai

Rreview of documentation relating to a training on grants proposal development held in Dubai, United Arab Emirates, from 29 April to 6 May, 2024 revealed that the expenditure covered air tickets, visas, per diems, training fees, ground transport and insurance. However, Purchase Order for "provision of air tickets, visa and travel to Dubai amounting to Kshs.2,976,000 was issued on 16 September, 2024, several months after the service had already been rendered. An invoice dated 19 June, 2024 was issued prior to the purchase order, indicating retroactive regularization of the expenditure. Another Purchase Order with an unrelated description of Contracted Professional Services – Lead Manager," was raised for the exact same amount Kshs.2,976,000, suggesting possible duplication of events.

1313.9. Irregular Procurement of Consultancy Services to Develop and Implement Tourism Marketing Strategy

During the year under review, the Culture, Arts and Tourism Subsector procured consultancy services where audit review revealed that the consultancy tender attracted only one bidder. Further, the evaluation report recommending award at an amount of Kshs.7,980,000 was signed on 4 June, 2025, six days before the financial bid opening on 10 June, 2025. The notification of award dated 11 June, 2025 reflected a contract sum amount of Kshs.1,980,000 which was inconsistent with the evaluation report amount of Kshs.7,980,000.

In addition, the acceptance letter, contract agreement, progress reports or inspection and acceptance reports were not provided for audit inspection.

1313.10. Irregular Engagement of Bidders without Advertising

Review of procurement by the Culture, Arts and Tourism Subsector revealed that multiple high-value projects on consultancy and capacity building for cultural festivals totalling Kshs.12,980,000, were not advertised on the Public Procurement Information Portal (PPIP) despite professional opinions indicating otherwise. Verification confirmed that no advertisements were published, constituting directly awarded tenders without justification.

1313.11. Supply and Delivery of Non-Pharmaceuticals

Audit review of non-pharmaceutical procurement revealed that a payment of Kshs.27,541,000 was made for a requisition dated 8 March, 2023 while delivery occurred on 29 June, 2023, causing an unexplained delay of over three months. Documentation in support of any extension of the delivery period and evidence of inspection and acceptance of the goods prior to payment was not provided.

Further, an additional tender, revealed discrepancies between the evaluation report and professional opinion: the evaluation report indicated four (4) responsive bidders while the professional opinion indicated only three (3) advanced to technical evaluation. Contradictions were also observed in contract award sums, with the professional opinion showing an amount of Kshs.22,700,100 and the tender opening and financial evaluation indicating an amount of Kshs.29,950,000.

In addition, stores received notes were misleading, recording goods in January, 2025 earlier than deliveries in June, 2025. The evaluation report omitted the budget estimate, no signed contract agreement was provided, no award or regret letters were issued to bidders and appointment letters for evaluation and inspection committees were not provided.

1313.12. Irregularities in the Procurement and Supply of Lab Reagents for Medical Examination of Food Handlers

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects use of goods and services expenditure of Kshs.15,768,509,567. Audit review of payments amounting to Kshs.40,491,415, made through multiple vouchers under various tenders for the supply and delivery of lab reagents for medical examination of food handlers established systemic weaknesses in the procurement and payment processes. The transactions reviewed included amounts of Kshs.19,306,000, Kshs.8,239,415 and Kshs.12,946,000. Requisitions were also raised on various dates and deliveries made between June, 2023 and January, 2025.

The audit established the following anomalies across the transactions:

(i) Key procurement records were not provided for audit, including procurement plans, tender documents, bid submission registers, evaluation reports, individual technical scoresheets, award notifications, regret letters, signed contract agreements and market survey documentation.

(ii) There was no evidence to support the constitution and conduct of evaluation committees, as attendance registers and minutes of bid opening and evaluation committees were not provided.

(iii) Professional opinions were either delayed or unsupported, with instances where approvals were signed several days after evaluations had allegedly been concluded.

(iv) Supplier statutory and eligibility documentation was not provided, including certificates of incorporation, KRA PINs, tax compliance certificates, business permits, CR12 forms, and evidence of registration with the Pharmacy and Poisons Board, thereby preventing verification of supplier eligibility and compliance with regulatory requirements.

(v) Inspection and acceptance controls were weak, as inspections were conducted days or weeks after goods had already been delivered into stores. In some cases, delivery locations indicated on LPOs differed from the actual receiving stores, and beneficiary laboratories were not disclosed. No store issue records were presented to confirm onward distribution of the reagents.

(vi) There was no evidence to confirm that the procurements and related financial commitments were captured in IFMIS, undermining verification of budgetary control and expenditure authorization.

(vii) No Authorities to Incur Expenditure (AIEs) were availed to support the payments made.

1313.13. Irregularities in the Supply and Delivery of Pharmaceuticals for Level 5 Hospitals

The County Executive awarded a contract for the supply and delivery of pharmaceuticals for Level 5 hospitals at a contract price of Kshs.25,184,200. However, key procurement documents, including the procurement plan, advertisement notice, bid submissions, award communication, contract agreement and performance security, were not provided for audit inspection. Further, despite delivery of pharmaceuticals worth Kshs.25,184,200, there were no records confirming distribution to Level 5 hospitals and no acknowledgement notes, delivery confirmations or signed distribution lists from recipient facilities were provided.

1313.14. Irregularities in the Proposed Reconstruction of Delivery Room – Kianda 42 Hospital

The County Executive undertook the proposed reconstruction of an existing delivery room into an operating theatre at Kianda 42 Hospital. The contract was awarded to a contractor at a contract sum of Kshs.2,589,140, with a completion period of 12 weeks. A payment of Kshs.2,462,771 was made to the contractor. However, the procurement file lacked evidence of bid invitations, tender advertisements, bid submissions or acknowledgement records.

1313.15. Irregularities in the Supply and Delivery of Medical Supplies

The use of goods and services expenditure includes payments amounting to Kshs.10,835,000 made to a supplier for the supply and delivery of male condom through an LPO dated 11 March, 2025. The requisition was raised on 10 February, 2025, delivery was effected on 2 April, 2025 and inspection was conducted on 3 April, 2025.

Audit review identified the following anomalies:

(i) The payment voucher was not authorized by the Accounting Officer and lacked an item code, contrary to payment authorization requirements.

(ii) Key procurement records including evaluation scoresheets, bid submission documents and evidence of market survey, were not provided for audit, limiting verification of compliance with procurement procedures.

(iii) The professional opinion was signed on 3 March, 2025, three days after the reported date of evaluation, raising concerns regarding the transparency and integrity of the evaluation process.

(iv) Inspection of goods was conducted after the items had already been received into the stores, contrary to prescribed inspection and acceptance procedures which require inspection prior to acceptance of inventory.

1313.16. Irregular Procurement of Pharmaceuticals, Non-Pharmaceuticals and Laboratory Items from KEMSA

The County, through the Health Facilities subsector, requisitioned supplies totalling Kshs.244,859,433 from KEMSA totalling Kshs.244,859,433 disclosed several anomalies including an unexplained variance of an amount of Kshs.7,311,585 between the summarized invoice value of a balance of Kshs.237,547,848 and payments made, lack of detailed items and specifications on requisitions and the LPO, and absence of delivery notes attached to payment vouchers rendering deliveries unverifiable.

Although inspection and acceptance were reported to have been conducted at facility level, the corresponding facility inspection and acceptance reports were not provided for audit. Further, KEMSA's letter dated 16 January, 2025 referenced a signed payment plan for arrears amounting to Kshs.198,937,999 but the agreement was not provided for review. A variance of an amount of Kshs.859,433 was noted between KEMSA's acknowledgment of a balance of Kshs.44,000,000 received and the related payment voucher of an amount of Kshs.44,859,433. Payment Voucher for an amount of Kshs.98,937,999 could not be traced in the County's payment records despite being referenced by KEMSA, while another payment voucher for an amount of Kshs.100,000 was charged to pending bills but irregularly deducted from the Health Facilities account contrary to budgetary and chart of accounts requirements. Additionally, discrepancies were noted between facility proforma orders and supplier invoices, and the procurement file and signed contract agreement were not provided for audit review.

1313.17. Irregularities in Supply and Delivery of Non-Pharmaceuticals

The use of goods and services includes payments amounting to Kshs.27,541,000 for the supply and delivery of non-pharmaceuticals. Review of records established several weaknesses in procurement and inspection processes. The requisition was dated 8 March, 2023, delivery was undertaken on 29 June, 2023, and inspection was carried out on 3 July, 2023. The following anomalies were noted:

(i) The payment voucher did not bear the relevant item code weakening traceability and classification of expenditure.

(ii) Bid documents and a market survey report were not provided preventing verification of competitiveness and price reasonableness.

(iii) The evaluation was conducted on 5 April, 2023, five days after bid opening contrary to prescribed timelines.

(iv) The professional opinion was signed two days after completion of the evaluation, raising concerns on the integrity and timeliness of the approval process.

(v) Inspection was conducted after the goods had already been received into stores contrary to proper inspection and acceptance procedures.

(vi) Financial evaluation indicated that the award was split among three firms yet procurement files for two of the evaluated firms were missing, limiting audit assurance on the completeness of the procurement process.

(vii) There were contradictions in inspection documentation, where inspection memos and delivery notes confirmed full delivery of all items, while the inspection report indicated that one item was missing.

1313.18. Irregularities in the Construction of a Fire Station at Gikomba Market

Audit review of the construction of a fire station at Gikomba Market, at a contract price of Kshs.59,983,162, identified significant implementation and compliance weaknesses. An Interim Payment Certificate amounting to Kshs.30,024,578 or 50% of the contract sum had been paid by 28 June, 2024. However, physical inspection conducted on 30 July, 2025 revealed that key materials paid for were not on-site and the contractor was absent, indicating weak supervision and potential irregular payments.

Further, the project exhibited substandard workmanship, including non-compliant staircases and incomplete works. Access to the station was obstructed by informal kiosks, the water tank had been dismantled from its elevated position affecting operational readiness, and landscaping and drainage works remained incomplete. Additionally, part of the allocated land had been informally taken up by the adjacent market, creating risks of asset loss and boundary disputes. Retention money was also irregularly administered: instead of the required 10% totalling Kshs.2,999,158, only 3% totalling Kshs.900,737 was withheld, resulting in an excess payment of Kshs.2,098,421 to the contractor. The

withheld amount was not deposited into the County's deposit account as required. The project suffered from weak oversight, non-compliance with contract specifications, safety and quality deficiencies, and improper management of contract payments, thereby undermining assurance on value for money.

