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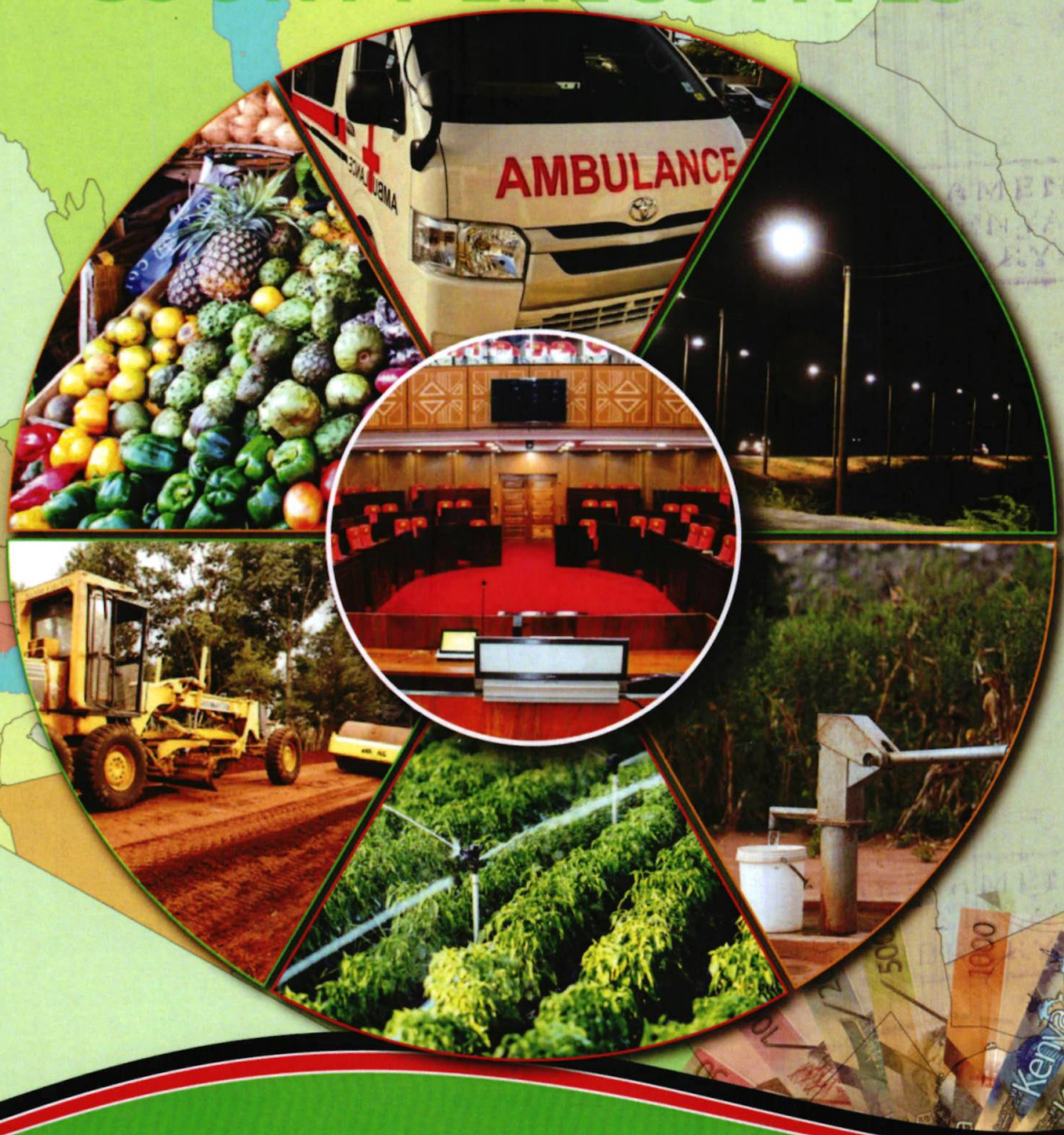
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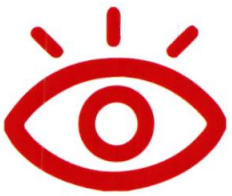
COUNTY EXECUTIVES



AUDITOR-GENERAL'S REPORT ON THE COUNTY GOVERNMENTS

COUNTY EXECUTIVES 2024/2025

VOLUME 1



VISION

Making a difference in the lives and livelihoods of the Kenyan people



MISSION

Audit services that impact on effective and sustainable service delivery



OUR CORE VALUES

Integrity • Credibility • Relevance • Accountability • Independence

AUDITOR-GENERAL'S REPORT

ON

THE COUNTY GOVERNMENTS

FOR

THE YEAR 2024/2025

VOLUME 1: COUNTY EXECUTIVES

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Foreword

This report, commonly referred to as the Green Book presents the consolidated audit reports of County Governments which constitute County Executives and County Assemblies for the year ended 30 June, 2025. The report is printed in two volumes where Volume I constitutes consolidated audit reports for the County Executives and Volume II constitutes consolidated audit reports for the County Assemblies. The separate reports for each County were submitted to Senate, respective County Assemblies and Accounting Officers by 31 December, 2025.

Under Article 229(4) of the Constitution of Kenya, the Auditor-General is mandated to audit and report on the use of public resources by all entities funded by public funds. These entities include the National Government, County Governments, the Judiciary, Parliament, State Corporations, Constitutional Commissions, Independent Offices, public debt, publicly funded political parties, and any other publicly financed entity. Article 229(6) further requires the Auditor-General to confirm whether public resources have been applied lawfully and effectively. The Public Audit Act, 2015, provides additional details on the execution of this mandate.

Article 229(7) requires the Auditor-General to submit audit reports to Parliament or the relevant County Assembly within six (6) months after the end of the financial year. There has been perennial challenges faced by the Office as Section 81(4) of the Public Finance Management Act, 2012, effectively shortens the audit and reporting window to three months, by allowing entities until the end of September to prepare and submit their financial statements. This has adversely affected the audit scope, which affects the efficiency and effectiveness of oversight by Parliament and the County Assemblies.

Circular No. AG.3/88 Vol. VII (41) of 4 December, 2024 by the Cabinet Secretary, The National Treasury and Economic Planning, directed all public entities to submit their annual reports and financial statements for the year ended 30 June, 2025 to the Auditor-General by 31 August, 2025. This accorded my Office an extra month to execute the audit. We take cognizance of this gesture as a culmination of concerted efforts by my Office and other stakeholders such as Parliament and oversight bodies to increase the audit period to four (4) or five (5) months in future. We remain optimistic that the above directive will be entrenched in law through an amendment to the Public Finance Management Act, 2012 and the Public Audit Act, 2015.

In addition, as previously reported, the mechanisms for following up on the implementation of audit recommendations are still not effective. Consequently, many audit queries recur in subsequent years due to the absence of decisive corrective action. Section 204(1)(g) of the Public Finance Management Act, 2012, empowers the Cabinet Secretary responsible for finance to apply sanctions to any national government entity that fails to address issues raised in the Audit Reports to the Auditor-General's satisfaction.

The above notwithstanding, a number of County Executives have recorded significant progress and registered gradual improved reports where none of the County Executives reported a Disclaimer of Opinion, two (2) County Executives recorded an Adverse

Opinion, forty-four (44) County Executives had a Qualified Opinion while only one County Executive had an Unmodified Opinion. On the other hand, reports of the County Assemblies improved significantly. Nine (9) County Assemblies had an Unmodified Opinion up from three (3) County Assemblies during the previous year, while all the other thirty-seven (37) County Assemblies had a Qualified Opinion.

Despite repeated reports highlighting weak accountability and inadequate documentation to support the lawful and effective use of public resources, the continued failure to enforce sanctions has allowed some Accounting Officers to avoid fully accounting for the resources under their management. Some Accounting Officers continue to breach Section 62 of the Public Audit Act, 2015 by failing to adequately prepare for audit, as evidenced by inaccurate financial statements, missing supporting documents, and in some cases, limited cooperation with auditors. The absence of consequences has contributed to fiscal indiscipline, including misallocations, resource wastage, loss of public funds, and failure to achieve value for money in project implementation. These shortcomings undermine development programmes, hinder economic growth, and threaten the sustainability of quality service delivery to citizens.

For the year ended 30 June, 2025, all entities which were previously preparing financial statements under the International Public Sector Accounting Standards (IPSAS) cash basis presented IPSAS accrual basis financial statements for the first time for audit. This created audit risks around evidencing opening balances and IPSAS cash to IPSAS accrual reconciliations, confirmation of the completeness of liabilities (pending bills) and assessment of receivables and prepayments. Other challenges related to identifying and valuing non-financial assets, addressing estimation uncertainties, lack of accrual comparatives and evaluation of the use of transitional reliefs and disclosure adequacies as provided for under IPSAS 33. The documentation gaps pose heightened fraud risk from extensive manual adjustments.

The Office of the Auditor-General continues to enhance the effectiveness and quality of the audit process to ensure audit results and recommendations are credible, relevant, reliable, and value-adding. These improvements aim to support better decision-making and generate positive impact for citizens and other stakeholders. Delivery of quality and effective audits, while confirming the lawfulness and effectiveness of programmes, requires thorough scrutiny of supporting documents and verification of projects and programmes implemented across the country. Achieving this requires an independent, well-resourced Office of the Auditor-General with assured funding for timely, effective oversight and optimal staffing. The Office is pursuing financial independence and support from Parliament and the Executive to build technical capacity, expand county presence and broaden audit coverage.

We continue to bring audit services closer to citizens by establishing Regional Offices. To date, we have operationalized fifteen (15) Regional Offices and completed the constructing own premises in Garissa, Kakamega, Eldoret, and Embu. Plans for construction of a Mombasa Regional Office and the Nairobi Headquarters, which are both at the design stage have been delayed by inadequate funding. We will continue to seek adequate resources from Parliament and The National Treasury to facilitate efficient and

closer delivery of our mandate across the National Government and County Governments and all other publicly funded entities.

The expansion of the national budget and establishment of additional entities have expanded our audit mandate. The scope has increased with the expansion of government programmes to support sustainable development and continuous provision of quality services. In addition to the eighty-three (83) Ministries, Departments and Agencies (MDAs), State Owned Enterprises and forty-seven (47) County Governments together with their respective entities, nine thousand three hundred and ninety-seven (9,397) public secondary schools were required to submit financial statements for audit, and some have complied. I am also required to audit and report separately on the financial statements of three hundred and twenty-nine (329) Level 4 hospitals, twenty-five (25) Level 5 hospitals and nine (9) teaching and referral hospitals. In addition, my mandate further includes thirty-seven (37) Teachers' Training Colleges, two hundred and fifty (250) Technical and Vocational Education and Training (TVET) institutions, and over one thousand and two hundred (1,200) Community Vocational Training Institutions.

The Office has continued to strengthen audit service delivery through partnerships with regional Supreme Audit Institutions (SAIs), global professional bodies, and domestic oversight institutions, including the Ethics and Anti-Corruption Commission (EACC), State Corporations Advisory Committee (SCAC), Salaries and Remuneration Commission (SRC), Commission on Revenue Allocation (CRA), and the Controller of Budget (COB), among others, to enhance audit impact through learning, knowledge sharing, innovation, and collaboration.

Entity-specific reports, together with my opinion, are presented in the audited financial statements of the respective Counties for the year ended 30 June, 2025, which I have submitted to Senate, respective County Assemblies and to each Accounting Officer. A separate Summary Report of key cross-cutting audit findings across the Counties will be issued.

I extend my sincere appreciation to the staff of the Office of the Auditor-General for their commitment, professionalism, and resilience in delivering these audits despite funding constraints and tight reporting timelines. Special recognition goes to the Team that compiled this Consolidated Audit Report.

I also extend my appreciation to our clients (auditees) for their cooperation throughout the audit process.

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi
28 January, 2026

VOLUME 1 – COUNTY EXECUTIVES

1.0 Introduction

1.1. Constitutional Mandate of the Auditor-General

The Office of the Auditor-General (OAG) is an Independent Office established by Article 229 of the Constitution of Kenya. The Office is charged with the primary oversight role of ensuring accountability in the use of public resources within the three arms of government (the Legislature, the Judiciary and the Executive) at the national and county levels as well as the Constitutional Commissions and Independent Offices. The mandate of the Auditor-General is further expounded by the Public Audit Act, 2015.

The Constitution requires the Auditor-General to audit and submit the audit reports of public entities to Parliament and the relevant County Assemblies by 31 December, every year. In carrying out the mandate, the Auditor-General, is also required, under Article 229 (6) to assess and confirm whether public entities have utilised the public resources entrusted to them lawfully and in an effective way.

Further, the objects and authority of the Auditor-General, as outlined in Article 249 of the Constitution, are: to protect the sovereignty of the people; to secure the observance by all State Organs of democratic values and principles; and, to promote constitutionalism. The Auditor-General has also been given powers by the Constitution, under Article 252, to conduct investigations, conciliations, mediations and negotiations and to issue summons to witnesses for the purpose of investigations.

1.2. Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS), as prescribed by the Public Sector Accounting Standards Board (PSASB), and for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Management is also responsible for maintaining an effective internal control environment necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error, and for the assessment of the effectiveness of internal controls, risk management and governance.

Further, Management is required to ensure that the activities, financial transactions and information reflected in the financial statements, are in compliance with the law and other

relevant or applicable authorities, and that public resources are applied in an effective way.

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

1.3. Auditor-General's Responsibility

My responsibility is to conduct an audit of the financial statements in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), and to issue an auditor's report. The audit report includes my opinion as provided by Section 48 of the Public Audit Act, 2015, and the report is submitted to Parliament in compliance with Article 229(7) of the Constitution.

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

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

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

I am independent in accordance with Article 249(2) of the Constitution of Kenya and ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of public entities in the Republic of Kenya.

1.4. Transition to Accrual Accounting

In March, 2024, the Cabinet approved the transition from IPSAS cash basis to IPSAS accrual basis of accounting across the National Government, County Governments, and their entities effective 1 July, 2024. The reform, which is phased over three years, requires that financial assets and financial liabilities be recognized in year 1, inventories be brought on board in year 2, and all remaining assets and liabilities be recognized in year 3. The

financial statements for the year ended 30 June, 2025 were the first transitional IPSAS accrual statements which required, at a minimum, inclusion of all financial assets and liabilities.

Key deliverables for the transition includes complete assets registers, comprehensive liabilities recording, accrual-based general purpose financial statements, an IFMIS upgrade to support accrual modules and strengthened internal controls to reflect period-end adjustments, asset management and commitment controls. These are to be supported by updated policies and procedures including revised accounting manuals and audit methodologies.

The shift to accrual accounting is designed to improve transparency, accountability and decision-making by providing a complete financial representation that captures assets, liabilities and non-cash transactions, thereby strengthening resource and liability management, improving asset stewardship, enabling clearer performance measurement, and risk identification, thus building public trust. This reform is among Kenya's most significant Public Financial Management (PFM) initiatives in decades, underpinned by strong political support, structured planning and institutional commitment, and is expected to materially strengthen the integrity of public financial reporting and overall governance.

1.1 Reporting Structure

The structure of my report addresses the reporting requirements of Article 229(4) of the Constitution of Kenya, which requires that I audit and report on preparation and fair presentation of financial statements in accordance with the International Public Sector Accounting Standards, as prescribed by the Public Sector Accounting Standards Board. Further, Article 229(6) of the Constitution requires that an audit report shall confirm whether or not public resources have been applied lawfully and in an effective way. In addition, Section 7(1)(a) of the Public Audit Act, 2015 requires that I provide assurance on the effectiveness of internal controls, risk management and overall governance.

Further, I am expected to read the other information provided by Management and report whether the other information is materially inconsistent with the financial statements.

In order to address these requirements, my audit reports contain the following:

(i) **Report on Financial Statements**, in which I give an audit opinion on whether the financial statements present fairly, in all material respects the financial position and performance of the entity.

(ii) **Report on Lawfulness and Effectiveness in Use of Public Resources**, in which I make a conclusion on whether or not public resources have been applied lawfully and in an effective way.

(iii) **Report on Effectiveness of Internal Controls, Risk Management and Governance**, in which I make a conclusion on whether internal controls, risk management and overall governance were effective.

(iv) **Report on Other Legal and Regulatory Requirements** is also included, where applicable, particularly for some donor-funded projects and for entities registered under the Companies Act, 2015, or governed by other enabling legislation or authorities that mandate such disclosures.

1.5. Audit Opinions

I have expressed various audit opinions based on the following criteria:

a) Unmodified Opinion

The books of accounts and underlying records agree with the financial statements and no material misstatements were found. The financial statements present fairly, in all material respects, the operations of the entity. The financial statements with an Unmodified Opinion are listed in **Appendix A**.

b) Qualified Opinion

Financial transactions were recorded and are to a large extent in agreement with the underlying records, except for cases where I noted material misstatements or omissions in the financial statements. The issues though material, are not widespread or persistent. The financial statements with Qualified Opinion are listed in **Appendix B**.

c) Adverse Opinion

The financial statements exhibit significant misstatements with the underlying accounting records. There exists significant disagreement(s) between the financial statements and the underlying books of accounts and/or standards. The discrepancies and misstatements are widespread, and persistent which require considerable interventions by Management to rectify. None of the financial statements have an Adverse Opinion are indicated in **Appendix C**.

d) Disclaimer of Opinion

The financial statements exhibit serious and significant misstatements that may arise from inadequate information, limitation of scope, inadequacy or lack of proper records such that I was not able to form an opinion on the financial operations. None of the financial statements have a Disclaimer Opinion indicated in **Appendix D**.

1.6. Audit Opinions

The key findings noted during the audit of the financial statements for the year ended 30 June, 2025 are highlighted in the ensuing pages.

COUNTY EXECUTIVE OF MOMBASA – NO.1

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

1. Unsupported Expenditure

1.1. Other Operating Expenses

The statement of financial performance and Note 10 to the financial statements reflect use of goods and services amount of Kshs.2,077,735,712 which includes Kshs.450,197,871 in respect of other operating expenses including bank charges. The amount includes Kshs.157,990,472 monthly commissions of 5% on revenue collection. However, the expenditure was not supported by monthly invoices, revenue collection reports and transfer certificates as required by the terms of the contract. Further, schedules indicating total revenue collected translating to payments of the commission amounting to Kshs.157,990,472 were not provided for audit.

In the circumstances, the accuracy and completeness of other operating expenses amount of Kshs.157,990,472 could not be confirmed.

1.2. Domestic Travel and Subsistence

The statement of financial performance and Note 10 to the financial statements reflect use of goods and services amount of Kshs.2,077,735,712 which includes Kshs.171,084,442 in respect of domestic travel and subsistence. The domestic travel and subsistence amount includes Kshs.3,064,500 which was not supported by payment vouchers and imprest surrender documents.

In the circumstances, the accuracy and completeness of the expenditure amounting to Kshs.3,064,500 on domestic travel and subsistence could not be confirmed.

1.3. Other Grants and Transfers

The statement of financial performance and Note 13 to the financial statements reflect other grants and subsidies amount of Kshs.2,277,054,206 which includes an amount of Kshs.1,854,454,766 in respect of transfers to semi-autonomous agencies. Included in the amount is an expenditure of Kshs.95,112,201 in respect of under five children health programs reimbursed to various health facilities. However, reimbursements totalling Kshs.34,112,201 were not supported by lists of beneficiaries and cost breakdown incurred per child and facility. Further, a transfer of Kshs.61,000,000 to the Coast General Teaching and Referral Hospital was not supported by an approved grant agreement, expenditure reports and acknowledgment receipts.

In the circumstances, the accuracy and completeness of transfers to semi-automous agencies amount of Kshs.34,112,201 could not be confirmed.

2. Inaccuracies in Cash and Cash Equivalents

The statement of financial position and Note 21 to the financial statements reflect cash and cash equivalents balance of Kshs.112,940,542. Review of bank reconciliation statements, cash books and supporting schedules revealed the following inaccuracies:

(i) The balance includes unpresented cheques totalling Kshs.78,161,607 which were outstanding for more than six (6) months and were thus stale. However, no adjustments were made to reverse the entries in the respective cash books;

(ii) Variances totalling Kshs.63,963,725 were noted between the closing cash book balances and financial statements balances for two (2) bank accounts held in Central Bank of Kenya in respect of Deposits and Public Health Care, explanation or reconciliations were not provided for audit;

(iii) The cash and cash equivalents balance includes unsupported balance of Kshs.1,064,900 held in Local Authority Service Delivery Action Plan account. However, the cash book, bank statement, bank reconciliation statements and certificate of bank balance for the account were not provided for audit. Further, salary account and donation account were not supported by certificates of bank balance; and,

(iv) Management did not appoint a board of survey to conduct cash count and confirm the cash in hand and bank balances as at 30 June, 2025.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.112,940,542 as at 30 June, 2025 could not be confirmed.

3. Unsupported Property, Plant and Equipment Balance

The statement of financial position and Note 26 to the financial statements reflect property, plant and equipment balance of Kshs.2,079,927,207. The balance includes land valued at Kshs.117,000,000 which was not supported by title deeds or land ownership documents.

In the circumstances, the accuracy and ownership of the land valued at Kshs.117,000,000 as at 30 June, 2025 could not be confirmed.

4. Unsupported Long Outstanding Legal Fees

The statement of financial position and Note 32 to the financial statements reflects trade and other payables balance of Kshs.3,803,407,106 which includes Kshs.158,166,016 relating to legal fees which had been outstanding for several years. Further, review of litigation records revealed that the long outstanding legal fees owed to four (4) law firms totalling Kshs.143,570,000 were not supported with relevant documents such as court decrees, fee notes and evidence of services rendered. Failure to honour court rulings has

resulted in the accrual of penalties, interest, and decretal costs, thereby increasing the County Executive's financial exposure.

In the circumstances, the accuracy and completeness of the long outstanding legal fees of Kshs.158,166,016 could not be confirmed.

Emphasis of Matter

5. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipt budget and actual on comparable basis of Kshs.16,539,154,106 and Kshs.13,061,111,499 respectively resulting in under-funding of Kshs.3,478,042,607 or 21% of the budget. However, the County Executive spent an amount of Kshs.12,947,457,782 against actual receipts of Kshs.13,061,111,499 resulting in under-utilization of Kshs.113,653,718 or 1% 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

6. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Reports on Financial Statements, Lawfulness and Effectiveness in the Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during the audit of the County Executive in 2024/2025 revealed that twenty-one (21) matters as listed at the end of this report remained unresolved as at 30 June, 2025.

Other Information

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

8. Irregular Payment to the Council of Governors

Review of expenditure records provided for audit revealed that the County Executive paid an amount of Kshs.4,000,000 to the Council of Governors as intergovernmental contribution for the financial years 2022/2023 and 2023/2024. This was contrary to Section 37 of the Intergovernmental Relations Act, 2012, which provides that the operational costs of the Council of Governors should be funded from allocations of the National Government.

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

9. Failure to Submit the Financial Statements of Coast General Teaching and Referral Hospital

The Coast General Teaching and Referral Hospital an entity of the County Government of Mombasa did not submit financial statements for audit for the year ended 30 June, 2025. This was contrary to Section 149(2) (k) of the Public Finance Management Act, 2012 which requires an accounting officer not later than three months after the end of each financial year to prepare annual financial statements for that financial year and submit them to the Auditor-General for audit, with a copy to the County Treasury.