1313.19. Irregularities in Partitioning and Renovation Works at City Hall Annex

A contract Partitioning and Renovation Works at City Hall Annex valued at Kshs.12,760,255 was awarded to a contractor. Review of documentation provided revealed that the payment voucher lacked an item code, while the approved AIE was for an amount of Kshs.10,513,080 against an awarded contract sum of Kshs.12,760,255 resulting in an over-expenditure amount of Kshs.2,247,175. Further, retention money amounting to Kshs.1,276,026 was not deposited into the County deposit account and statutory deductions including withholding VAT at 2%, withholding tax at 3% and retention at 10% were not effected.

1313.20. Irregular Payments for Media and Advertisement Services

The County Executive entered into a contract for Media and Advertisement Services at a cost of Kshs.93,465,267. Review of records revealed multiple irregularities across several campaigns, including content production, land rates waiver and newspaper advertisements. Statutory documents, including Certificate of Incorporation, KRA PIN, valid Tax Compliance Certificate, CR12, and Business Permit, were not provided. Tax compliance anomalies were noted: withholding tax (3%) and VAT (2%) were either not deducted or not remitted. IFMIS data to confirm correct vote allocation were not provided, and no approved deliverables were certified by the requesting departments. Procurement documentation, including award letters, evaluation reports, and contracts, were missing. Expenditure was charged to "other creditors" as pending bills but not disclosed in the FY 2023/2024 pending bills list.

Additionally, payments were made without evidence of market surveys and in some cases through direct procurement with no participation by other media houses. Campaign payments were subcontracted to media houses without justification, invoicing and LPOs were inconsistent, and costs exceeded prevailing market rates. These irregularities demonstrate systemic weaknesses in media procurement and payment processes, undermining transparency, accountability and value for money.

1313.21. Irregular Payment and Supply and Delivery of Airtime

Review of the supply and delivery of airtime records revealed that the contract was awarded at an amount of Kshs.2,325,000 while the approved budget was an amount of Kshs.1,500,000 resulting in an unapproved over-expenditure of an amount of Kshs.825,000. Further, a total of 1,000 airtime vouchers were purchased at Kshs.1,550 each, which does not reflect value for money compared to prevailing market prices. In addition, the vouchers were received in the store on 20 March, 2025 but inspection was conducted on 8 May, 2025, over two months later, in violation of procurement law. Also,

the opening minutes and evaluation report were not provided for audit review and similarly, no appointment letters for the opening and evaluation committee members were provided.

1313.22. Unauthorized Expenditure under Trade Shows and Office Equipment

Review of the City Culture, Arts, and Tourism Sub-Sector records revealed an expenditure amounting to Kshs.17,787,700 on trade shows and exhibitions against an approved procurement plan of an amount of Kshs.10,000,000 resulting in over-expenditure of Kshs.7,787,700. Similarly, Kshs.2,250,000 was spent on mobile phones, laptops, and MacBooks against a budget of Kshs.800,000 resulting in an over-expenditure of an amount of Kshs.1,450,000. In total, an amount of Kshs.9,237,700 was spent outside the approved procurement plan. Management did not provide evidence of supplementary approval or the source of the excess funds, and the expenditure was not supported by an approved supplementary budget.

1313.23. Irregularities in Provision of Event Management Services for City Mayors and Governor's Dinner

Review of the procurement records on the provision of Event Management Services for City Mayor's and Governor's Dinner revealed that the same members were appointed to both the tender opening and evaluation committees contrary to the Public Procurement and Asset Disposal Act and one member listed in the professional opinion was not included in the original appointment letter. Further, payment of Kshs.2,345,000 was processed without supporting key procurement documents. There was also evidence of procurement being split among multiple suppliers, raising concerns over compliance, transparency and value for money.

1313.24. Irregular Contracting for Provision of Conference Facilities

Review of payments revealed multiple irregularities in contracting and expenditure across various County departments. Payments totalling Kshs.6,120,000 for conference facilities at Windsor Hotel were made without compliance with procurement laws. The tender was not advertised on the Public Procurement Portal, and key supporting documents including; tender opening minutes, evaluation reports, and committee appointment letters were not provided. The Local Purchase Order was issued outside the proper award sequence and inconsistencies existed between AIEs, invoices, and workshop dates, and the supplier's quotation matched the requisitioned estimate exactly. Although the AIE named Windsor Hotel, the procurement was channeled through a third party, inflating costs and undermining transparency. Attendance records were also not provided for verification.

Further, a payment of an amount of Kshs.2,966,300 for event setup during the UN Habitat Assembly on 5 to 9 June, 2023 also exhibited irregularities. The supply was executed in 2022/2023, yet the expense did not appear in either year's pending bills. It was wrongly charged to other operating expenses and lacked evidence that the County was

responsible for the event. The invoice date and procurement documentation raised concerns on validity, and the professional opinion was not signed by the Accounting Officer.

Additional payments amounting to Kshs.14,201,000 and Kshs.17,062,500 for working tools in the Environment Department were processed without tender advertisement, proper supplier identification, evaluation or opening committee records, professional opinion, award letters, or signed contracts. Goods delivered were inspected two months later, contrary to requirements, and verification from stores revealed no evidence of receipt or issuance. These payments were also charged to inappropriate accounts.

The irregularities indicate serious weaknesses in procurement planning, documentation, oversight, and financial controls, exposing the County to risks of financial loss, inflated costs, procurement of non-existent goods, and misstatement of financial reports.

1313.25. Lift Maintenance at City Hall Annex

The use of goods and services expenditure includes an amount of Kshs.3,377,890 made to a contractor for maintenance of lifts at City Hall Annex revealed multiple irregularities as indicated below;

(i) The contract agreement and contractor's license were not provided for audit verification. The payment voucher indicated that the maintenance covered the period from July, 2023 to September, 2024, yet the professional opinion was signed on 27 November, 2024 and the local purchase order was dated 30 October, 2024, casting doubt on the authenticity of the payment.

(ii) No market survey report was provided.

(iii) While the professional opinion indicated that bids were examined and evaluated by a quotation evaluation committee, the same document later stated that the procurement was direct, without providing justification for this approach.

(iv) The requisition for a local purchase order dated 28 August, 2024 and the Authority to Incur Expenditure (AIE) dated 31 July, 2024 referenced an outstanding lift maintenance debt amount of Kshs.2,373,579, yet the professional opinion cited estimated works amounting to Kshs.3,377,890, reflecting an overstatement of an amount of Kshs.1,004,311.

(v) The quotation opening date in the professional opinion was 5 April, 2024, however, the memo appointing opening committee members was dated 31 November, 2024, seven months after the stated opening date.

(vi) The contractor's written acceptance, was dated 30 October, 2018, six (6) years before the professional opinion.

(vii) Invoices for March, 2024 to July, 2025 were processed under a payment voucher covering July, 2023 to September, 2024, indicating discrepancies in the payment period. Inspection conducted during the audit revealed that the lifts were not operational, raising concerns about the authenticity and quality of services rendered.

1313.26. Irregularities in Training, Workshops, and Staff Development Payments

The use of goods and services expenditure includes an amount of Kshs.179,905,782in respect of training expenses. However, review of training and workshop expenditures during the year revealed multiple irregularities in documentation, procurement process and accountability.

(i) Training for the Valuation Court Task Force costing an amount of Kshs.1,208,200 and participation in the Institute of Surveyors of Kenya conference costing an amount of Kshs.2,475,300 lacked fundamental supporting documents, including approved travel guidelines, per diem and transport rates, work tickets, work plan approvals, travel evidence, and back-to-office reports.

(ii) Allowances totalling Kshs.480,000 were paid without supporting policy.

(iii) For the Urban Planning Induction Technical Committee training in Mombasa amounting to Kshs.8,100,000, although the procurement reported as an open tender, no signed contract, award letters, or acceptance documents were provided.

(iv) Notification and appointment dates indicated compressed and non-compliant evaluation timelines, while participant numbers increased without corresponding budget approval.

(v) Consultancy services for Environmental, Occupational Health, Safety, and Management training of an amount of Kshs.4,988,000 similarly lacked evidence of tender advertisement, evaluation score sheets, a signed contract, or adequate training documentation.

(vi) Participant numbers in reports did not match attendance registers, and payments exceeded the approved award by an amount of Kshs.86,000 without justification.

(vii) A separate consultancy for development of an e-waste management policy of an amount of Kshs.2,990,150 was also non-compliant. The tender was not advertised on the PPIP, and no workshop records, attendance lists, draft policy, or validation and approval documentation were provided, raising doubts about whether the service was delivered.

(viii) Payments totalling Kshs.4,064,795 for seven (7) officers who were to attend an experiential learning programme in Singapore were processed without imprest

warrants, travel evidence, boarding passes, attendance registers, or mission reports.

(ix) Transport allowances amounting to Kshs.350,000 were paid without policy support, and expenditures were misclassified in IFMIS.

(x) Overall, the review noted widespread absence of supporting documents, incomplete approval processes, procurement non-compliance, misclassification of expenditure, and lack of evidence of actual participation or deliverables. These weaknesses expose the County to risks of irregular, unauthorized, and potentially fictitious expenditure, and raise value for money concerns.

1313.27. Irregularities in Procurement and Management of Fuel

Audit review of fuel procurement and management during the year under review identified multiple irregularities as detailed:

(i) Procurement of fuel under Framework Contract lacked key documentation including evidence of supplier bids, bid opening minutes and valid tender committee appointments.

(ii) The tender opening committee comprised only two members instead of the legally required three.

(iii) No evidence was provided to confirm notifications or acceptance of award by the bidders and contract agreements were missing.

(iv) Framework contract review revealed non-rotation of suppliers with only one supplier consistently engaged despite three suppliers being on the contract.

(v) Payments under the contract totaled Kshs.352,399,999 to a single supplier while other suppliers received no orders.

(vi) Fuel products outside the approved contract scope including V-Power fuel and lubricants were procured without competitive bidding or documented approval.

(vii) Fuel allocations to Chief Officers totalling Kshs.638,851 were drawn without approvals, limits or formal controls, highlighting misuse of public funds.

(viii) Departments were issued a single fuel card instead of per vehicle contrary to standard operating procedures and there was no fleet-wide fuel consumption tracking system, including GPS or odometer readings.

(ix) Fuel supplier statements and records revealed multiple irregularities including incomplete supplier statements with missing vehicle registration numbers, generic descriptions such as "any vehicle," and exceeding card limits with transactions totalling Kshs.1,708,045. Fueling beyond allocations amounted to Kshs.2,362,464 while general fuel cards worth Kshs.77,634,126 were used for multiple vehicles without spending caps.

(x) Discounts totalling Kshs.2,258,070 were unutilized and undocumented and public funds were used to fuel private vehicles.

(xi) Excessive fuel drawdowns including single fueling of garbage trucks (300–400L) and the asphalt plant (4,000L) were recorded without route logs or technical justification.