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

10. Irregular Use of Direct Procurement Method

Procurement records provided for audit of procurement for ten-tonne compactors at a cost of Kshs.95,127,712 revealed that the procurement was not included in the departmental procurement plan. In addition, no professional opinion was issued to the accounting officer for approval and the tender evaluation minutes were not signed by the committee members. Further, procurement records also indicated that the machines were procured through direct procurement without justification as required under Section 103 of the Public Procurement and Asset Disposal Act, 2015 which requires that a procuring entity may use direct procurement as allowed under sub-section (2) as long as the purpose is not to avoid competition. No justification and approval by the tender committee was provided for review.

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

11. Non-Compliance with Fiscal Responsibility Principles on Wages

The statement of financial performance and Note 9 to the financial statements reflect an amount of Kshs.6,535,058,196 in respect of employee costs representing 45% of the total revenue of Kshs.12,882,019,063. This was contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015, which stipulates that the County Government's expenditure on wages and benefits for public officers shall not exceed thirty-five percent (35%) of the County Government's total revenue.

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

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

Review of human resource records provided for audit revealed that the County Executive had five thousand two hundred and forty (5,240) staff out of whom two thousand two hundred and four (2,204) representing 41% 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 requires that no public establishment shall have more than one third of its staff from the same ethnic community.

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

13. Delayed Implementation of Projects

13.1. County Aggregation and Industrial Park

The statement of financial position and Note 26 to the financial statements reflect Kshs.2,079,927,207 in respect of property, plant and equipment. The balance includes Kshs.360,577,208 in respect of work in progress out of which Kshs.68,098,539 was incurred on construction of County Aggregarion and Industrial Park. The County Executive awarded a tender to a firm at a contract sum of Kshs.461,219,071 for a period of twenty-eight (28) weeks with expected completion date of 22 November, 2024. The project was not completed on time and an extension of twenty-four (24) weeks was sought and approved. However, as at the time of audit in June, 2025 the contract duration had lapsed and the contractor was on site without an approved extension.

13.2. Construction of Early Childhood Development Education Centres

Review of procurement records revealed that the County Executive awarded a tender to a firm at a contract sum of Kshs.17,722,207 for the construction of Early Childhood Development Education Centres (ECDE) at Amani Primary School. The Contractor had been paid an amount of Kshs.5,860,582 as at 30 June, 2025. However, physical inspection of the project in May, 2025 and review of site meeting minutes revealed that the project was incomplete at an estimated 40% completion level with construction having reached the slab level and contract time lapsed without evidence of extension.

Further, another contract was awarded to a firm for the construction of four (4) classrooms, administration offices, staffroom, kitchen store, dining area, six (6) learner toilets, two (2) staff toilets, two (2) PWD toilets, borehole, sewer management, playing court, boundary wall, and water tower at Majaoni Primary Schook for a contract sum of Kshs.21,601,440 on 20 March, 2020. Review of expenditure records including interim payment certificates showed that a total of Kshs.10,100,860 had been paid to the contractor as at 30 June, 2025. However, the payments were not supported by the requisite documents including engineer's certificates and site meeting minutes approving the works for payment. Further, physical inspection during the month of May, 2025 established that six (6) classrooms were incomplete, borehole, sewer management, playing court, boundary wall, and water tower works had not commenced.

13.3. Contract for Provision of Integrated Smart City Surveillance System

The County Executive awarded a contract for provision of integrated smart city surveillance system at a contract sum of Kshs.94,044,042. The contract was signed on 4 March, 2024 and a total of Kshs.55,617,616 had been paid at the time of audit. Review of the progress report dated 23 May, 2025 and minutes of departmental meeting held on 26 May, 2025 showed that the project had delayed and no evidence of extension was provided for audit.

Further, special conditions of the contract required that installation of equipment be completed within twenty (25) days of delivery, yet as at June, 2025, no evidence of

completion or commissioning of installations was provided for audit. In addition, performance guarantee provided for audit had expired on 28 February, 2025 and the same had not been renewed at the time of audit.

In the circumstances, delayed implementation of the projects negatively affected service delivery to the public and value for money could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

14. Lack of Finance Policy and Procedure Manual

During the year under review, the County Executive did not have a Finance Management Policy and Procedures Manual to guide on financial management and operations. There were no standardized procedures governing key financial management processes, including budgeting, expenditure control, accounting, financial reporting, and use of the Government standard chart of accounts.

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

15. Lack of a Fixed Assets Register

Review of the County Executive financial report indicated that property, plant and equipment increased during the year under review by a balance of Kshs.423,835,767. However, the fixed assets register was not maintained to record, classify, and track assets owned by the County Executive.

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

16. Lack of Climate Change Mitigation Policy and Weak Environmental Governance

Review of the County Executive policy and planning documents and discussions with Management revealed that the County Executive had not developed or approved a Climate Change Mitigation and Adaptation Policy to guide the planning, implementation, and monitoring of climate-related interventions. Further, no specific budgetary provisions were made during the year under review to finance climate change mitigation, adaptation, or resilience-building activities as required by national frameworks.

In addition, the County Executive lacked a structured environmental governance framework, including designated units or committees responsible for coordinating sustainability programs, monitoring environmental indicators, and preparing periodic sustainability or environmental impact reports.

In the circumstances, the effectiveness of policies, dedicated budgets, and governance structures on climate change mitigation could not be confirmed.

17. Lack of a Comprehensive Policy on Corporate Social Responsibility

Review of policy records established that the County Executive had not developed or adopted a formal policy on Corporate Social Responsibility (CSR) to guide the planning, approval, implementation, and reporting of CSR activities. In the absence of a comprehensive policy framework; there were no clear criteria or priorities for selecting CSR initiatives or beneficiaries, no standard procedures for budgeting, executing, or monitoring CSR projects and contributions and reporting mechanisms and accountability structures for CSR spending are inadequate.

In the circumstances, the effectiveness of the oversight of CSR activities could not be confirmed.

18. Lack of Formal Information and Communication Technology Policy

Review of policy records revealed that there was no approved Information and Communication Technology (ICT) Policy, Data Recovery Plan (DRP) and ICT Security Policy. The policies are essential for the effective and efficient management of the County's ICT resources to ensure that data stored in its systems does not lose its integrity and is readily available when required. In addition, the County Executive had not installed antivirus programs in its systems and did not have mechanisms for ensuring that all systems software remains up-to-date with security.

In the circumstances, the effectiveness of internal controls on ICT and its governance could not be confirmed.

List of Unresolved Prior Year Matters

No.	Audit Issues for 2023/2024
1	Inaccuracies in the Financial Statements
2	Unexplained Voided Transactions
3	Unexplained Variances - Cash and Cash Equivalents
4	Unsupported Domestic Travel and Subsistence
5	Long Outstanding Bank Reconciliation Transactions
6	Regularity of Human Resource Management Practices
7	Employees above Retirement Age
8	Non-Compliance with Law on Fiscal Responsibility on Wage Bill
9	Irregular Promotion
10	Non-Compliance with Law on One-Third Rule of Basic Salary
14	Irregular Appointment in Acting Positions
15	Avoidable Legal Expenses
16	Delayed Completion of Early Childhood Development (ECD) Centre
17	Incomplete Contract
18	Irregular Opening of Bank Accounts
19	Outstanding Imprests
20	Lack of Approved Information Communication Technology Security Policy and Disaster Recovery Plan
21	Incomplete Project Implementation Status Report

COUNTY EXECUTIVE OF KWALE – NO.2

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

19. Unsupported Employee Costs

The statement of financial performance and Note 9 to the financial statements reflects employee costs amount of Kshs.3,560,878,899, out of which an amount of Kshs.31,254,004 was paid to members of staff as salary arrears in the year under review. However, the expenditure was not supported by approvals to show the nature and the period to which the expenditure related. Further, review of employee records revealed that the expenditure includes employee costs paid on behalf of four (4) Municipalities which are independent entities. No explanation was given for failure to report the amount as transfers to other Government entities.

In the circumstances, the accuracy and completeness of employee costs amounting to Kshs.31,254,004 could not be confirmed.

20. Unsupported Expenditure on Other Grants and Subsidies

The statement of financial performance reflects other grants and subsidies amount of Kshs.228,000,000 as disclosed in Note 13 to the financial statements. The expenditure includes an amount of Kshs.30,000,000 in respect of grants paid to the County Vocational and Technical Colleges (VTCs). However, the expenditure was not supported by annual reports, indicating how the amounts received were spent.

In the circumstances, the accuracy and completeness of other grants and transfers amounting to Kshs.30,000,000 could not be confirmed.

21. Unsupported Voided Transactions

The statement of cash flows reflects total payments and net cash flows from investing activities amounting to Kshs.5,720,693,003 and Kshs.1,301,816,931 respectively. However, review of the Integrated Financial Management Information System (IFMIS) payment records revealed transactions amounting to Kshs.1,939,611,177 which were initiated but later voided without justification and approvals. Further, the supporting documents including voided payment vouchers, requests to void payments, The National Treasury approval and exchequer requisitions to the Controller of Budget were not provided for audit.

In the circumstances, the accuracy and completeness of the voided payments of Kshs.1,939,611,177 could not be confirmed.

Emphasis of Matter

22. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.13,530,153,955 and Kshs.7,390,741,758 respectively resulting in under-funding of Kshs.6,507,644,021 or 45% of the budget. Similarly, the County Executive spent Kshs.5,720,693,003 against actual receipt of Kshs.7,390,741,758 resulting in under-utilization of Kshs.1,670,048,755 or 23% of the 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

23. Unresolved Prior Year's Audit Matters

In the previous year's audit report, 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 in 2024/2025 revealed that the following fourteen (14) issues remained unresolved as at 30 June, 2025.

No.	Audit Issues for 2023/2024
1.	Inaccurate expenditure on acquisition of assets
2.	Unsupported voided transactions
3.	Irregular charge on the cash vote
4.	Non-compliance with the law on ethnic composition in recruitment and overall staff composition
5.	Failure to meet recruitment thresholds for persons with disabilities
6.	Irregular payment to the Council of Governors
7.	Lack of ownership documents for construction of Early Childhood Development Education (ECDE) centers
8.	Construction of wholesale market at Kombani
9.	Proposed construction of Maji Moto Eco Resort Phase III
10.	Fruit Processing Plant Phase III

No.	Audit Issues for 2023/2024
11.	Incomplete construction of Governor's residence
12.	Delays in the construction of Twin Workshop in Mwabila Technical and Vocational Training Center
13.	DORMANT BANK ACCOUNT
14.	Lack of approved County staff establishment

Other Information

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

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

Review of County revenue records for level 4 and 5 hospitals revealed that five (5) facilities collected and transferred amounts of Kshs.203,258,263 and Kshs.36,114,817 respectively to the County Revenue Fund. However, only Kshs.18,973,016 was reimbursed to the hospitals leaving a balance of Kshs.17,141,801. 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 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.

26. Irregular Drilling of Borehole at the County Aggregation Industrial Park

Review of procurement records revealed that Management engaged a contractor for drilling a borehole at the County Aggregation Park at a cost of Kshs.1,260,000. However, Management did not have a drilling permit, hydrological survey and National Environment Management Authority (NEMA) approval. This was contrary to Section 2(1) and (2) of the Water Act, 2016 which states that a person shall not construct or begin to construct a borehole or a well without having first given to the Authority notice of his or her intention to do so. A person intending to construct a borehole or well shall apply to the Authority for a permit and shall comply with such requirements as may be imposed by the Authority.

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

27. Irregularities in Procurement

27.1. Construction of Roads

The statement of financial position and as disclosed in Note 26 to the financial statement reflects property, plant and equipment balance of Kshs.3,943,308,518. Included in the amount, is infrastructure assets balance of Kshs.1,130,424,407 which includes additions for the year of Kshs.622,412,264. The following observations were made;

27.1.1. Mizani – Chengoti – Mtulu Road in Samburu

The additions of Kshs.622,412,264 further includes an amount of Kshs.5,835,612 for the proposed rehabilitation of Mizani – Chengoti – Mtulu Road in Samburu. Review of procurement records for the road indicated that the contractor submitted a bid which was evaluated and awarded under tender No.1371864. However, the Professional Opinion issued on 12 January, 2024 indicated the tender awarded as No. 138911. Further, tender No.1371864 was awarded to a different contractor at contract sum of Kshs.5,999,612 casting doubt on the authenticity of the procurements. This was contrary to Section 44 (2) (d) of the Public Procurement and Asset Disposal Act, 2015 which requires the Accounting Officer to ensure proper documentation of procurement proceedings and safe custody of all procurement records in accordance with the Act.

27.1.2. Mwangwei Majoreni Road

The contract dated 19 June, 2024 was for the upgrading to bitumen standard of Mwangwei Majoreni Road at a contract sum of Kshs.97,164,481 and for a contract period of twelve (12) months ending 19 June, 2025.

Review of procurement records revealed that the letter of notification of award was issued on 29 May, 2024 with a notification of acceptance period of seven (7) days ending 4 June, 2024. However, the winning bidder communicated the acceptance on 12 June, 2024, eight (8) days after expiry of the notification period. This was contrary to Section 87 (2) of the Public Procurement and Asset Disposal Act, 2015 which states that on notification of intention to enter into a contract (2). The successful bidder shall signify in writing the acceptance of the award within the time frame specified in the notification of award.

Further, review of approved Certificate No. 1 dated 16 May, 2025 of Kshs.70,065,338 revealed that the contract sum per items in the Bill of Quantities were varied upwards by Kshs.1,818,417 within a duration of twelve months. This was 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.

27.1.3. Vinuni - Tiwi Sokoni Road

The balance of Kshs.622,412,264 includes an amount of Kshs.226,138,863 for the upgrading to bitumen standards of the Vinuni-Tiwi Sokoni Road. The contract was for a period of one (1) year ending on 9 January, 2025. Review of the bill of quantities indicated that the contractor did a variation of prices of Kshs.24,368,412 being 15% of the quoted

measured works. This was 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.

Further, Management approved the extension of the contract time from 9 January, 2025 by one hundred and ninety-six (196) days with the condition that these would be no extra cost to the employer. However, review of Certificate No.1 raised on 14 June, 2024 of Kshs.49,363,364 and Certificate No.2 issued on 28 April, 2025 of Kshs.72,500,104 indicated that the contractor had varied the price of Bill No.1 on preliminaries from Kshs.26,858,955 to Kshs.36,673,392 before taxes due to the change in contract period leading to unapproved variation by Kshs.9,814,437 and indicating non compliance with the terms of the contract extension which specified no additional cost.

27.2. Irregular Contract for Construction of a Psychiatry Ward

The statement of financial position reflects property, plant and equipment balance of Kshs.3,943,308,518 as disclosed in Note 26 to the financial statements. Included in the balance is an amount of Kshs.710,693,512 in respect of buildings which includes an amount of Kshs.11,407,266 incurred on the construction of a Psychiatry Ward at Tiwi Rural Health Training Centre at a contract sum of Kshs.10,000,000. Review of tender evaluation committee minutes showed that the winning bidder was awarded the contract at a cost of Kshs.17,918,205. However, evidence indicating that Management had negotiated the price with the winning bidder or to explain how the awarded price was varied by Kshs.7,918,205 from the quoted sum was not provided for audit. This was contrary to Section 44(2)(d) of the Public Procurement and Asset Disposal Act, 2015 which requires the Accounting Officer to ensure proper documentation of procurement proceedings and safe custody of all procurement records in accordance with the Act.

27.3. Irregular Award of Contract for Construction of Kwale Stadium

The statement of financial position and as disclosed in Note 26 to the financial statements reflects property, plant and equipment balance of Kshs.3,943,308,518. Included in the balance is work in progress of Kshs.1,407,723,727 which includes additions for the year of Kshs.773,331,973. Review of procurement documents provided for audit revealed that the County Executive entered into a contract with a local contractor for the construction of Kwale Stadium on 6 February, 2024 at a contract sum of Kshs.178,599,801 for a period of seven hundred and thirty (730) days. The Professional Opinion was issued on 23 January, 2024 with the notification of award and regret letters issued on 06 February, 2024. However, the contract was signed on 6 February, 2024 before lapse of the mandatory grace period of fourteen (14) days. This was contrary to Section 135(3) of the Public Procurement and Asset Disposal Act, 2015 which requires that the written contract shall be entered into within the period specified in the notification but not before fourteen days have elapsed following the giving of that notification provided that a contract shall be signed within the tender validity period.

27.4. Irregularities in the Construction of Fruit Processing Plant

Review of procurement records revealed that the County Executive entered into a contract with a contractor for the construction of a fruit processing plant phase 3 at Shimba

Hills in Kubo South Ward at a contract sum of Kshs.124,450,353 on 15 January. 2025. Notification of award was Issued to the winning bidder on 19 December, 2024 while the bidder submitted their performance security on 13 January, 2025 which was twenty-five (25) days after receipt of the letter of acceptance and four (4) days after the period of twenty-one (21) days as per the tender documents. This was contrary to Sub-Section 52.1 of the tender document which states that within twenty-one (21) days of the receipt of the letter of acceptance from the procuring entity, the successful tenderer shall furnish the performance security and, any other documents required in the Tender Data Sheet, in accordance with the general conditions of contract, subject to Instruction to Tenderers 40.2.

27.5. Delays in Completion of Construction of Market Stalls at Msambweni Hospital

Review of procurement documents in respect of construction of market stalls at Msambweni Hospital revealed that the County Executive entered into a contract with a local contractor on 2 January, 2024 at a contract sum of Kshs.3,925,215 with a completion period of ninety (90) days from the date of the contract signing on 1 April, 2024. However, inspection report dated 26 November, 2024 indicated that the stalls were 60% percent complete being eight (8) months after expiry of the contract period. Further, no evidence was provided indicating that the contract period had been varied as required by the law. Although Management explained that the delay was due to land issues that led to the change of the intended site of construction, no documentation was provided to support the claim or show how the issue was resolved given that the current site is occupied by informal settlers.

27.6. Stalled Projects

27.6.1. Trade Revolving Fund Management System

Review of contract documents provided for audit including Project Implementation Status Report revealed that Management entered into a contract for design and installation of Trade Revolving Fund Management System and delivery of associated hardware on 5 August, 2020 at a contract sum of Kshs.8,805,000. The project was budgeted for in the year 2019/2020 at an estimated cost of Kshs.10,000,000 and procured through request for expression of interest.

The contractor raised two invoices of Kshs.4,000,000 on 15 October, 2021 and of Kshs.4,000,000 on 27 March, 2021 and was paid a total Kshs.5,625,000. At the time of audit in October, 2025, the project was incomplete with no budgetary allocation for the remaining works and no evidence of action taken by Management to mitigate against possible loss of funds so far paid.

27.6.2. Construction of Market Stalls at Kigato

The County Executive entered into a contract with a local contractor for the construction of market stalls at Kigato Trading Centre in Waa Ng'ombeni on 17 March, 2021 at a contract sum of Kshs.3,313,772 for a period ending 17 June, 2021. Review of the Project Implementation Status Report provided for audit revealed that the project was at the

walling stage and had been stopped by Kenya School of Government - Matuga for reasons that were not disclosed. There was no evidence that the County Executive made any efforts to revive or complete the project. At the time of audit in October, 2025 an amount of Kshs.1,724,294 had already been paid to the contractor.

27.6.3. Construction of Market Stalls at Msambweni Hospital

Review of records revealed that the County Executive entered into a contract with a local contractor for the construction of ten (10) market stalls at Msambweni Hospital on 18 November, 2024 at a contract sum of Kshs.4,000,000 for a three (3) month contract period ending 18 January, 2025. At the time of audit in October, 2025, an amount of Kshs.2,074,411 had been paid to the contractor while the contract period had expired. The Project Implementation Status Report indicated that the project was at the roofing stage and that the contractor had abandoned the site, citing capacity issues.

27.6.4. Electrification of Market Stalls

The County Executive entered into a contract with a local contractor for the electrification of market stalls in Pongwe/Kikoneni, Samburu/Chengoni, Kinango, Puma and Waa/Ng'ombeni wards - Vanga rice collection center, Jimbo fish market, Lunga Lunga stalls, Samburu market, Mbuguni stalls, White House toilets, Kanana stalls, Mrima stalls and Diani Markaz stalls on 5 May, 2023 for a contract period of one hundred and twenty (120) days. However, at the time of audit in October, 2025, the contractor was not on site after being paid an amount of Kshs.7,955,379 and the project was incomplete.

27.6.5. Samburu Public Library

The County Executive entered into a contract with a local contractor on 7 March, 2022 for the construction of Samburu Public Library at a contract sum of Kshs.10,366,310 for a contract period of one hundred and twenty (120) days. The first certificate amounting to Kshs.4,477,692 was raised on 14 June, 2022 with the second amount of Kshs.1,863,113 raised on 13 June, 2023. Review of the project file revealed that the contractor abandoned the site and the project was incomplete.

27.6.6. Kwale Library

Review of procurement and project implementation records provided for audit revealed that the County Executive entered into a contract with a local contractor on 27 April, 2023 for the construction of Kwale Library Phase 3 at a contract sum of Kshs.5,596,150 for a contract period of one hundred and five (105) days. The contract period was varied to end on 10 August, 2023. The first certificate amount of Kshs.2,415,405 was raised on 20 June, 2023 while the second certificate of an amount of Kshs.708,837 was raised on 30 November, 2023. However, the contractor abandoned the site and the project remains incomplete.

27.6.7. Tarmacking of Ukunda-Gombato/Bongwe Wards Road

The County Executive entered into a contract with a local contractor for the tarmacking of Kona Ya Musa – Mabokoni – Kona Ya Masai Road in Ukunda, Gombato/Bongwe Wards

on 15 April, 2020 for a contract period of twelve (12) months at a contract sum of Kshs.277,977,685. Projecct records reflected that the contractor had raised four (4) certificates totalling Kshs.104,040,205. However, at the time of audit in October, 2025, the construction was incomplete and the contractor was not on site.

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

28. Under-utilization of Information and Communication Technology Infrastructure

The statement of financial position reflects property, plant and equipment balance of Kshs.3,943,402,571 as disclosed in Note 26 to the financial statements. Included in the balance is ICT and computer equipment of Kshs.33,417,798. Review of Project Implementation Status Reports and Internal Audit Reports provided revealed that the Management spent an amount of Kshs.96,956,864 from the financial year 2016-2022 on contractors who had installed, configured, and tested the networks in various institutions in the County. At the time of audit in October, 2025, physical inspection of some projects revealed that although some of these projects were completed and fully paid for they were not operational due to non-payment of internet service providers. Further, inquiries in sampled County Hospital facilities and physical inspection revealed that the County Executive had contracted internet service provides whose services were not delivered.

Further, the Department of Tourism and ICT entered into a contract with a local contractor for the design and implementation of County Government portal at contract sum of Kshs.4,128,500. At the time of audit in October, 2025, the contractor had been fully paid. However, Management did not provide evidence of project signoffs and inspection and acceptance report for the project.