(xii) The Environment subsector drew fuel from Mobility allocations despite having independent procurement arrangements, while 314 grounded vehicles and 50 motorbikes may have been fueled without proper records

1313.28. Supply and Delivery of Staff Uniforms and Protective Equipment

Audit of the procurement, delivery and payment for staff uniforms and protective equipment across various County departments revealed widespread irregularities and non-compliance with procurement and contract management regulations. During the 2023/2024 financial year, the County procured branded reflector jackets, t-shirts, rubber shoes, black ankle boots, safety boots, fleece jackets, overalls, dustcoats, raincoats and other clothing items under multiple tenders, with contract sums ranging from Kshs.2,520,000 to Kshs.51,440,000.

Review of procurement records indicated that, although professional opinions cited open tenders advertised through the Public Procurement Information Portal, no evidence of these advertisements could be traced. Appointment letters for tender opening and evaluation committees, tender opening minutes, evaluation minutes, and individual score sheets were missing, making it difficult to verify whether proper evaluation procedures were followed. Contract and tender documents lacked detailed specifications, including fabric type, texture, size breakdowns, stitching standards, branding quality, durability, design features and delivery timelines. Additionally, contracts did not include clauses on penalties for late delivery, quality assurance or inspection methodologies.

Discrepancies were also observed between delivered and inspected quantities, for example, in the supply of 4,275 branded reflector jackets and 3,200 t-shirts, delivery notes recorded only 3,000 t-shirts while the Stores Received Statement indicated 3,200 units, with no supporting explanation for the additional items. Similar inconsistencies were noted across other procurements, including safety boots, rubber shoes, gumboots, reflector jackets, fleece jackets, and raincoats, with inspected quantities differing from both delivered and ordered quantities. In some cases, inspection reports recorded more items than were delivered, raising concerns about the reliability of delivery and inspection records.

Payment records revealed further irregularities. Full payments were processed despite incomplete deliveries, unexplained discrepancies and inadequate inspection verification. In the case of rubber shoes and black ankle boots, a credit note of Kshs.6,700,000 was issued for undelivered boots yet there was no evidence that this amount was refunded, adjusted or applied against future procurements. For other uniform contracts, payments

were made for goods not delivered or partially inspected, with no indication of adjustments to reflect the actual quantity and quality of goods received.

Additional concerns included missing documentation for notification of intention to award, award letters, signed contract agreements, and distribution records to end-users. Inspection and acceptance certificates were sometimes issued days or months after deliveries, with stores received statements not aligning with inspection dates, highlighting weaknesses in record-keeping and inventory management. In some procurements, the same officers were appointed to both opening and evaluation committees, compromising independence and increasing the risk of collusion and favoritism.

1313.29. Provision of Conference Facility for Nairobi City County Employees in Naivasha

Note 9 to the financial statements discloses domestic travel and subsistence expenses of Kshs.1,430,239,192. Included in this amount is a payment to a hotel of Kshs.5,400,000 dated 25 June, 2024 for provision of conference facilities from 25 June -12 July, 2024 as requisitioned on 18 June, 2024. However, the audit revealed that the tender was not advertised in the Public Procurement Information Portal (PPIP).

Further, opening and evaluation committee appointment letter, minutes and opening and evaluation attendance registers, individual technical evaluation scoresheets, bid documents and market survey and notification for award and acceptance of award were not provided for audit.

In addition, although the workshop was scheduled to run from 25 June - 12 July, 2024, there was no attendance sheet, any record or activity report to confirm that the conference took place. This raise concerns on authenticity of the billing.

In the circumstances, Management was in breach of the law and the value for money and effectiveness of the above expenditure could not be confirmed.

1314. Waste Management - Non-Compliance with Regulations

The County Executive spent a total of Kshs.1,706,848,963 on waste management services. Audit review revealed that the County did not maintain a comprehensive and up-to-date database on waste management service provision by contracted providers, including those engaged in solid waste collection, transportation, disposal and the hire of heavy equipment at dumpsites.

1314.1. Failure to Maintain and Report Comprehensive Waste Management Service Data

Audit review revealed that the County Executive lacks a defined framework or documented procedures for the disposal and management of electronic waste (e-waste), in direct contravention of the Environmental Management and Coordination Act (EMCA) and the National Environment Management Authority (NEMA) guidelines. No records or

evidence were provided to demonstrate that obsolete electrical and electronic equipment, including computers, printers, communication devices and related peripherals, had been systematically identified, segregated, safely stored or disposed of through licensed e-waste handlers as prescribed by law. This increases the likelihood of hazardous substances such as lead, mercury and cadmium contaminating soil and water resources. This creates significant health risks for staff, waste handlers, surrounding communities and the wider ecological environment.

Despite these significant expenditures, there were no consolidated records detailing the volumes of waste collected, locations serviced, hours worked, frequency of collection, machinery deployment schedules or independent verification of services rendered.

Further, there was no evidence that such data was compiled, analyzed and submitted through the National Waste Information System in accordance with Section 17(g) of Sustainable Waste Management Act (Cap 387C) which provides that data on waste management service provision by waste management service providers should be maintained and the information shared at least once in each year through the national waste information system developed under section 8(1)(f). Without accurate, comprehensive and verifiable waste management data, the County is unable to effectively monitor contractor performance, assess value for money or identify service gaps. This increases the risk of inefficiencies, inflated billing, overpayments, duplication of services and non-compliance with national reporting requirements. It also limits the County's capacity to make data-driven policy and budgetary decisions on waste management. The residents were exposed to health hazards arising from eminent environmental degradation.

1314.2. Absence of a Structured Junk Waste Management System

Audit review revealed that the County Executive had no structured system or documented procedures for the management and disposal of junk waste, including bulky, obsolete or damaged non-electronic items such as broken furniture, scrap materials, and construction debris. No records were provided to demonstrate that such waste is routinely identified, recorded, and disposed of through authorized processes or licensed handlers. In the absence of an inventory and disposal plan, there was a risk of unsanitary accumulation within County premises, creation of fire and safety hazards, unauthorized removal or misuse of Government assets and overall non-compliance with waste management regulations. The unregulated accumulation of junk waste may result in health and safety hazards, increased fire risks, misuse or theft of County property, reduced usable workspace and breaches of national waste management laws.

1314.3. Non-Compliance with Statutory Requirements for County Waste Management Planning and Reporting

Audit review revealed that the County Executive had not prepared a County Waste Management Plan or produced quarterly monitoring reports for the city, urban areas and administrative units as required. In addition, the County had not submitted annual reports

to the National Environment Management Authority (NEMA) and the County Assembly on the implementation of the waste management plan. No evidence of draft plans, monitoring templates, performance tracking tools or documented submissions was provided for audit. The absence of these critical planning and reporting instruments undermine effective coordination, monitoring and evaluation of waste management activities.

Without a structured County Waste Management Plan and periodic reporting, the County risked poor coordination of waste management services, non-compliance with the law, limited accountability and ineffective allocation of resources towards waste management. This may further result in environmental degradation, public health risks and missed opportunities for waste recovery and recycling initiatives.

In the circumstances, Management was in breach of law.

1315. Legal Services Management and Financial Control Weaknesses

The expenditure includes other operating expenses amount of Kshs.6,165,173,103 which further includes an amount of Kshs.1,515,990,263 on legal services. The following observations were made;

1315.1. Irregular Engagement and Inadequate Oversight on External Legal Firms

Review of records revealed that, although the County had approximately one hundred and ten (110) legal officers deployed across various units, most litigation matters continue to be outsourced without documented criteria to justify this arrangement. Further, disciplinary records relating to three (3) interdicted officers were not provided for audit review and no cost-benefit analysis or legal outsourcing strategy was provided to support the decision to engage external firms.

The above notwithstanding, several firms were engaged without evidence of competitive selection, existence of framework agreements or documented justification for direct procurement or single-sourcing. In many instances, engagement letters or contractual agreements were not provided for review, undermining transparency, accountability and enforceability of contractual obligations.

Further, the County did not provide documentation to demonstrate that structured performance evaluations of the engaged legal firms were undertaken. Specifically, no case progress reports, performance review summaries, feedback mechanisms or contract close-out reports were provided to support monitoring and assessment of service delivery.

In addition, consolidated summaries of case outcomes such as judgments, settlements, withdrawals or dismissals were not provided. There was also no evidence of evaluation reports demonstrating the effectiveness, efficiency or value derived from the outsourced legal services.

1315.2. Non-Utilization of Existing Legal Case Management System

The County Legal Department had access to an in-house legal case tracking system developed by the ICT unit. However, there was no evidence that the system was actively in use. Case monitoring continued to be undertaken manually and no system-generated data was provided for audit review. It was noted that the Department relied almost exclusively on physical case files, with no electronic backup in place and laced a centralized and updated legal document repository.

1315.3. Undisclosed Legal Cases Paid Outside the Pending Bills Register

Audit review revealed that legal cases totalling Kshs.49,939,059 were settled during the financial year 2024/2025 but were not disclosed in the County Executive's pending bills register at the close of the previous financial year, 2023/2024. The cases include; ELC No. E001 of 2023 amount of Kshs.21,316,666, ELC Petition No. E019 of 2023 amount of Kshs.10,224,360 and HC JR ELC of 2022 amount of Kshs.18,395,033. No documentation was provided to explain the omission of these liabilities from the pending bills register submitted for audit or from the financial statements for the year ended 30 June, 2024. In addition, Note 22 to the financial statements discloses contingent liabilities totalling Kshs.11,970,049,570.

1315.4. High Unauthorized Legal Costs Without Budgetary Alignment

The County incurred cumulative legal expenditure amounting to Kshs.1,515,990,263 paid to external Legal Counsel. This expenditure significantly exceeded the approved supplementary budget provisions for legal services, which were Kshs.301,550,848 for recurrent expenditure and Kshs.8,000,000 for development under the Legal Department. No documentation was provided to demonstrate that the excess expenditure was regularized through additional approvals by the County Assembly or the Controller of Budget, as required under the Section 131(3) of the Public Finance Management Act, 2012.

Further, no evidence of utilization was provided to support the amounts of Kshs.8,000,000 development allocation, raising concerns as to whether development initiatives such as digitization of legal records, capacity building or infrastructure improvement were implemented.

1315.5. Irregularities in Management and Award of Court Cases

Audit review of multiple legal cases handled between 2016 and 2025 identified recurring weaknesses in the management, monitoring and payment of external legal services. The following observations were made;

(i) Several cases involved repeated changes of advocates and in some instances, two law firms represented the County simultaneously resulting in duplication of costs without justification.

(ii) Fee notes were inconsistent or missing. Further, notes were often grossly inflated and subsequently revised downward by the County Attorney without

evidence of independent evaluation or compliance with the Advocates Remuneration Order, 2014.

(iii) Key supporting documents such as court attendance records, pleadings, rulings and case outcomes were not provided to substantiate payments.

(iv) Instructions issued to advocates were unclear, and not itemized and did not define scope or deliverables, preventing effective monitoring.

(v) Significant payments, including amounts between Kshs.40,000,000 and Kshs.136,000,000 per case, were made without itemized fee notes or supporting court documentation.

(vi) In several instances, revised fee notes could not be verified and in one case it was unclear whether the firm represented the County or a third party.

(vii) The County did not maintain a central legal case register to track active, concluded or pending matters and cases statuses were not consistently recorded in official registers.

(viii) Some cases continued to incur costs despite absence of briefs from County solicitors and terminations or changes of advocates were not properly documented, exposing the County to double billing and avoidable expenditure.

(ix) Interest payments arose due to delayed settlement of decretal sums and some legal fee payments were misclassified, obscuring true legal liabilities.

(x) Instances were noted where withholding taxes (income tax and VAT) deducted from legal fees were not remitted to the Kenya Revenue Authority, indicating non-compliance with statutory obligations.

1315.6. Failure to Provide County Attorney's Statutory Report

Audit review revealed that the statutory report submitted by the County Attorney related to the previous financial year rather than the year under review. The absence of a current statutory report undermines transparency and accountability regarding pending cases, litigation risks, legal expenditure and the performance of both internal and external counsel. This was contrary to Section 28(I) of the Office of the County Attorney Act, 2020, which provides that the County Attorney shall as soon as practicable after the Month of June, each will prepare and furnish to the Governor in respect of the of the operations of the Court during the year that award on fifth June.

1315.7. Delayed Payment of Legal Fees

Audit review revealed that a legal fees claim an amount of Kshs.40,611,050, payable for HC Misc. Application No. 539 of 1996, was delayed from 12 August, 2016 and only settled on 23 June, 2025. No vendor fee notes, contract or supporting documentation was provided to confirm the accuracy or validity of the payment. Further, extracted minutes indicated that the initial claim amount of Kshs.55,113,413 was later revised to

Kshs.40,611,050 but no documentation was provided to explain the adjustment. In addition, the status of the case could not be confirmed as it was absent from the County's list of concluded matters. No evidence of prequalification, registration or due diligence of the legal service provider was provided. The delayed payment and lack of supporting documentation highlight non-compliance with legal and financial management requirements.

In the circumstances, Management and award of legal cases was not in compliance with the laws and regulations and did not demonstrate assurance of value for money.

1316. Other Grants and Subsidies

The statement of financial performance and as disclosed in Note 12 to the financial statements reflects other grants and subsidies amount of Kshs.2,275,084,269. Review of records revealed the following unsatisfactory matters;

1316.1. Anomalies in the Supply and Delivery of Cholera Response Commodities

Audit review of the procurement process for a tender awarded to a supplier at a contract price of Kshs.24,879,800 identified the following irregularities:

(i) Discrepancies between inspection report and store records – The inspection report indicated delivery of Chlorine Powder 70% (200 jars @ Kshs.3,500 = Kshs.700,000) and Chlorine Powder 35% (200 jars @ Kshs.1,300 = Kshs.260,000). However, store records confirmed that these items were not received.

(ii) Contradictory delivery records – Store statements indicated that the items were received at the General Stores while a memo stated that delivery was made to the Governor's residence.

(iii) Incomplete procurement documentation – Critical procurement documents were not provided for audit including the signed contract agreement between the County and the supplier, notification letters to unsuccessful bidders and the letter of award to the successful bidder.

(iv) Unclear financial reporting – Although the payment had not been settled at the time of audit, the supplier did not appear in the County's approved list of pending bills, raising concerns regarding the completeness and accuracy of financial disclosures.

1316.2. Irregularities in Supply and Delivery of Foodstuff for Disaster and Emergency Response (Lot 2)

During the year the County paid an amount of Kshs.34,000,000. Audit revealed that no market survey or prequalified supplier list was undertaken prior to the procurement. The contract agreement was dated February, 2023, approximately two months after delivery of the goods. Further, no breakdown of unit costs for the 2,500 bales of rice and 4,000

bottles of cooking oil was provided for inspection. The professional opinion was signed three weeks after issuance of the evaluation report while inspection of the supplies was conducted four days after delivery. In addition, inconsistencies were noted in the procurement file, with some documents referring to Lot 1 and others to Lot 2.

1316.3. Inconsistencies in Procurement and Supply and Delivery of Metallic Beds

Audit review of the supply of 100 double-decker metallic beds, delivered to Kangundo Road Fire Station at a contract sum of Kshs.2,693,560, established that mandatory eligibility documents were missing, and framework contract documentation for the supplier was not provided including the Certificate of Incorporation, KRA PIN, VAT compliance certificate, AGPO certificate, Single Business Permit and Supplier Registration Letter.

Further, it was noted that the amount remains outstanding several years after delivery and no procurement justification was provided to demonstrate that the acquisition met the criteria for emergency or disaster-related procurement as purported.

1316.4. Irregularities in the Supply and Delivery of Foodstuffs for Disaster and Emergency Response – Floods (Lot 1)

During the year, the supply and delivery of foodstuffs for disaster and emergency response (Lot 1) was awarded to a supplier under a Framework Contract at a contract sum of Kshs.34,895,000. Payment was processed on 18 July, 2024. Review of the procurement and payment process revealed the following anomalies:

(i) Notification of intention to award was issued on 15 November, 2022 while the framework contract agreement was signed on 5 December, 2023 representing a delay exceeding twelve months. Such prolonged delays are irregular, particularly for emergency-response contracts where timeliness is critical.

(ii) The inspection and acceptance certificate dated 31 May, 2024 only indicated that goods were received and accepted without detailing quantities, specifications or quality checks. No remarks or verifications were recorded by committee members, undermining accountability and assurance that deliveries conformed to contractual requirements.

(iii) Delivery notes showed goods were delivered on 22 May, 2024 while the Stores Received Statement was dated 31 May, 2024, creating a nine-day gap that exposes risks related to custody, storage conditions and traceability of the goods.

(iv) Although procured under a framework agreement, no itemized pricing schedule was provided showing unit costs, quantities and totals per item. This omission prevents verification that the invoiced amount of Kshs.34,895,000 was aligned with agreed framework rates and weakens assurance on value for money.

1316.5. Irregularities in Supply and Delivery of Foodstuff for Disaster and Emergency Response (Lot 2)

During the year the County paid an amount of Kshs.34,000,000. Audit revealed that no market survey or prequalified supplier list was undertaken prior to the procurement. The contract agreement was dated February, 2023, approximately two months after delivery of the goods. Further, no breakdown of unit costs for the 2,500 bales of rice and 4,000 bottles of cooking oil was provided for inspection. The professional opinion was signed three weeks after issuance of the evaluation report while inspection of the supplies was conducted four days after delivery. In addition, inconsistencies were noted in the procurement file, with some documents referring to Lot 1 and others to Lot 2.

1316.6. Unconfirmed Deliveries and Failure to Provide Procurement Records – Disaster Management

The expenditure under other grants and subsidies includes payments for disaster and emergency goods amounting to Kshs.460,633,914 which was paid to nine (9) suppliers, including duplicated payments of an amount of Kshs.81,077,586 each, without supporting documentation or justification and with no evidence of recovery or reconciliation for the duplicated payments. Physical inspection at Gigiri Stores on 31 July, 2025 did not confirm deliveries as per vouchers and there were no stores issue vouchers, delivery notes or goods receipt statements provided. The items paid for included foodstuffs, household items, firefighting gear and ICT equipment.

Consequently, Management was in breach of the law and value for monet on the expenditure could not be confirmed.

1317. Property, Plant and Equipment –

1317.1. Irregularities in Construction of Capital Projects

The statement of financial position and as disclosed in Note 15 to the financial statements reflects property, plant and equipment balance of Kshs.5,813,752,973. However, review of records provided revealed the following;

1317.2. Lady Northey Governor's Residence and Pension Towers

Review of the proposed construction of the official Governor's residence at Lady Northey and the proposed partitioning of Offices on the 25th and 26th Floors at CBK Pension Towers – Phase II. Both projects were awarded to the same supplier, and had multiple irregularities and non-compliance with procurement and contract management requirements; revealed the following;

(i) The Governor's Residence project, valued at an amount of Kshs.235,323,395, was scheduled for completion within forty (40) weeks from site possession on 22 April, 2024. However, as of 30 June, 2025, only two Interim Payment Certificates (IPC No. 1 and IPC No. 2) had been raised and paid, with a

combined gross certification amount of Kshs.89,470,154, leaving a balance of Kshs.145,853,241 of the contract sum uncertified and the remaining work incomplete by the end of the financial year. The forty-week completion period had lapsed by 24 February, 2025, creating a risk of project stalling and indicating significant delays in project implementation and payments relative to the original schedule.

(ii) The contract sums significantly exceeded the approved ceiling amount of Kshs.45,000,000 under SRC guidelines for Governors' official residences, while provisional sums and prime costs totalling Kshs.97,500,000 (41% of the contract) were abnormally high.

(iii) Payments amounting to Kshs.17,000,000 were made without supporting documentation, including variation orders, measurement sheets, or project manager instructions. Performance security expired before project completion.

(iv) Retention funds were not remitted while Withholding taxes were not remitted to KRA.

(v) Ownership of the Lady Northey site could not be verified.

(vi) Staff relocation compensation lacked supporting justification, and budget allocations were inconsistent with the project timeline.

The CBK Pension Towers Phase II project, valued at Kshs.42,647,380 with payments totalling Kshs.37,111,445, exhibited similar deficiencies. These include;

(i) Inspection reports did not detail verifiable works while Measurement sheets were absent, and LPO commitment occurred after engineer certification.

(ii) Retention totalling Kshs.2,132,369 was partially deducted and not remitted, and provisional sums and dayworks were paid without supporting documentation or variation orders.

(iii) The contract expired while works continued without extension approval but no lease agreement was provided to clarify responsibilities for partitioning rented office space.

(iv) Risk of duplication of works with previous phases was noted, and withholding taxes amounting to Kshs.1,753,195 were not remitted.

1317.3. Construction of Perimeter Wall, Guard House and Gates at Shiranga Hospital – Njiru Ward

Audit review of the tender valued at a sum of Kshs.11,599,315 for a six-month period starting 2 September, 2024, revealed that the tender evaluation committee minutes were

dated 21 February, 2024 prior to the tender closing on 1 March, 2024. Further, the contract was signed on 2 July, 2024, ninety (90) days after the tender notification on 2 April, 2024 exceeding the validity period. In addition, the Bill of Quantities, site instructions, invoices and the project implementation file were missing. The 10% retention amounting to Kshs.583,870 was also not deposited into the County deposit account.