In addition, the Elimu ni Sasa portal has not been utilized since its installation. Bursary application forms have continued to be processed manually since the year 2023/2024 despite the installation of the portal.

In the circumstances, value for money on the installation of ICT infrastructure and design and implementation of County E-government portal could not be confirmed.

29. Idle Tourism Information Centres and Monuments at Shimoni

The statement of financial position reflects property, plant and equipment balance of Kshs.3,943,308,518 as disclosed in Note 26 to the financial statements. Included in the balance are buildings balance of Kshs.710,693,512. Review of Projects Implementation Status Report and other records revealed that the County Executive entered into a contract for the construction of Tourism Information Centres and Monuments at Shimoni at a contract sum of Kshs.4,751,736 in the financial year 2021/2022. Physical inspection revealed that the project was complete and fully paid for. However, the facility has not been put to use over the last three (3) years.

In the circumstances, value for money on the cost of Kshs.4,751,736 in the construction of the Tourism Information Centres and Monuments could not be confirmed.

30. Non-Compliance with the Law on Staff Ethnic Composition in Recruitment

Review of personnel records revealed that the County Public Service Board recruited sixty-seven (67) new employees during the year under review. However, the selection criteria used for recruitment of the applicants for the position of Kenya Registered Community Health Nurse (Job Group H) did not take into consideration the requirement to achieve regional balance as required. Sixty-one (61) or 91% of the new recruits were from the dominant ethnic community in the County. This was contrary to Section 65(1)(e) of the County Governments Act, 2012 which requires the County Public Service Board to ensure at least thirty percent of 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.

31. Non-Compliance with the One-Third Rule on Basic Salaries

Analysis of the County Executive payroll for the year under review revealed that some employees received salary below a third of their basic pay contrary to the provisions of Section 19(3) of the Employment Act, 2007 which requires that an employee's salary should not be deducted beyond two thirds of the basic salary.

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

32. Irregularities in Construction of County Aggregation and Industrial Park

The County Executive entered into a contract with a local contractor on 30 October, 2023 for the construction of County aggregation and industrial park at Mwananyamala in Dzombo Ward for a contract period ending 31 October, 2024 (later revised to 31 October, 2026) at a contract sum of Kshs.497,431,884. Evidence provided for audit indicated that the contractor had raised three (3) certificates with the third valued at Kshs.22,294,082 which was raised on 25 February, 2025, and paid on 3 March, 2025. Review of the itemized Bill of Quantities (BQs) supporting the payment revealed unlawful variation of item quantities of up to 1007% and amounts of various items from the original BQs.

Further, extra works were introduced without following due process and approval of the tender awarding authority. This was contrary to Section 139(4) of the Public Procurement and Asset Disposal Act, 2015 which provides that for the purpose of this section, any variation of the contract shall only be considered after twelve months from the date of signing of the contract and shall only be considered if (b) the quantity variation for goods and services does not exceed fifteen per cent of the original contract quantity; and (c) the quantity variation of works does not exceed twenty per cent of the original contract quantity.

In addition, the original Bill of Quantities had prime costs of Kshs.3,500,000 before tax for project supervision. However, no evidence was provided for audit to show that the Accounting Officer had appointed a Project Management Team. Further, an amount of Kshs.516,500 budgeted for the project management was spent on acquisition of various

items for the Project Management Team including laptops and a printer. However, there was no evidence provided to show that the Accounting Officer approved the use of the provisional sums on the items bought.

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

33. Non-Compliance with the Data Protection Act, 2019

Review of personnel and suppliers' documents provided for audit revealed that the County Executive processes operational and financial transactions that captures employees' and supplier's personal information, such as names, phone numbers, addresses, and other personal data. However, the County Executive did not provide evidence of compliance with Data Protection Act, 2019 Section 32 on integrity, confidentiality and availability of personal data including prove of registration with the Data Commissioner as a data controller or data processor.

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

34. Unauthorized Expenditure

The statement of financial position reflects cash and cash equivalents balance of Kshs.193,681,252 as disclosed in Note 21 to the financial statements. Review of the imprest cash book revealed that an amount of Kshs.6,878,650 was transferred to the imprest account in February, 2025. However, review of the cash book revealed that Kshs.6,407,700 of the amount was spent on Biashara Public Participation, whole and joint house meetings yet there were no approved work plans for the expenditure.

In the circumstances, the value for money on the expenditure of Kshs.6,407,700 could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

35. Weaknesses on the Management of Assets

Review of the motor vehicle status report provided for audit revealed that the County Executive had one hundred and seventy-five (175) motor vehicles and thirty-six (36) movable machinery. However, the number registered in the Integrated Management System was five hundred and fifteen (515) resulting in an unexplained and unreconciled variance of three hundred and forty (340). Out of the one hundred and seventy-five (175) vehicles listed, sixty-three (63) vehicles were in unserviceable condition and were to be disposed. Thirty (30) of the unserviceable vehicles were parked at private garages without a storage agreement between the County Executive and the garages. Two (2) vehicles were written off with one having been deregistered from the County Executive by the National Transport and Safety Authority system.

Further, thirteen (13) of the serviceable vehicles had no driver assigned to them; out of which, seven (7) were functional and six (6) were under repair. In addition, two of the six vehicles under repair were parked in private garages while the other two were grounded at the County Executive offices awaiting repairs.

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

COUNTY EXECUTIVE OF KILIFI – NO.3

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

36. Unsupported Expenditure on Basic Wages of Temporary Employees

The statement of financial performance reflects employee costs totalling Kshs.4,979,294,985 as disclosed in Note 8 to the financial statements. Included in the expenditure is an amount of Kshs.218,214,371 in respect of basic wages of temporary employees out of which an amount of Kshs.6,194,308 was in respect of eight (8) months' salary arrears paid to twenty-seven (27) casual workers. The casuals were engaged under the River Safety Programme between July, 2024 and February, 2025 and an amount of Kshs.90,697,563 was in respect of three (3) months' contract for two thousand and thirty (2,030) casual workers engaged under Kazi Mashinani initiative. All the workers were recruited using a single appointment letter from the Kilifi Public Service Board. However, particular tasks undertaken by each casual labourer for each day paid, specific areas (trading centres, public institutions, markets, schools and roadsides) where the tasks were undertaken, proper supervision, evidence of the distribution of working tools and accountability of the tools upon the lapse of the programme was not provided for audit verification. The payment vouchers were supported by unsigned list of recipients of the wages.

In the circumstances, the accuracy and completeness of the expenditure on basic wages of temporary employees totalling Kshs.218,214,371 could not be confirmed.

37. Unsupported Expenditure on Domestic Travel and Subsistence

The statement of financial performance and as disclosed in Note 9 to the financial statements reflect expenditure on use of goods and services totalling Kshs.3,874,716,593 which includes domestic travel and subsistence amount of Kshs.78,184,190. Review of supporting documents revealed that payments amounting to Kshs.3,592,558 were paid in form of claims. However, the payments were not supported with prior approval by the Accounting Officers. In addition, an amount of Kshs.6,165,182 was paid as temporary imprest but was not supported with the relevant documents including imprest warrants, payment vouchers, motor vehicle work tickets or bus tickets or boarding pass, attendance registers, signed payment schedules and signed reports of the meetings.

In the circumstances, the accuracy and completeness of domestic travel and subsistence amount of Kshs.9,757,740 could not be confirmed.

38. Use of Goods and Services

The statement of financial performance reflects expenditure on use of goods and services totalling Kshs.3,874,716,593 as disclosed in Note 9 to the financial statements. Review of records revealed the following:

38.1. Inaccuracies in Expenditure on Utilities, Supplies and Services

Included in the expenditure is an amount of Kshs.144,183,632 in respect of utilities, supplies and services out of which an expenditure of Kshs.40,000,000 was paid for power bills incurred relating to sixty-one (61) accounts. However, an undetermined amount in respect of bills incurred by various County Government entities was omitted in the expenditure and payables in the financial statements.

In addition, expenditure totalling Kshs.65,740,097 on rentals of produced assets did not include rent payable. Further, the corresponding lease agreements were not provided.

38.2. Unsupported Expenditure

The statement of financial position reflects cash and cash equivalents balance of Kshs.372,648,989 as disclosed in Note 20 to the financial statements. The balance includes a deposits bank account balance of Kshs.26,386,567 which recorded payments totalling Kshs.135,482,754 but whose payment records were not provided for verification.

38.3. Unsupported Procurement of Hospital Beds and Mattresses

Review of records revealed that an amount of Kshs.7,702,800 was paid in respect of supply and delivery of beds and mattresses. However, the supporting documents for the expenditure were not provided. In addition, the procurement was done using request for quotations, although the total expenditure exceeded the allowed threshold of Kshs.3,000,000.

In the circumstances, the accuracy and completeness of the expenditure on use of goods and services totalling Kshs.248,925,651 could not be confirmed.

39. Inaccuracies in Depreciation and Amortization Expense

The statement of financial performance and as disclosed in Note 11 to the financial statements reflect depreciation and amortization expense totalling Kshs.37,277,389. However, Note 25 to the financial statements on property, plant and equipment reflect depreciation expense totalling Kshs.51,622,921 resulting in variance of Kshs.14,345,532. Although the difference was attributed to depreciation of computers and ICT equipment which had been omitted, the financial statements were not revised to correct the anomaly. Further, the depreciation policy was not provided.

In the circumstances, the accuracy and completeness of depreciation and amortization expense totalling Kshs.37,277,389 could not be confirmed.

40. Misclassified Expenditure on Other Grants and Subsidies

The statement of financial performance and as disclosed in Note 12 to the financial statements reflect expenditure totalling Kshs.105,280,795 in respect of other grants and subsidies. The expenditure relates to emergency supply of relief food and refugee

assistance paid to seven (7) local traders, which should have been charged to County Emergency Fund under the relevant rules and regulations.

In the circumstances, the accuracy and completeness of expenditure on other grants and subsidies totalling Kshs.105,280,795 could not be confirmed.

41. Unsupported Receivables from Non-Exchange Transactions Balance

The statement of financial position and as disclosed in Note 22 to the financial statements reflect receivables from non-exchange transactions balance of Kshs.4,625,151,859. Included in this balance is loss of cash and receivables from Kenya Revenue Authority (KRA) amounts of Kshs.43,240,740 and Kshs.41,496,123 respectively. Management indicated that the cash loss arose from fraud in 2016 and that the matter was before the courts while the KRA receivable related to taxes erroneously deducted and subject to recovery proceedings in court. However, no supporting documentation or evidence of progress made to recover the amounts was provided.

In the circumstances, the accuracy, completeness and recoverability of receivables from non-exchange transactions balance of Kshs.84,736,863 could not be confirmed.

42. Unsupported Trade and Other Payables Balance

The statement of financial position and as disclosed in Note 31 to the financial statements reflect a balance of Kshs.11,928,765,229 in respect of trade and other payables. The balance includes trade payables of Kshs.10,753,258,977 and employee payables balance of Kshs.1,175,506,252. The trade and other payables recorded an increase of Kshs.5,740,699,993 from the opening balance of Kshs.6,188,065,236. However, a reconciliation supporting the movement including the opening balance, amount paid for the previous year balance and payables balance for the year under review was not provided.

Further, the trade payables balance of Kshs.10,753,258,977 schedule omitted critical details such as Local Purchase Order/Local Service Order numbers, suppliers' invoices, delivery notes numbers and dates, date the contracts were signed, among other supporting documentation. Further, the report on pending bills verification at the departments level in line with County Executive's letter dated 29 August, 2025 was not provided.

In the circumstances, the accuracy, completeness and existence of trade and other payables balance of Kshs.11,928,765,229 could not be confirmed.