1317.4. Construction of Cancer Diagnostic Centre

Audit review of the construction of the Cancer Diagnostic Centre at Parklands Sub-County Offices awarded at a contract sum of Kshs.39,998,609 with a six-month completion period commencing 2 October, 2023. However, technical evaluation inconsistencies were noted, with professional opinions covering four bidders while the minutes reflected only one bidder. The professional opinion was dated 19 June, 2023, three (3) days after the evaluation. Essential documentation including approved Bill of Quantities and site instructions were missing. Further, the project implementation file and project status report were not provided. Additionally, the 10% retention amounting to Kshs.3,388,108 was not deposited into the County deposit account.

1317.5. Construction of Boundary Wall, Gate House and Parking – Safe House, Mji wa Huruma

Audit review of the construction of a boundary wall, gate house and parking at the Safe House – Mji wa Huruma, awarded at a contract price of Kshs.12,810,141 with a six-month completion period, revealed multiple anomalies.

(i) No approved engineer's estimate or Bill of Quantities was provided for audit.

(ii) The same committee members handled both tender opening and evaluation. Appointment letters for the opening and evaluation committees were missing and unsuccessful bidders were not issued regret letters.

(iii) A mischarge of Kshs.2,783,064 from the Tourism subsector to fund Gender and Inclusivity activities was noted.

(iv) Contingency sums and variations amounting to Kshs.250,000, Kshs.1,850,200, and Kshs.390,000 were included in Certificate No.1 without expenditure breakdown, variation requests or approval minutes and no justification for cost increases in Bill of Quantities items was provided.

(v) Memoranda of Understanding with National Government Affirmative Action Fund (NGAAF) (Kshs.50M) and Nairobi Metropolitan Services (NMS) (Kshs.18M) lacked progress reports, approved plans, committee minutes and handover reports.

(vi) Upon physical inspection, the public signboard did not indicate County involvement, the gate house was locked preventing confirmation of internal

works and some paving blocks had already been demolished, suggesting poor workmanship or lack of supervision.

1317.6. Construction of Nyangusi Road – Umoja I Ward

Audit review of the construction of Nyangusi Road in Umoja I Ward, awarded at a contract sum of Kshs.19,700,094 with a six-month completion period commencing 18 April, 2024, revealed multiple anomalies.

(i) No requisition or Authority to Incur Expenditure from the user department was provided. There was no advertisement on the Public Procurement Information Portal or other prescribed media and professional opinion indicated a single bidder, suggesting de facto direct procurement without statutory justification or approval.

(ii) Appointment letters for opening and evaluation committees as well as opening registers and minutes, were not provided.

(iii) Tender evaluation was conducted on 18 December, 2023 but the professional opinion was issued on 23 February, 2024, approximately 67 days later.

(iv) No materials approvals, such as laboratory test certificates were on file, creating risk of substandard construction.

(v) Road designs and Bills of Quantities from both Public Works and the contractor were not provided and site handover or completion reports, site meeting minutes, monthly progress reports and resident engineer's instructions were missing.

(vi) The Local Purchase Order was dated 14 November, 2024, after works had commenced and inspection conducted, indicating post-facto procurement.

(vii) Retention of Kshs.1,967,043 was deducted from IPC 1 but was not transferred to the County deposit account and the retention amount (approximately 11.1%) could not be reconciled to contract terms.

1317.7. Upgrading to Bitumen Standards – DC–Mwembeni–Nyumba Kubwa–Gaza Road

Audit review of the upgrading to bitumen standards of DC–Mwembeni–Nyumba Kubwa–Gaza Road, awarded at a contract sum of Kshs.19,872,424 with a six-month completion period commencing 25 April, 2024, revealed multiple irregularities.

(i) The initiating requisition referenced a different road, raising questions on needs assessment and audit trail.

(ii) Advertisement records on the Public Procurement Information Portal could not be traced and referenced addenda were missing.

(iii) No tender opening minutes or appointment letters for the opening committee were provided, and evaluation minutes, appointment letters and signed individual score sheets for evaluators were missing.

(iv) Only four (4) of seven (7) evaluators participated in scoring and bid security instruments and validity were not provided.

(v) Implementation controls were also weak, with no site handover reports, resident engineer's instructions, inspection records or supervision reports and retention money of Kshs.985,951 was not credited to the County Deposits Account.

1317.8. Irregularities and Defects in Borehole Construction Projects

Audit review of borehole projects across Mabatini, Lindi, Umoja I and Kitisuru Wards revealed multiple procurement and implementation irregularities. The projects were awarded with contract sums ranging from Kshs.9,787,396 to Kshs.19,819,203. Common deficiencies included; incomplete or undated requisitions, delayed professional opinions following evaluation, inconsistencies in tender numbers, evaluation scoring and contract sums, as well as failure to provide feasibility studies, needs assessments, or proper performance bonds and acceptance letters.

Further, occupational Safety and Health Act (OSHA) compliance, Water Resources Authority approvals, Environmental Impact Assessments, NEMA approvals, and Letters of No Objection from Nairobi Water Company were missing. In addition, physical inspection post-completion identified defects, including; water overflow from elevated tanks, peeling foundation finishes and lack of branding, making it impossible to confirm County involvement.

1317.9. Irregularities in the Construction of Markets Across Selected Wards

Audit review of market construction projects in Jujo, Karen and Kahawa West wards revealed multiple irregularities and non-compliance with contract and financial management requirements. The proposed construction of Jujo Market, awarded at a contract sum of Kshs.93,964,315 and commencing on 20 May, 2024, exhibited inconsistencies in documentation, including incorrect tender numbers in the professional opinion, misaligned contract dates and untraceable retention monies totalling Kshs.6,524,323 in the County Deposits Account. Similarly, the proposed market at Karen Ward, awarded at a sum of Kshs.235,369,272, had unremitted deductions for withholding VAT amount of Kshs.1,042,140, withholding income tax amount of Kshs.1,813,324 and retention amount of Kshs.6,044,415 despite payment having been made to the contractor.

The Kahawa West market that was re-tendered and awarded at a sum of Kshs.156,899,199, also had unremitted deductions totalling Kshs.6,545,542 and an expired performance security shortly after the contractual completion date. Across all projects, audit noted delayed contract execution, gaps in retention and statutory remittances and documentation deficiencies, raising concerns on compliance, accountability, and effective project monitoring.

1317.10. Operational and Financial Irregularities at Kangundo Road Asphalt Production Site

Review of operations at the Kangundo Asphalt Production Site identified multiple deficiencies that affected service delivery and value for money.

(i) The commissioning date and installation records of the plant were not provided while automated production reporting ceased following repairs in 2022, leaving manual recording that exposed the County to data integrity risks.

(ii) Fuel consumption was not independently verified, with tanker draws of approximately 4,000 litres procured at pump prices, despite an existing, cheaper framework contract remaining unused.

(iii) Supporting documentation, including fuel work tickets, requisitions and usage logs, was missing.

(iv) Land ownership or lease records for the plant site was not provided.

(v) Production for the year under review amounted to 9,786 tonnes, but no cost-per-tonne analysis was conducted to demonstrate value for money.

(vi) Of the two pave layers available, one remained idle without a maintenance or replacement plan.

1317.11. Irregular Implementation of Sectional Properties Act, 2020 in the Stalled Pangani Affordable Housing Project

Review of the Pangani Affordable Housing Project revealed significant irregularities in the application of the Sectional Properties Act, 2020, which have contributed to delays and potential legal and financial risks for the County and the unit owners.

On 23 October, 2024, members of the Pangani Affordable Housing Project wrote to the County Secretary regarding inordinate delays in the completion of the development and related concerns, which raised issues of incomplete buildings that were exposed to the elements, increasing the risk of structural defects. The letter was hand-delivered and received by the Nairobi City County Director Housing, on 24 October, 2024. No action was documented by the County to compel the Registered Owner to mitigate these risks which could be life-threatening if defective units were completed and occupied. The development which began in early 2020, stalled for reasons that were not explained. The letter noted that the Vendor had stated the development was being implemented outside the framework of the Sectional Properties Act, 2020. No justification was provided for this deviation and the County did not demonstrate any intervention to ensure compliance, potentially compromising the legal rights of the unit owners.

Further, the Developer retained portions of the development for unclear purposes despite the project being designated as a Sectional Property, where benefits and obligations

should be shared with purchasers. Unit owners expressed concern that all common areas were retained by the Developer with no clear explanation. Further, the Developer informed owners that only 1,000 parking slots would be provided for 1,562 units with the remaining slots either sold or retained for charging residents, contrary to the agreement for full handover of parking facilities and common areas.

There was no evidence that the County had taken any follow-up action or enforcement measures against the Developer for failure to comply with the contract or any indication that legal action was pursued to protect the interests of the purchasers.

Given the County's lack of intervention and follow-up, the sustainability of the project is uncertain. Unit owners remain at risk of losing their investments and the project, intended as a flagship of affordable housing initiative, may fail to meet its objectives without timely corrective action. Further, no explanation was provided by the County Secretary regarding the delay, harming the County's reputation.

1317.12. Irregular Expenditure on Supply and Delivery of Goods and Services in the Office of the Governor

The statement of financial position and as disclosed in Note 15 to the financial statements reflects property, plant and equipment balance of Kshs.5,813,752,973. Audit review of nine procurement transactions in the Office of the Governor totalling Kshs.22,525,796 revealed that;

(i) In the supply of ICT equipment, three laptops were delivered instead of four, with variances between requisition, LPO and actual delivery.

(ii) Inspection and acceptance was delayed by two to three weeks and payment was irregularly processed under pending bills.

(iii) The supply of sports gear lacked user specifications, distribution lists and beneficiary criteria, with LPO issuance, delivery and inspection all on the same day, and payment processed under pending bills without registration.

(iv) Supplies of jackets, T-shirts, mobile phones and branded dustcoats were staggered or inconsistently recorded, lacking inspection certificates, distribution lists, justification for assets and asset tagging.

(v) Conference facilities procurements, including executive, project prioritization and validation conferences, had LPOs issued one day before events, missing invitations, agendas, attendance registers, travel approvals, post-conference reports and in some cases, payments exceeded RFQ ceilings.

(vi) Deliverables for digitization and USSD hosting were completed but payments were irregularly settled.

(vii) Payments for all nine transactions were not recorded in the pending bills register but settled as first charge under pending bills.

1317.13. Doubtful Procurement of Photographic Equipment

During the year under review, the Office of the Governor advertised for the supply of photographic equipment on 23 April, 2025. The tender was opened on 2 May, 2025 and evaluated on 5 May, 2025 attracting only one bidder who quoted an amount of Kshs.9,521,000. Review of the procurement process revealed that the professional opinion was signed two (2) days after receipt of the evaluation report contrary to the requirement for immediate review and submission and there was no market survey report provided to support the pricing rationale. Further, specification No.16 in the Authority to Incur Expenditure memo differed from the evaluation report and professional opinion raising concerns over the consistency of requirements.

1317.14. Irregularities in the Procurement of ICT Equipment

Audit review of procurement and payment records for laptops, desktops, smartphones and other ICT equipment revealed that, the County Executive made two (2) separate payments totalling Kshs.3,327,696 under different quotations and LPOs, despite both relating to the same supply; at contract sums of Kshs.2,321,496 and Kshs.1,006,200 respectively. Review of records revealed that the procurements were not consolidated resulting to possible splitting of tender which was not in the procurement plan. No justification for splitting or parallel procurement was documented raising concerns of intentional contract splitting contrary to the Public Procurement and Asset Disposal Act, 2015 Section 3(g) which states that the procurement and asset disposal by State organs and public entities shall be guided by values and principles of the Constitution and relevant legislation on principles governing the procurement profession and international norms.

Further, ICT equipment were procured for the Governor's Communication Department at a cost of Kshs.2,460,000 and ICT Department at an amount of Kshs.700,000. However, there was no evidence of market survey undertaken to confirm pricing. Further, quotation opening and evaluation registers were dated 31 January, 2025, while the winning bidder's quotation was dated 2 February, 2025, after the opening date. In addition, the County procured 45 (forty -five) desktop computers at a contract sum of Kshs.18,000,000. However, audit review revealed that goods were delivered 11 days after the professional opinion dated 22 May, 2025, contrary to the statutory 14-day standstill period. Only two bidders appeared in opening minutes despite the process reportedly attracting three bids. The requisition documents also lacked desktop specifications.

1317.15. Supply and Delivery of ICT Equipment for the Public Health Sector

As disclosed in Note 15 to the financial statements the property, plant and equipment balance of Kshs.5,813,752,973 includes an amount of Kshs.2,998,000 paid to a supplier for the supply and delivery of ICT equipment. However, review of records revealed that no asset register was provided and the beneficiaries or intended users of the equipment

were not disclosed. The absence of an asset register prevents verification of assets delivered and in use. Further, tax compliance gaps were noted as no evidence was provided for remittance of 2% VAT withholding tax of Kshs.51,689 and 3% withholding income tax, approx. Kshs.89,940 was not deducted.

1317.16. Irregular Procurement and Payment for Office Equipment and Furniture

Audit review of procurement, delivery and payment records for office equipment, furniture, general supplies and IT equipment for various sectors within Nairobi City County during the financial year revealed multiple irregularities across several transactions totalling Kshs.26,326,999.

Audit review of the supply and delivery of computers and other IT equipment and procurement of office equipment and furniture, including transactions revealed non-sequential and undocumented procurement processes, contracts exceeding approved expenditure limits, missing tender advertisements and committee records, incomplete specifications, and inadequate evidence of market surveys. In several cases, suppliers were awarded contracts before formal tender opening, and mandatory notifications to unsuccessful bidders were not issued.

Further, delivery, inspection, and stores controls were weak, with goods being recorded before inspection and inconsistencies noted between delivery notes, store records, and inspection reports. Some payments were processed without essential supporting documents, including asset register updates and contract agreements. Framework agreements reviewed did not comply with legal requirements, and tender validity periods were breached.

These weaknesses expose the County to risks of financial loss, overpricing, procurement of substandard items, non-compliance with procurement laws, and inaccurate financial reporting. The findings point to systemic deficiencies in procurement planning, documentation, oversight, and internal control.

1317.17. Doubtful Procurement Process of Containerized Studio

During the year under review, the County Executive entered into a contract for the procurement of a Containerized Studio. Audit review of a tender advertised on 25 March, 2024 and opened on 31 March, 2025, revealed that;

(i) Specifications from item 18 onwards in the evaluation minutes differed from those contained in the professional opinion, raising concerns on the integrity of the evaluation process.

(ii) Under item 25 in the professional opinion, an amount of Kshs.345,500 was quoted twice without justification.

(iii) For item 27, the evaluation minutes indicated Kshs.70,000, while the professional opinion reflected Kshs.670,000, with no explanation for the variance.

(iv) Specification No. 25 (cement, ballast, sand installation – Kshs.395,500) appearing in evaluation minutes was absent from the professional opinion.

(v) Pricing for soundproofing materials varied between a balance of Kshs.400,000 and Kshs.550,000 across reviewed documents.

(vi) The professional opinion inconsistently recommended an award of Kshs.19,340,000 on page 14, while page 15 and page 16 repeated tables indicating a contract sum of Kshs.19,021,000.

(vii) There was a mismatch between requisition and price schedules.

(viii) The requisition contained only the 18 specifications, yet the price schedules reviewed included items 19 to 25, whose origin could not be explained.

(ix) The contract agreements and supporting procurement documentation were not provided for audit inspection.

1317.18. Irregularities in Supply and Delivery of Motor Vehicle Prime Mover

During the year under review, the Culture and Tourism Sub-Sector entered into a contract for the procurement of a motor vehicle prime mover at a contract sum of Kshs.39,793,429. The tender was not advertised and effectively single-sourced without justification under Section 124(12) of the Procurement law. An LPO issued on 10 January, 2024, expired after 30 days yet delivery occurred on 18 April, 2024, over two months later. Inspection was conducted six days after delivery, contrary to procurement requirements. The prime mover was not insured, and its existence could not be confirmed during physical inspection. Payment was charged to Refurbishment of Building and value for money for the Kshs.39,793,429 expenditure could not be confirmed.

1317.19. Irregular Procurement and Payment for Assorted Building and Road Construction Materials

During the year under review, the County Executive undertook a number of contracts for the procurement of assorted building and road construction materials under framework contracts. Review of records revealed multiple irregularities. There were inconsistencies and missing documentation across the procurement process, including absence of tender opening minutes, committee appointment letters, regret letters and performance bonds. Notification of intention to award was issued before professional opinion approval and tender references were contradictory across documents. Discrepancies existed in the number of bids received, evaluated and recommended, and the professional opinion excluded certain bidders with conflicting details. No financial evaluation, market survey, or price estimates were provided, and the evaluation report lacked clear recommendations for award.

Expenditure on crusher run totalling Kshs.5,400,000, revealed irregularities including contracts signed after expiry of tender validity, statutory supplier documents were

missing, one supplier was single-sourced without justification, and payment discrepancies were significant, including an overpayment of an amount of Kshs.6,730,455. Delivery dates differed from receipt dates, no engineer's certificates or store issue vouchers were provided, and costs exceeded technical department estimates by an amount of Kshs.200,000. Withholding taxes were also not confirmed.

1317.20. Irregular Procurement and Payment for Ballast – Framework Contract

(i) Audit review of a ballast procurement framework with transactions totalling Kshs.15,500,000 and Kshs.21,350,000 for 7,000 tons of 1/8" ballast revealed significant irregularities and non-compliance with the following key issues noted:

(ii) Professional opinions were signed after notification of award.

(iii) No regret letters, performance bonds, or contract agreements were provided while supplier statutory documents were missing.

(iv) Contradictory tender references appeared in documentation (223 vs 224).

(v) Framework covered 175 suppliers, but one supplier was selected without justification.

(vi) Payment vouchers indicated settlement, but bank records showed no actual payment and withholding tax remittances were unverified.

(vii) Expenditure was not confirmed in IFMIS or pending bills schedules.

(viii) No engineer's certificates or evidence of issue to users; store controls were weak, with materials recorded in stores before inspection, exposing the County to quantity and quality risks.

(ix) Bid documentation, bid security proofs, appointment letters for opening/evaluation committees, and opening minutes were missing.

(x) Evaluation reports and professional opinions contained inconsistencies: discrepancies in the number of bids opened versus evaluated, missing individual evaluators' score sheets, and references to a different tender number than advertised.

(xi) AIE for 7,000 tons @ Kshs.3,000/unit (Kshs.21,000,000) differed from LPO issued at Kshs.3,050/unit (Kshs.21,350,000), creating an unauthorized variance of Kshs.350,000.

(xii) Framework period mismatch: AIE cited 2025/2026 plan, while framework covered 2022/23–2023/24, indicating off-framework use or expired framework risk.

(xiii) No market survey evidence to support unit rates, raising concerns on value for money.

The above irregularities indicate systemic weaknesses in framework procurement management, poor compliance with the Public Procurement and Asset Disposal Act (PPADA), and lack of proper internal controls over contract execution and payments.

1317.21. Procurement and Payment Irregularities – Supply and Delivery of Tyres and Tubes

Audit review of Lot 3 under the tender for supply and delivery of tyres and tubes revealed procurement and payment anomalies amounting to Kshs.16,229,000 awarded through four LPOs which included:

(i) Delivery delays of 50 days, exceeding LPO validity without justification.

(ii) Payment discrepancies: voucher indicated an amount of Kshs.15,949,189 while bank records indicated Kshs.27,988,279 resulting in an unexplained overpayment of Kshs.12,038,990.

(iii) Documentation inconsistencies: supplier delivery notes did not align with stores records with up to 44 days difference.

(iv) Budget variances: departmental request estimated at an amount of Kshs.10,235,000, yet actual invoiced cost was an amount of Kshs.16,229,000 resulting to an unexplained total increase of Kshs.5,994,000.

(v) Unit price differences per tyre ranged from Kshs.234,000 to Kshs.1,395,000 above requested estimates.

1317.22. Irregularities in Procurement and Payment for Vocational Tool Kits

During the year under review, the County Executive undertook a number of contracts for the procurement of electrical, plumbing, masonry and motor vehicle mechanics tool kits for Vocational Training Centres at a contract sum of Kshs.6,962,560. Review of records revealed that the successful bidder was not issued a notification of intention to enter into a contract, and unsuccessful bidders were not issued regret letters. The LPO was dated 9 December, 2021, but supplies were delivered on 8 March, 2022, after the expiry of the LPO. Inspection and acceptance were conducted on 31 May, 2022, three months after delivery, while the items had already been recorded in stores on 10 March, 2022, before inspection. The inspection and acceptance report did not list the supplies, making it difficult to confirm that all items were inspected, delivered in the correct quantity, and met the technical standards. Further, there was no evidence of a market survey to establish prevailing market rates.

1317.23. Supply and Management of Sanitary, Waste Equipment and Public Assets

A contract for the supply and Management of Sanitary and Waste equipment valued at Kshs.90,288,000 was awarded to a company for the supply of black dustbins. At the time of audit, no dustbins were physically available in the County general stores or deployed on the streets, raising concerns on the delivery and accountability of the procured items. Further review of the store's records revealed that the bins were not registered, exposing the County to potential loss of public funds and increasing the risk of fraud or misappropriation of resources.

Further, Nairobi County Executive also entered into a contract for the supply and delivery of sanitary and cleaning materials on 18 October, 2023, at a contract sum of Kshs.15,280,000. Examination of the payment voucher revealed multiple irregularities;

(i) The payment was not included in the approved list of prior year pending bills, making it difficult to confirm its authenticity.