43. Unsupported Refundable Deposits and Prepayments

The statement of financial position and as disclosed in Note 32 to the financial statements reflect refundable deposits and prepayments balance of Kshs.125,388,855 which was a decrease of Kshs.59,381,194 from a balance of Kshs.184,770,049 reported as at 1 July, 2024. However, the reported balance was not supported by a deposit/retention register. In addition, Note 20 to the financial statements on cash and cash equivalents

reflects a balance of Kshs.26,386,567 held in the County deposit bank account resulting in an unexplained variance of Kshs.99,002,288.

In the circumstances, the accuracy, completeness and existence of refundable deposits and prepayments balance of Kshs.125,388,855 could not be confirmed.

44. Integrated Financial Management Information System Data Analysis

The statement of comparison of budget and actual amounts reflects total actual expenditure amount of Kshs.16,054,661,204 comprising of recurrent expenses of Kshs.13,958,832,230 and development expenses of Kshs.2,095,828,974. However, analysis of related Integrated Financial Management Information System (IFMIS) data revealed the following issues:

44.1. Unsupported Voided Payments

Six hundred and fifty-one (651) transactions with a total amount of Kshs.3,209,425,315 were voided during the year under review. Management indicated the reason for voiding to be charging wrong account, wrong figures / inaccurate amounts and end year cleaning of the system on unpaid transactions. However, the requisition indicating payee, authority for voiding, reasons for voiding and documentation were not provided.

44.2. Payments not Supported by Line-Item Budget Provisions

Review of the payment details revealed that six thousand four hundred and thirty-nine (6,439) transactions amounting to Kshs.15,055,925,863 were paid but the specific line items had not been budgeted for in the respective appropriation account. Management attributed this to certain budget realignments and virements effected within some vote heads to cater for emerging operational priorities. However, details indicating account/expenditure code applied in respect to each amount and how it was reflected in the financial statements and reconciliations of the realignments and virements was not provided.

44.3. Inaccuracies in Local Purchase/Service Orders

Review of the Local Purchase/Service Orders (LPOs) data revealed that one hundred and eighty-one (181) LPOs were raised without corresponding amounts. Further, copies of the LPOs and schedule providing their status as at the close of the year was not provided. In addition, fifty-four (54) invoices billed and processed with amounts of Kshs.705,017,581 had amounts greater than the corresponding LPOs/LSOs.

44.4. Inaccuracies in Payment Details

Review of the system payment reports processed against the payments made revealed that there were two thousand six hundred and fifty-three (2,653) transactions amounting to Kshs.5,370,870,345 paid but not captured in payment details as at 30 June, 2025. Management attributed the variances to timing and system synchronization between processing module and the financial reporting module and that the discrepancies had been reconciled and all transactions fully accounted for. However, the reconciliations between the two (2) modules was not provided. Further, four hundred and ninety (490)

transactions amounting to Kshs.1,884,115,772 in system payments had an unreconciled variance of Kshs.1,500,760,757 in payment details. Management attributed the variance to unpaid tax amounts that had been appropriately recognized and disclosed under trade payables.

In the circumstances, the accuracy and completeness of actual expenditure amounting to Kshs.16,072,685,204 could not be confirmed.

45. Unsupported Expenditure on Computers

The Department of Health purchased one hundred and twenty-six (126) computers and Uninterruptible Power Supply (UPS) for Malindi and Kilifi Sub-County Hospitals at a cost of Kshs.25,132,116. The Department indicated that the computers were distributed to Kilifi Referral Hospital and Malindi Sub County Hospital. Kilifi Referral Hospital was indicated as having received thirty-two (32) of these computers and UPSs while Malindi Sub County Hospital received ninety-four (94) computers and UPSs. Management indicated that the computers were to be used to run the County Hospital Management Information System (CHMIS) which had been commissioned to manage the hospitals' operations. However, during the financial year 2023/2024, an amount of Kshs.31,644,827 was incurred on supply, delivery, training and commissioning of the CHMIS for which computers and other ICT equipment were supplied to the same Hospitals. The procurement of the one hundred and twenty-six (126) new computers was not justified.

Further, review of the intended recipients' corresponding property, plant and equipment balance did not include additions of the new computers.

In the circumstances, the accuracy, completeness and existence of the expenditure totalling Kshs.25,132,116 could not be confirmed.

46. Unsupported Expenditure on Construction of Roads

The statement of financial position and as disclosed in Note 25 to the financial statements reflect total non-current assets balance of Kshs.2,044,206,054 relating to property, plant and equipment. Included in this balance is an amount of Kshs.1,163,369,580 relating to construction of roads. However, the expenditure was not supported by site hand over and inspection minutes, certificate of measured works and monitoring and evaluation reports.

Further, during the year under review, an amount of Kshs.210,626,681 was incurred under the Equalization Fund out of which a total of Kshs.71,390,077 was in respect of roads. However, the integrated report for the expenditure and the Kilifi roads register (County Roads) were not provided for audit review. As a result, the details such as the road number, name and length in kilometres done could not be confirmed.

In the circumstances, the accuracy and completeness of the expenditure amounting to Kshs.1,163,369,580 relating to the construction of roads could not be confirmed.

47. Unsupported Expenditure on Construction of Water Projects

The statement of financial position reflects total non-current assets balance of Kshs.2,044,206,054 relating to property, plant and equipment as disclosed in Note 25 to

the financial statements. Included in this balance is an amount of Kshs.89,763,018 spent on infrastructure assets and an amount of Kshs.538,558,789 for work in progress. Review of records revealed that Kshs.292,535,043 was incurred in respect of construction of water pipelines, water pans and tanks and other water projects. However, the project status report to confirm the status of all water projects earmarked for implementation in the year was not provided. Similarly, evidence that the companies and firms contracted to provide the services were licensed to operate as Qualified Water Resource Contractors for the year 2025 by the Ministry of Water and Irrigation was also not provided.

Further, an amount of Kshs.210,626,681 was incurred under the Equalization Fund out of which a total of Kshs.100,675,784 was spent on water projects. However, Water and Sanitation Development Project had also undertaken similar projects in Kilifi County which included pipeline construction and rehabilitation, sanitation and hygiene initiatives, institutional and technical capacity building of the Water Service Providers (WSPs) and project funding and management. These activities were funded by various partners, including the Government of Kenya (GoK), development agencies such as the World Bank (IDA), the European Union (EU), and other international organizations. Management did not provide the integrated reports for the expenditure and the justification for implementation of this water related projects directly when there are competent WSPs was not provided.

In the circumstances, the accuracy and completeness of the expenditure amounting to Kshs.292,535,043 relating to the construction of water projects could not be confirmed.

Emphasis of Matter

48. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.20,628,457,366 and Kshs.15,363,111,418 respectively resulting in an under-funding of Kshs.5,265,345,948 or 26% of the budget. However, the County Executive spent an amount of Kshs.16,054,661,204 against actual receipts of Kshs.15,363,111,418, resulting in an over-absorption of Kshs.691,549,785 or 4.5% of actual receipts.

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

49. Late Exchequer Releases

The statement of financial performance and as disclosed in Note 5 to the financial statements reflect revenue from transfers from County Revenue Fund (CRF) totalling Kshs.15,363,111,418. However, review of records provided for audit revealed that Exchequer releases totalling Kshs.4,540,414,996 were received after 30 June, 2025.

Delays in release of Exchequer affected the implementation of planned activities and programs.

50. Long Outstanding Trade Payables

The statement of financial position reflects trade and other payables balance of Kshs.11,928,765,229 as disclosed in Note 31 to the financial statements. Included in this balance is Kshs.532,970,566 that was outstanding since the year 2015. Failure to settle bills during the year to which they relate adversely affects budget provisions for the subsequent year as they form a first charge.

My opinion is not modified in respect of these matters.

Other Matter

51. Unresolved Prior Year Matters

In the previous year's audit report, 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 the audit of County Executive in 2024/2025 revealed that twenty-two (22) issues remained unresolved as listed at the end of this report.

Other Information

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

53. Irregular Procurement of Insurance Services

Management engaged an insurance firm to provide medical insurance at a cost of Kshs.398,331,861 per year through a contract signed on 27 January, 2023 to run from 01 March, 2023 to 29 February, 2024 with an option of renewing the contract by the client subject to an internal performance review by the clients representative and a notice to renew shall be served to the service provider not later than one (1) month preceding the end date.

Further, a new contract agreement was signed on 1 March, 2024 for a period of one (1) year until 28 February, 2025. The contract was again renewed for a period of two (2) months from 4 March, 2025 to 4 May, 2025 at a cost of Kshs.79,666,373 through an addendum agreement dated 25 February, 2025. However, based on the contract sum for the last two (2) years, the prorated cost for two (2) months is Kshs.66,388,643 resulting in an unexplained variance of Kshs.13,277,730. This was contrary to Section 139(2) (a) of the Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer of a procuring entity, on the recommendation of an evaluation committee, may approve a variation of contract which shall be accompanied by a certificate from the tenderer making a justification for such cost extension of contract period.

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

54. Irregular Procurement of Construction Works

Management through an undated Memorandum of Understanding with the ACK Diocese of Mombasa agreed to an intention to intervene and offer support in aid of the revival of the dilapidated St. Luke's Hospital after it failed to comply with mandatory requirements for its registration as a hospital. The project had been allocated Kshs.300,000,000 which was to be raised as a grant from the Chinese Government through The National Treasury to renovate and reconstruct the new infrastructure at St. Luke's Mission Hospital. The project was to be implemented subject to acquisition of the private hospital. Review of records revealed that the County Executive awarded a contract for the construction and completion of a 30-bed maternity wing with an operating theatre at a contract sum of Kshs.83,433,000 on 24 December, 2024 for a contract period of one (1) year ending 24 December, 2025. The County Executive Committee in a meeting on 29 April, 2025 approved the purchase of land and infrastructure at the Hospital several months after the contract was awarded. However, the justification for awarding the contract before the process of acquiring the private hospital was concluded was not provided.

Further, the MOU signed did not provide for purchase of the Hospital and no further information was provided to indicate the reason for the change from mutual cooperation to purchase. This was contrary to Section 149 (1) of the Public Finance Management Act, 2015 which states that an Accounting Officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is lawful and authorized; and effective, efficient, economical and transparent.

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

55. Delay in Implementation of Water Projects

Review of report on implementation of contracts awarded by the County Executive indicated that the Management awarded contracts amounting to Kshs.62,990,880 to thirteen (13) contractors in respect of civil works. However, the contract agreements were signed before the lapse of fourteen (14) days from the dates of notification to the winning tenderer. This was contrary to Section 135(3) of the Public Procurement and Asset Disposal Act, 2015 which provide that written contract shall be entered into within the period specified in the notification but not before fourteen days have elapsed following the giving of that notification provided that a contract shall be signed within the tender validity period.

Further, included in the contracts was Kshs.42,992,507 relating to nine (9) projects which were awarded in November and December, 2024. However, at the time of audit in May, 2025, no works had been certified and the contractors were not on site. This was contrary to Regulation 40 (3) of the Public Procurement and Asset Disposal Regulations, 2020 which states that the Head of user department shall submit an Annual Department 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.

56. Irregular Expenditure on Certified Seeds

The County Executive incurred an expenditure totalling Kshs.66,447,080 made to various suppliers for various agricultural inputs and certified seeds. Review of the procurement and payment records revealed that the authority and justification for free distribution of agricultural inputs and certified seeds was not provided. This was contrary to Section 149(1) of the Public Finance Management Act, 2012 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 authorised; and effective, efficient, economical and transparent.