(ii) The tender was not advertised in the Public Procurement Information Portal as required by law.

(iii) Goods delivered on 2 November, 2023, were inspected on 9 November, 2023.

(iv) The notification of intention to enter into a contract was issued on 10 June, 2023, but the contract was signed four (4) months later, on 18 October, 2023.

(v) Sections of the contract referenced unrelated standard, special, and technical specifications, drawings, and priced bills of quantities, indicating negligence. Inconsistencies in contract and award dates were also noted, including acceptance dates that exceeded the allowed period.

(vi) The supplier's acceptance letter was not provided for audit review.

(vii) The signed professional opinion stated that the tender was opened on 29 June, 2023, but the supplier had already been awarded the contract on 10 June, 2023, suggesting bias and irregular direct sourcing.

(viii) Another supplier evaluated as the second lowest bidder was awarded a portion of the contract, but the absence of the advertised tender document meant the regularity of this split could not be confirmed.

1317.24. Supply of Kenya National and Nairobi County flags Public Assets

A contract for the supply and delivery of Kenya National and Nairobi County flags at a contract price of Kshs.3,500,000, the tender had not been advertised in the Public Procurement Information Portal. The LPO, delivery note, store statement, inspection committee notification and inspection of goods all bore the same date of

10 December, 2021, raising concerns over whether proper procurement planning occurred or whether this was an emergency procurement. The distribution list showing where the flags were delivered was not provided and apart from the size of the flags, there were no other specifications, such as fabric type, to justify the prices.

1317.25. Supply and Delivery of County Vehicles, Equipment and Spare Parts

Review of the supply and delivery of heavy equipment, trucks, skips, motor vehicle batteries and spare parts records and documentations revealed significant procurement, delivery and payment irregularities. Payment of Kshs.216,600,000 was made to a local company under a tender for heavy equipment, trucks and skips. The following unsatisfactory issues were noted;

(i) Key documentation including opening committee appointment letters, bid opening and evaluation attendance registers, individual technical evaluation score sheets, local purchase orders, bid documents and market survey reports were not provided.

(ii) The authority to procure memos did not align with the items eventually procured, as the delivered refuse compactors differed from those requested.

(iii) Regret letters to unsuccessful bidders, professional opinions, written acceptance, contract agreements, and delivery notes were also not provided for audit.

(iv) Discrepancies in technical specifications, late evaluation committee sign-offs, and inconsistent approval timelines suggested non-compliance with procurement regulations and potential bias in awarding contracts.

Similarly, review of a framework agreement for the supply of motor vehicle batteries revealed inconsistent documentation.

(i) Payment of an amount of Kshs.7,765,164 was made in October, 2024, over a year after delivery and inspection in August, 2023.

(ii) Requisition and authority to incur expenditure dates contradicted the professional opinion, and appointment memos for opening and evaluation committees, tender opening minutes, evaluation minutes, individual score sheets, notification of award, regret letters, and contract agreements were missing.

(iii) The payment was not recorded in the County's pending bills register, raising concerns about the completeness of financial reporting and the possible concealment of liabilities.

Further, payments of an amount of Kshs.12,762,800 were made for the supply of motor vehicle spare parts, the following was also noted;

(i) The contract agreement was signed after the tender validity period had expired and the items were delivered one year after the LPO issuance, exceeding the 30-day validity period.

(ii) Inconsistencies were observed between delivery notes, inspection reports, and store records, including a one-month delay between delivery and official receipt.

(iii) There was no evidence that the items were issued to intended users, or were pre- or post-inspection reports, defect reports and market surveys were not provided.

(iv) The prices charged were found to be above prevailing market rates. In the circumstances, the validity, regularity and value for money of the procurements could not be confirmed.

1317.26. Supply and Delivery of Smartphones and Digital Services

The Nairobi City County procured smartphones for the Digital Economy and Start-ups Sector using request for quotation method at a total cost of Kshs.810,000. Audit review of the procurement documentation revealed several issues. The County Executive did not maintain a list of prequalified suppliers, and the source of the invited firms could not be verified. No Local Purchase Order (LPO) was issued for the procurement. Delivery of the smartphones occurred on 3 February, 2025, but inspection was conducted on 20 February, 2025, seventeen days later, with no justification provided for the delay. Further, there was no distribution list for the smartphones, and no evidence was presented that the items were recorded in the County's asset register. Additionally, no market survey was conducted to support the procurement decision, raising concerns over value for money.

The County also procured digital devices using request for quotation method at a total cost of Kshs.1,936,986. Audit review identified that there was no prequalified list of suppliers, and individual score sheets for evaluation committee members were not provided. The procurement documents did not clearly specify the requirements for colored printers, smartphones, shredders and portable speakers. Delivery notes failed to indicate the models or brands of laptops, printers, shredders, and speakers supplied, and inspection and acceptance reports did not include model or serial number details. The inspection report also did not list the items inspected, making it difficult to confirm whether all delivered devices were inspected. A distribution list for the procured items was not provided, and there was no evidence that the digital devices were included in the County's asset register and there was no evidence that a market survey was conducted to justify the pricing or procurement approach.

1317.27. Irregularities in the Renovation of Finance and Economic Planning Offices

Audit review of records relating to the renovation of offices for the Finance and Economic Planning Department revealed that the works were awarded to a contractor through request for quotation at a contract sum of Kshs.2,032,436. The inspection and acceptance certificate for the renovation works was dated 19 December, 2022 while Interim Payment Certificate (IPC) No. 1 for Kshs.1,981,509 was issued earlier on 10 May, 2022. The corresponding payment was made on 2 April, 2025. Although, the contract document was provided for audit, it was not dated. The section for the contract signature date was left blank, raising concerns on the validity and enforceability of the agreement and when it legally took effect. Despite the services being rendered and inspected in 2022/2023 financial year, the payment was processed in 2024/2025 financial year yet the expenditure was not listed in the pending bills register as at the end of the preceding financial year.

In the circumstances, Management was in breach of the law and value for money in the expenditure could not be confirmed.

1318. Failure to Operationalize Nairobi City County Revenue Authority

Audit review established that a seven-member Board was appointed on 16 January, 2023 for a term of three (3) years to oversee the operations of the Nairobi City County Revenue Authority, with an approved budgetary allocation of Kshs.100,000,000. The Board has remained in office for over two (2) years, yet the County Executive Committee Member (CECM) has not dissolved the Revenue Department as envisaged by the establishing Act, thereby creating duality in revenue functions and defeating the intention of the law to consolidate revenue management under the Authority. In addition, the audit noted that the County had not operationalized the Office of the County Revenue Administrator as required under the law. At the time of audit, no substantive appointment had been made to the position, and its functions were being performed on an ad hoc basis by officers without formal designation, appointment, or a clear legal mandate. This arrangement compromises accountability and exposes revenue administration to inefficiencies and governance risks.

Further review revealed that the Nairobi City County Revenue Authority incurred expenditure amounting to Kshs.144,271,361 during the financial year under review. This exceeded the approved budget amount of Kshs.100,000,000 by an amount of Kshs.44,271,361, representing an over-expenditure of 44%. Out of this, an amount of Kshs.64,362,963 was paid under various vote heads.

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

1319. Bank Accounts Held with Commercial Banks

The County Executive operated several bank accounts in commercial banks, contrary to Regulation 82(1)(b) of the Public Finance Management (County Governments)

Regulations, 2015, which requires all County Governments bank accounts to be held at the Central Bank of Kenya, except for petty cash imprest accounts. These accounts were utilized for purposes other than petty cash. Further, the County Executive had not established a Cash Management Advisory Committee as required under the Public Finance Management Regulations.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

1320. Weaknesses in the Human Resource Management

The statement of financial performance and as disclosed in Note 8 to the financial statements reflects employee cost of Kshs.19,845,158,094. Review of records revealed the following unsatisfactory matters;

1320.1. Lack of Reconciliation on the Recruitment of Staff

There were one thousand and seventy-five (1,075) newly appointed officers per Leavers and Joiners dataset compared to one thousand, one hundred and forty-five (1,145) in HRIS payroll. Eighty (80) officers were missing from HRIS payroll, while one (1) officer was in the payroll but not paid. In addition, four hundred and twenty-four (424) officers were onboarded in HRIS and paid an amount of Kshs.388,890,141 but not in the Leavers and Joiners dataset. Recruitment and payroll records were inconsistent, indicating weak Human Resource controls.

1320.2. Recruitment Without Approved Plan

Reported in the statement of financial performance and as disclosed in Note 8 to the financial statements is employee costs of Kshs.19,845,158,094. Employee costs increased from Kshs.17,290,337,584 in the prior year to Kshs.19,845,158,094 in the year under review, reflecting a rise of approximately Kshs.2,554,820,210 or 15%. Review of records revealed that 1,075 officers were recruited during FY 2024/2025, out of whom only 993 were traced in the HRIS payroll, earning a total of Kshs.1,179,177,034. The remaining 82 newly recruited officers could not be verified on the payroll. The County did not demonstrate how the recruitment was linked to planned staffing needs or service expansion. Without an approved policy framework, it was not possible to confirm that the additional recruitment was guided by objective criteria, workload analysis or budgeted establishment ceilings.

Further, the recruitment was undertaken in the absence of an approved annual recruitment plan. The County Human Resource Management Advisory Committee (CHRMAC) did not provide evidence of such a plan or minutes outlining projected staffing

needs or approval of positions to be filled during the year. In the absence of an approved plan, staffing decisions appeared ad hoc and reactive rather than aligned with the County's strategic workforce requirements.

1320.3. Inadequate Human Resource Information System Input and Validation Controls

Payroll numbers were linked to multiple ID numbers (Kshs.1.298M) and multiple Tax PINs (Kshs.4.07M) compromising data reliability. The HRIS lacked sufficient validation controls and exposed the County to significant financial and compliance risks.

1320.4. Lack of Transparency in Salary Funds Flow Process Affecting Accountability

Audit review revealed that upon approval by the Controller of Budget, salary funds for the County Executive are disbursed from the Central Bank of Kenya (CBK) to an account held at a local bank. Subsequently, the funds are transferred to another account in the same bank, from which actual salary disbursements are made. However, the dual-account transfer process lacks adequate documentation and reconciliation controls to track the movement and utilisation of the full salary amount as originally approved. There was no clear audit trail to link the total funds requested from CBK to the final payments made, increasing the risk of misuse or diversion. The current salary funds flow arrangement lacks adequate traceability, which compromises transparency and accountability in the utilisation of salary resources.

In the circumstances, the existence of an effective Human Resource controls mechanism could not be confirmed.