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

57. Irregular Payment of Legal Expenses

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects expenditure on use of goods and services totalling Kshs.3,874,716,593 which includes Kshs.299,749,326 in respect of other operating expenses. Review of supporting documents revealed that the expenditure on other operating expenses included legal fees paid to five (5) private legal practitioners amounting to Kshs.21,954,854 to defend lawsuits filed against various departments. The legal representatives were given instructions to act on behalf of the County Executive without approval by the Executive Committee.

Further, the office of the County Attorney had four (4) legal officers who were advocates of the High Court but were not deployed to represent the County Executive. No justification was provided for outsourcing of the services. This was contrary to Section 7(c) of the of the Office of the County Attorney Act, 2020 which provides that the County Attorney shall on the instructions of the County Government, represent the County Executive in court or in any other legal proceedings to which the County Executive is a party, other than criminal proceedings.

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

58. Irregular Expenditure on Use of Goods and Services

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects expenditure on use of goods and services totalling Kshs.3,874,716,593. Review of records on expenditure on use of goods and services revealed that expenditure totalling Kshs.429,678,412 or 62% out of total expenditure of Kshs.693,443,561 in respect of printing, advertising, and information supplies and services was incurred in the last quarter of the financial year. Evidence that the expenditure was in the procurement plan was not provided.

Further, expenditure totalling Kshs.505,292,577 or 73% out of the total expenditure of Kshs.693,443,561 incurred on event management services was charged on printing, advertising, and information supplies and services. Similarly, evidence indicating that the expenditure was in the procurement plan was not provided. The expenditure of

Kshs.505,292,577 was therefore incorrectly reported under printing, advertising, and information supplies and services.

This was contrary to Section 45(3)(a) of the Public Procurement and Asset Disposal Act, 2015, on corporate decisions and segregation of duties which provides that all procurement process shall be within the approved budget of the procuring entity and shall be planned by the procuring entity concerned through an annual procurement plan.

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

59. Implementation of Projects not Included in the Annual Development Plan

The Annual Procurement Plan included fifty-eight (58) projects earmarked for implementation in the year under review with an estimated cost of Kshs.819,059,040. However, these projects were not included in the Annual Development Plan. This was contrary to Section 126 of the Public Finance Management Act, 2012 which states that every County Government shall prepare a Development Plan in accordance with Article 220(2) of the Constitution, that includes strategic priorities for the medium term that reflects the County Government's priorities and plans.

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

60. Non-Adherence to Staff Establishment

Comparison of payroll and establishment records revealed that the staff establishment had a total of four thousand four hundred and twenty-one (4,421) members while the payroll had five thousand two hundred and twenty-nine (5,229) active staff resulting to a variance of eight hundred and eight (808) staff. In addition, the staff register did not include information on deployment of staff to departments. This was contrary to Paragraph B.2 (1) and (2) of Human Resource Policies and Procedures Manual for the Public Service, 2016 which provides that every Ministry/State Department shall prepare human resource plans that are based on comprehensive job analysis and shall be reviewed every year to address emerging issues and needs.

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

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

Review of the Integrated Payroll and Personnel Database (IPPD) and the Human Resources Information System (HRIS) revealed that thirty-three (33) staff members earned net salaries that were below a third of their basic salaries. This was contrary to Section 19(3) of the Employment Act, 2007 which provides that 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.

62. Non-Compliance with Law on Staff Ethnic Composition

Review of the payroll revealed that out of a total of five thousand two hundred and fifty-six (5,256) employees, four thousand one hundred and nine (4,109) were from the dominant ethnic community representing 78% of the total work force. 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.

63. Non-Compliance with Persons with Disabilities Act, 2025

Review of the payroll revealed that out of a total of five thousand two hundred and fifty-six (5,256) employees, only thirty-seven (37) were persons with disabilities representing less than 1% of the total workforce. This was contrary to Section 5(1)(e) of the Persons with Disabilities Act, 2005 which provides that evey 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 percentum (5%) of the employment positions are filled by persons with disabilities.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

64. Ineffective Internal Audit Function and Audit Committee

Review of the internal audit workplan indicated that the internal audit function had issued various internal audit reports but they had not been adopted by the Audit Committee. Further, the Internal Audit Department had an authorized staff establishment of twelve (12) staff but only eight (8) were in post resulting to under staffing of four (4) employees. The Audit Committee did not carry out annual review of the independence, performance and competency of the Internal Audit Unit.

In addition, personal files for the internal audit unit staff were not provided for audit and therefore staff qualification and competence could not be confirmed. Review of records also indicated that the Audit Committee was appointed in May, 2024 and held two meetings. However, the minutes of the first meeting had not been approved as a true record of the proceedings.

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

65. Lack of Risk Management Plan

Review of minutes of the Audit Committee meeting held on 11 December, 2024 indicated that a Risk Management Unit had been set up and risk management plan put in place.

However, the staffing arrangements of the Unit and an approved risk management plan were not provided for audit.

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

List of Unresolved Prior Year Matters

No.	Audit Issues for 2023/2024
1	Inaccurate statement of comparison of budget and actual amounts
2	Inaccurate transfers from County Revenue Fund (CFR)
3	Inaccurate and unsupported payments on compensation of employees
4	Long outstanding and unsupported imprests and advances balance
5	Inaccurate and long outstanding deposits and retentions balance
6	Inaccurate and unsupported pending bills balance
7	Unsupported payments on emergency relief and refugee assistance
8	Unsupported payments on construction and civil works
9	Budgetary control and performance
10	Non-compliance with national cohesion and integration
11	Failure to adhere to a third rule on basic pay
12	Irregular payment of training expenses
13	Irregular procurement of works on construction of roads
14	Irregular procurement of consultancy services
15	Irregular payments to the council of governors
16	Failure to mobilize resources for construction of county aggregation and industrial
17	Irregular payments for construction of Mtwapa law courts
18	Failure to fully implement county integrated hospital management information
19	Irregular advance payment for supply and delivery of computed tomography (CT)
20	Dormant incinerator and x-ray machine
21	Irregular payments on other current transfers, grants and subsidies
22	Failure to act on internal audit reports

COUNTY EXECUTIVE OF TANA RIVER – NO.4

REPORT ON THE FINANCIAL STATEMENTS

Basis for Adverse Opinion

66. Variances Between the Financial Statements and Trial Balance

The financial statements reflect amounts that differed with the trial balance amounts as tabulated below:

Component	Financial Statements (Kshs)	Trial Balance (Kshs)	Variance (Kshs)
Employee cost	2,069,131,947	2,064,231,831	4,900,116
Utilities, supplies and services	43,183,304	40,508,385	2,674,919
Communication supplies and services	13,508,385	7,343,842	6,164,543
Domestic travel and subsistence	410,016,074	364,668,593	45,347,481
Foreign travel and Subsistence	67,762,338	66,438,341	1,323,997
Printing, advertising & information supplies & services	40,073,246	25,251,980	14,821,266
Rentals of produced assets	24,239,872	25,251,980	(1,012,108)
Training expenses	25,055,074	16,845,499	8,209,575
Hospitality supplies and services	253,495,083	205,177,701	48,317,382
Insurance cost	28,276,330	16,845,499	11,430,831
Specialized materials and services	377,344,403	205,177,701	172,166,702
Other operating expenses	251,255,469	259,782,763	(8,527,294)
Office and general supplies and services	84,147,715	39,387,741	44,759,974
Fuel, oil and lubricants	107,944,751	109,840,241	(1,895,490)
Routine maintenance - vehicle & other transport equip	53,464,095	36,676,571	16,787,524
Routine maintenance - other assets	54,660,318	24,707,921	29,952,397
Cash and cash equivalent	223,946,309	377,799,710	153,853,401
Receivables from exchange transactions	56,132,989	24,938,597	31,194,392

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

67. Variances in the Annual Report and Financial Statements

Review of the annual report and the financial statements revealed the following inaccuracies and inconsistencies:

67.1. Variances in the Statement Cash Flows

The statement of cash flows reflects net cash flows from investing activities of Kshs.899,763,603 whereas the statement of comparison of budget and actual amounts reflects acquisition of assets amount of Kshs.919,628,193 resulting to an unreconciled variance of Kshs.19,864,590.

67.2. Variances in Special Purposed Account Balance

The statement of financial position reflects cash and cash equivalents opening statement balance of Kshs.105,916,176 as disclosed in Note 17 to the financial statements. Included in the amount is special purpose account balance of Kshs.49,806,710 while the statement of budget and actual amounts reflects budget carry overs (special purpose) account balance of Kshs.49,807,715 resulting to an unexplained and unreconciled variance of Kshs.1,005.

In the circumstances, the accuracy and completeness of the cash and cash equivalents opening balance of Kshs.105,916,176 could not be confirmed.

68. Anomalies in Payments

The statement of comparison of budget and actual amounts reflects total actual payments of Kshs.6,082,268,227. However, analysis of Integrated Financial Management Information System (IFMIS) data relating to the payments revealed the following issues:

68.1. Unsupported Voided Payments

The analysis of IFMIS payments revealed that one thousand two hundred and twenty nine (1,229) transactions amounting to Kshs.1,005,844,071 were voided during the year under review. Budget information indicated that the Controller of Budget had approved payment of these voided transactions. However, Management did not provide explanations or detailed schedule indicating payee, authority for voiding, reason and documentation, actual payee paid and documentation.

68.2. Unauthorised Expenditure

Analysis of the payment details revealed that seventeen (17) transactions amounting to Kshs.75,920,449 were paid but the specific line items had not been budgeted for in the respective expenditure item. Management did not provide explanations for not using the chart of accounts to process these transactions.

68.3. Variances Between Integrated Financial Management Information System Payments and Payment Details

Analysis of the system payment reports processed against the payments made revealed that there were two hundred and ninety (290) transactions amounting to Kshs.403,784,690 in the Integrated Financial Management Information System (IFMIS) payments whose actual payments amounted to Kshs.12,865,971 resulting to an unexplained variance of Kshs.390,918,719. Management did not provide explanations on how the transactions valued at Kshs.390,918,719 were processed in IFIMIS and reflected in the financial statements.

68.4. Invoices without Corresponding Local Purchase Orders

Analysis of the invoices against Local Purchase order (LPOs) revealed that one hundred and ninety-nine (199) transactions amounting to Kshs.573,957,186 were raised but corresponding purchase orders could not be linked to the specific invoice. Management did not provide explanations for not reconciling invoices against LPOs in IFMIS system or whether the matter has been escalated to The National Treasury as the system owner.

68.5. Transactions in IFMIS Payments but not Processed in Payment Details

Analysis of the IFMIS payment reports processed against the payments made revealed that there were one thousand seven hundred and seventy-two (1,772) transactions amounting to Kshs.1,874,462,123 that were paid but not captured in payment details as at 30 June, 2025. Management did not provide explanations on the current processing status or reasons for the delay in processing them and how they have been reflected in the financial statements.

68.6. Payments Made Outside IFMIS

Comparison of the financial statements supporting schedules against recurrent and development internet banking statements indicated that payments amounting to Kshs.1,132,329,148 were made during the year under review without being processed in IFMIS. Management did not provide explanations on which bank accounts these payments were made from and how they are reflected in the financial statements.

In the circumstances, the accuracy, completeness and regularity of payments amounting to Kshs.6,082,274,646 could not be confirmed.

69. Variances Between Financial Statements and Payroll Amounts

The statement of financial performance reflects employee costs of Kshs.2,069,131,947 as disclosed in Note 9 to the financial statements. However, supporting Integrated Payroll and Personnel Database (IPPD) and Human Resource Information System (HRIS) payrolls provided for audit reflected gross salaries of Kshs.1,874,212,387 resulting in an unreconciled variance of Kshs.194,919,560.

In the circumstances, the accuracy and completeness of employee costs amounting to Kshs.2,069,131,947 could not be confirmed.