1321. Management of Assets

1321.1. Failure to Maintain Assets Register

As disclosed in Note 15 of the financial statements, the County Executive assets reflects a balance of Kshs.5,813,752,973. However, the County Executive did not maintain an assets register indicating the identification or serial number, acquisition date, description of assets, location, class, cost of acquisition, accumulated depreciation, net book value. Further, policies and procedures relating to assets management guidelines on non-current assets acquisition, use, control, protection, maintenance and disposal of assets were not provided for audit.

1321.2. Failure to Tag Fixed and Movable Assets

The County Executive's assets were not tagged as a mechanism of tracking them and Management had not established policies and procedures on assets management.

1321.3. Lack of Fleet Management System

The County Executive did not have a Fleet Management System in place to plan the usage of fleets within the County Executive, monitor and track the movement. However, no explanation was provided for the failure to put in place a fleet management system.

1321.4. Doubtful Ownership of Assets

Management did not provide for audit review, ownership documents for motor vehicles and land.

In the circumstances, the effectiveness of internal controls over asset management by Management could not be confirmed.

1322. Weaknesses in Inventory Management

Physical inspection of various stores in the month of October, 2025 revealed the following weaknesses in the management of inventories:

1322.1. Kangundo Road Asphalt Production Site

Production reports were recorded manually after automation process failed in year 2022. The fuel was being supplied via tanker at pump price instead of through framework contracting at negotiated price that would be economical and effective to the County Executive. Further, there was no documentation of fuel requisitions. In addition, there was no cost benefit analysis of asphalt production to determine cost-effectiveness. The site had lapses in proper inventory oversight, tracking and accountability.

1322.2. Nairobi City County Garage

The audit revealed cases of manual fleet management with no electronic tracking of fuel, repairs, or movement and many grounded vehicles were not processed for disposal. The project vehicles were not returned to County Executive pool while the four (4) backhoes and two (2) bulldozers were idle for a long period of time since a supplier retained keys because of delayed payments. Further, the grounded fire engines and emergency vehicles had not been repaired for long and the accident/ damaged insured vehicles were not compensated; Management did not provide evidence of insurer follow-up. Stores management practices were weak, leading to inefficiencies and a lack of proper oversight of resources.

1322.3. Nanyuki Road Stores

Physical inspection of the stores revealed that, Asphalt plant was destroyed by fire in the year 2021 but no insurance compensation or disposal was initiated. There were many cases of Manual weighbridge records and only one out of two (2) weighbridges was operational.

Further, cases of land encroached by private developers and fuel firms were noted. Cases of long-serving staff with no training, incomplete manual inventory records and four (4) unresolved theft cases were also noted.

Other weaknesses noted were undocumented dispatches, stock records inconsistent with significant theft of bitumen not properly recorded, idle materials with no disposal or reallocation plan and lack of disposal policy or functional disposal committee. The site lacked proper inventory oversight, tracking and accountability.

1322.4. Irregularities in Medical Stores

The medical store was small, untidy, and only stored male condoms, exposing pharmaceutical supplies to risk of contamination or mishandling. Pharmaceuticals supplies worth Kshs.2,371,552 were recorded in the S3 Ledger but not posted to bin cards, safety and accountability were therefore compromised. Newborn identification bands branded "KEMSA" were found in stores, despite confirmation by the store officer that non-pharmaceuticals were sourced from private suppliers. This raised concerns of misrepresentation of supplier identity and possible unauthorized diversion of KEMSA-supplied items.

Further, lab reagents valued at Kshs.61,301,965 were delivered directly to a Health Centre by suppliers, but no S3 ledger, bin cards, or issue vouchers were maintained at the health centre. Although, the lab reagents were recorded as received by the central medical store, there was no evidence that the goods were delivered and absence of records of medical examination certificates issued for the year. No stock take was conducted for the year ended 30 June, 2025, contrary to Section 162 of Public Procurement and Asset Disposal Act and Public Finance Management requirements.

1322.5. Electrical Stores

Reveal of payment vouchers in respect of an amount of Kshs.13,000,000 paid for supply and delivery of five hundred (500) pieces of led streetlights latern 100W under framework contract to a supplier revealed that, a delivery of five hundred (500) pieces of 100W streetlight lanterns was indicated as supplied and paid for but the electrical department confirmed non-receipt of the item. There were no entries in the bin cards to support the delivery. No supporting records including work plans, inspection reports, job cards, or completion certificates were provided to confirm whether streetlights were installed, repaired, or commissioned.

Further, there were cases of diversion of electrical items to General Stores. For instance, from May, 2025, electrical items procured for the Electrical Department were directed to the General Stores instead of the Electrical Stores. No justification was provided for this diversion which weakened the departmental controls over technical inventory. This compromised the inventory accountability, and increased the risk of loss or misappropriation. In addition, the Electrical Department did not conduct annual stock take

for the year ended 30 June 2025, contrary to Section 162 of the Public Procurement and Asset Disposal Act, 2015.

1322.6. General and Gigiri Stores

The general Store was very dusty, cluttered and had poor lighting. The store had no automated inventory system and lacked LPO register. The audit noted weaknesses in bin card records, poor stock management, obsolete stock items, poor segregation of duties and unused donations of ICU bed and medical machines and expired stock with no disposal plan.

In the circumstances, effectiveness in inventory and assets management to avoid exposure by the County Executive's assets and stocks to loss, damage, theft, and misuse and service delivery could not be confirmed.

1323. Weaknesses in the Legal Department

During the year under review, the County Executive incurred an amount of Kshs.2,669,821,964 in respect of legal expenses as disclosed in Note 9 to the financial statements. However, the expenditure was not supported by approvals by the County Executive Committee and recommendations of the County Attorney and the physical case files in the registry were kept in manual format. There was no electronic copy or back up of the files, or fireproof cabinets to protect the files from fire or any other damage.

Further, review of the Integrated Payroll Personnel Database system indicated that the County Executive had a legal officer and legal advisors to deal with legal matters. However, it was not possible to confirm their role including why they could not represent the County Executive on legal issues. In addition, the County Executive did not maintain legal cases register.

In addition, the Office of the County Attorney did not prepare and submit annual reports to the Governor and the County Assembly, with details as outlined in Section 28 of the County Attorney Act, 2020 on the status of the cases.

In the circumstances, the efficiency and effectiveness of internal control mechanisms by the Legal Department could not be confirmed.

List of Unresolved Prior Year Matters

No.	Audit Issues for 2023/2024
1	Anomalies in Compensation of Employees
2	Pending Bills
3	Irregularities in Management of Executive Scholarships and Ward Bursaries
4	Failure to Prepare and Submit Separate Fund Financial Statements
5	Irregular Insurance Payments
6	Irregular Management of Motor Vehicles
7	Unsupported Payment of Taxes
8	Irregular Procurement of Services
9	Irregular Procurement and Hire of Heavy Machinery
10	Irregular Purchase of Office Equipment
11	Irregular Procurement of Garbage Skips and Skip Loaders with Complimentary Skips
12	Irregular Payment of Consultancy for Development of the Tourism Policy for Nairobi City County
13	Payment of Consultancy Services for Sub Sector Strategic Plan
14	Anomalies on Routine Maintenance of Motor Vehicles
15	Irregular Procurement for Construction and Civil Works
16	Irregular Engagement of Bidders without Advertising of Tenders for Construction and Civil Works Projects
17	Irregular Procurement for Electrical Materials for Street Lighting
18	Irregular Supply and Delivery for Road Materials
19	Irregular Procurement on Renovation of County Flats in Uhuru Estate
20	Payment for Construction of ECDE Centre at Ngunyumu Primary School
21	Irregular Procurement of Events Management Services
22	Legal Fees
23	Non-Adherence to Salaries and Renumeration Commission Guidelines
24	Dishi na County Program
25	Irregular Procurement for Construction of Market
26	Irregular Procurement of Non-Pharmaceuticals
27	Procurement and Payment of Fuel, Oil and Lubricants
28	Construction of Gikomba Fire station
29	Irregular Procurement of Affordable Housing Projects
30	Irregular Procurement for Completion Works of a Modern OPD Complex at Mutuini Hospital
31	Stalled Projects
32	Irregular Expenditure under Framework Contracting on Purchase of Food and Non-Food Items
33	Irregularities in County Stores
34	Irregularities in Project Implementation
35	Lack of Non-Current Assets Ownership Documents

No.	Audit Issues for 2023/2024
36	Lack of Preparedness to Transition to IPSAS Accrual
37	Lack of Human Resource Manual and Policies
38	Incomplete Asset Register

Appendices

List of County Executives and Audit Opinions

Appendix A: Certificates with Unqualified Opinion

No.	County Code	County Executive	Opinion
1.	17	Makueni	Unmodified

Appendix B: Certificates with Qualified Opinion

No.	County Code	County Executive	Opinion
1.	1	Mombasa	Qualified
2.	2	Kwale	Qualified
3.	3	Kilifi	Qualified
4.	5	Lamu	Qualified
5.	6	Taita/Taveta	Qualified
6.	7	Garissa	Qualified
7.	8	Wajir	Qualified
8.	9	Mandera	Qualified
9.	10	Marsabit	Qualified
10	11	Isiolo	Qualified
11.	12	Meru	Qualified
12.	13	Tharaka-Nithi	Qualified
13.	14	Embu	Qualified
14.	15	Kitui	Qualified
15.	16	Machakos	Qualified

No.	County Code	County Executive	Opinion
16.	18	Nyandarua	Qualified
17.	19	Nyeri	Qualified
18.	20	Kirinyaga	Qualified
19.	21	Murang'a	Qualified
20.	22	Kiambu	Qualified
21.	23	Turkana	Qualified
22.	24	West Pokot	Qualified
23.	25	Samburu	Qualified
24.	26	Trans Nzoia	Qualified
25.	27	Uasin Gishu	Qualified
26.	28	Elgeyo/Marakwet	Qualified
27.	29	Nandi	Qualified
28.	30	Baringo	Qualified
29.	31	Laikipia	Qualified
30.	32	Nakuru	Qualified
31.	33	Narok	Qualified
32.	34	Kajiado	Qualified
33.	36	Bomet	Qualified
34.	37	Kakamega	Qualified
35.	38	Vihiga	Qualified
36.	39	Bungoma	Qualified
37.	40	Busia	Qualified
38.	41	Siaya	Qualified

No.	County Code	County Executive	Opinion
39.	42	Kisumu	Qualified
40.	43	Homa Bay	Qualified
41.	44	Migori	Qualified
42.	45	Kisii	Qualified
43.	46	Nyamira	Qualified
44.	47	Nairobi City	Qualified

Appendix C: *Certificates with Adverse Opinion*

No.	County Code	County Executive	Opinion
1.	4	Tana River	Adverse
2.	35	Kericho	Adverse

Appendix D: Certificates with Disclaimer of Opinion

No.	County Code	County Executive	Opinion
None			

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