70. Use of Goods and Services

The statement of financial performance reflects use of goods and services expenditure of Kshs.1,898,155,201 as disclosed in Note 10 to the financial statements. Review of the expenditure revealed the following unsatisfactory issues:

70.1. Unaccounted for Purchase of Air Tickets

Included in the use of goods and services amount is domestic travel and subsistence allowance amount of Kshs.410,016,074 out of which an amount of Kshs.69,924,830 was incurred on purchase of air tickets on various dates from service providers. However, the detailed schedule indicating employee name, personal number, job group, location and

duration of travel together with procurement documentation to account for the amount was not provided for audit.

70.2. Unsupported Hospitality Supplies and Services Expenditure

The use of goods and services amount of Kshs.1,898,155,201 includes hospitality supplies and services expenditure of Kshs.253,495,083, out of which Board Committee expenses of Kshs.70,477,853 were not supported with lists of Board Members, programmes undertaken, objectives achieved and amounts paid to each.

70.3. Unsupported Research and Feasibility Studies Expenditure

Included in the use of goods and services expenditure of Kshs.1,898,155,201 is an amount of Kshs.63,728,744 incurred on research and feasibility studies. However, contract documents, scope of works and evidence of services provided were not provided for audit. Further, the amount of Kshs.63,728,744 differed from the actual payments in IFMIS of Kshs.75,920,449 resulting in an unauthorized expenditure of Kshs.12,192,005.

70.4. Unsupported Legal Services Expenditure

The expenditure of use of goods and services further, includes an amount of Kshs.251,255,469 incurred on other operating expenses out of which an amount of Kshs.96,966,856 was paid to eight (8) law firms in respect of representing the County Executive in various legal cases and providing legal consultancy services. However, the case files indicating the subject matter, case number, date of commencement, court attendance, itemized costs, fee notes and current status were not provided for audit. Further, the approval from the County Executive Committee to outsource the legal services in accordance with Section 16 of the Office of the County Attorney Act (Cap 265E), 2020 was not provided for audit.

In the circumstances, the accuracy and completeness of the use of goods and services expenditure amount of Kshs.1,898,155,201 could not be confirmed.

71. Unsupported Transfers to Other Government Entities

The statement of financial performance reflects transfers to other government entities amount of Kshs.734,205,021 as disclosed in Note 11 to the financial statements. However, the detailed schedule provided for audit did not indicate the special purpose bank account number, opening balance, receipts for the year and expenditure returns for the year to arrive at the closing balances. Further, the journal vouchers, payment vouchers, cash books, and bank statements were not provided for audit. In addition, the transfer to other Government entities of Kshs.734,205,021 differed from conditional grants received during the year under review of Kshs.392,142,628 as disclosed in Note 6 to the financial statements resulting in an unreconciled variance of Kshs.342,062,393.

In the circumstances, the accuracy and completeness of the expenditure amounting to Kshs.734,205,021 could not be confirmed.

72. Inaccuracies in Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalent balance of Kshs.223,953,309. However, the balance was not supported by a certificates of bank

balances, bank reconciliation statements and cash books. Further, the balance excludes transaction of thirty-six (36) bank accounts.

In the circumstances, the accuracy, completeness and existence of cash and cash equivalents balance of Kshs.223,953,309 could not be confirmed.

73. Inaccuracies in Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.56,132,989 as disclosed in Note 18 to the financial statements. The amount includes outstanding imprest balance of Kshs.51,150,364 and rent deposit amount of Kshs.4,982,265. However, the movement schedule from the opening balances was not provided for audit. Further, deposits for water, electricity and fuel accounts were omitted from the financial statements.

In the circumstances, the accuracy and completeness of receivables from exchange transactions amount of Kshs.56,132,989 could not be confirmed.

74. Inaccuracies in Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.3,381,969,160 as disclosed in Note 21 to the financial statements. However, the balance excludes the prior year summary of non-current asset register historical cost balance of Kshs.10,581,122,381. Further, the schedule provided did not indicate date of acquisition, description of assets, location/Registration No. Model, Serial No. cost, ownership documents and status of the assets. In addition, the additions for the year of Kshs.1,181,939,674 were not supported by a detailed schedule indicating date, supplier name, contract No, contract value, description of the asset, payments to-date, project completion date or status indicating whether the asset is in use or not. In addition, a motor vehicle valued at Kshs.7,000,000 did not have a logbook despite the motor vehicle being delivered on 28 March, 2025.

Further, the asset additions balance of Kshs.1,181,939,674 differed with the vote book balance of Kshs.1,897,031,941 resulting in an unreconciled variance of Kshs.715,092,267.

In the circumstances, the accuracy, completeness, ownership and existence of property, plant and equipment balance of Kshs.3,381,969,160 could not be confirmed.

75. Inaccuracies in Trade and Other Payables

The statement of financial position reflects trade and other payable balance of Kshs.4,114,800,096 as disclosed in Note 23 to the financial statements. However, the detailed movement schedule indicating opening balance, additions and payments made during the year to arrive at the closing balance was not provided for audit. Further, the Controller of Budget report reflects total accounts payables balance of Kshs.2,353,247,286 as at 30 June, 2025 resulting in an unreconciled variance of Kshs.1,761,552,810. In addition, the balance is net of supplier payments adjustment amount of Kshs.151,939,074 which was excluded in the financial statements and whose

journal vouchers together with relevant accounting documentation were not provided for audit.

In the circumstances, the accuracy and completeness of trade payable balance of Kshs.4,114,800,096 could not be confirmed.

Emphasis of Matter

76. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.8,170,325,023 and Kshs.6,281,398,848 respectively resulting to an under -funding of Kshs.1,888,926,175 or 23% of the budget. However, the County Executive spent Kshs.6,082,268,227 against actual receipts of Kshs.6,281,398,848 resulting in an under expenditure of Kshs.199,130,621.

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

77. Variances in Transfers from County Revenue Fund

The annual report forward by County Executive Committee Member (CECM) Finance and Economic Planning on page xii reflects transfers from County Revenue Fund for development and conditional grants of Kshs.1,530,914,218 and Kshs.458,967,524 respectively that differ with Note 6 to the financial statements amounts of Kshs.1,597,739,114 and Kshs.392,142,628 resulting in unreconciled variance of Kshs.66,824,896 on the two (2) transfers respectively.

My opinion is not modified in respect of these matters.

Other Matter

78. Unresolved Prior Year Audit Matters

In the previous year's audit report several issues were noted in 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 during the audit of the County Executive revealed that thirty-six (36) matters listed at the end of this report remain unsolved as at 30 June, 2025.

Other Information

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

80. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.4,114,800,096 as disclosed in Note 23 to the financial statements. The County

Executive total revenue budget amounted to Kshs.8,170,325,023 during the year under review, against trade payables balance of Kshs.4,114,800,096 translating to fifty percent (50%) public debt of the expected total revenue. This was contrary to Regulation 25(1)(d) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the County public debt should not exceed twenty percent (20%) of the County Governments total revenue at any one time.

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

81. Irregular Payments of Accounts Payables

The statement of financial position reflects trade and other payables balance of Kshs.4,114,800,096 as disclosed in Note 23 to the financial statements. The amount is net off accounts payables payment of Kshs.662,012,881 made during the year under review. However, the payments amounting to Kshs.662,012,881 were made to suppliers not listed in the approved payment plan. This was contrary to Regulation 53 (1) and (2) of the Public Finance Management (County Governments) Regulations, 2015 which requires that except as provided for in the Act and these Regulations, an Accounting Officer of an entity may not authorize payment to be made out of funds earmarked for specific activities for purposes other than those activities and a public officer who makes such unauthorized payment commits an offence under the Act.

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

82. Budget Variations Above the Approved Threshold

The statement of comparison of budget and actual amounts reflects final budget of Kshs.8,170,325,023 net of adjustments of Kshs.131,782,354. However, included in the adjusted amount of Kshs.131,782,354 are sixteen (16) out of thirty-nine (39) vote heads that had budget variations in excess of ten percent (10%) limit on the original budget. This was contrary to Regulation 39(9) of the Public Finance Management (County Governments) Regulations, 2015 which states that in approving any estimates under Sections 135 and 154 of the Act, that County Assembly approval shall not exceed ten percent (10%) of the approved budget estimates of a program of Sub-Vote unless it is for an unforeseen and unavoidable need as defined in Section 112 of the Act.

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

83. Unauthorized Advance Payment to Coast Water Development Authority

Management transferred an amount of Kshs.15,000,000 to Coast Water Development Authority on 12 March, 2025 to undertake consultancy services for feasibility study for preparation and review of detailed designs, environmental social impact assessment for water infrastructure development in Hola Municipality at an estimated total cost of Kshs.20,393,000. The expenditure was not budgeted for and although, the Memorandum of Understanding between the two (2) entities was signed on 19 September, 2024 and it indicated that the consultancy services would take a period of six (6) months, however, no service had been provided at the time of audit in December, 2025

Further, the County Executive has eight (8) ground water inspectors, one (1) Water Supply Operator and one (1) Senior Superintendent Water Engineer who would have rendered the services at no cost. This was contrary to Regulation 98(2) of the Public Finance Management (County Governments) Regulations, 2015, which provides that no advance payment shall be paid to suppliers of goods and services unless provided for in the contractual terms and conditions contained in a valid contract signed between the procuring entity and the supplier.

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

84. Failure to Transfer Funds to Hola Municipality

The statement of financial performance reflects transfers to other Government entities amount of Kshs.734,205,021 as disclosed in Note 11 to the financial statements. Review of the vote book reflects a final recurrent budget for Hola Municipality of Kshs.79,854,266 out of which an amount of Kshs.35,991,524 released through exchequer issues was not transferred to the Municipality Bank Account. This was contrary to Section 43(3) of the Urban Areas and Cities Act, 2011 which states that no payment shall be made out of the funds of a Board or Town Committee unless it has been provided for in the approved annual or revised or supplementary estimates of expenditure and authorized by the Board or Town Committee.

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

85. Irregular Construction of Tana River Aggregation and Industrial Park

The County Executive awarded a local contractor a contract for the proposed construction of the Tana River County Aggregation and Industrial Park (CAIP) in Chifiri Kilifi County at a contract sum of Kshs.489,957,899. According to the first schedule of the County Government Additional Allocations Act, 2023 the County Executive was not among the Counties selected to benefit from the Conditional Grant for Aggregated Industrial Parks Programme. However, a Memorandum of Understanding (MoU) between the two (2) levels of Government outlining their respective roles, funding obligations, and implementation framework was not provided for audit. Therefore, it was not possible to confirm the basis for project initiation, the scope of responsibilities between the parties, and the funding assurance from the National Government.

Further, Management had already contributed to the project a total amount of Kshs.149,995,865 with Kshs.113,470,968 paid in the 2023/2024 financial year and Kshs.36,524,897 paid in the year under review. The architectural drawings and designs were not provided for audit, no Project Implementation Committee was in place to monitor the progress of the project and no evidence of how the contingency and Project Management Committee (PMC) funds provided for in the project were being utilized.

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

86. Delayed Completion of Projects and Idle Projects

The County Executive had incurred an expenditure of Kshs.1,760,546,341 on seven (7) projects. However, one (1) project was completed but not in use, one (1) had stalled one

(1) was in complete while four (4) projects status and their details were not provided to enable physical inspection.

In the circumstances, value for money for the amount on the projects totalling Kshs.1,760,546,341 could not be confirmed.

87. Irregular Grants to Tana River Water and Sanitation Company Limited

Note 11 to the financial statement reflects transfers to other government entities amount of Kshs.734,205,021 out of which an amount of Kshs.35,000,000 was in respect of transfers to Tana River Water and Sanitation Company Limited. However, the transfers were meant to fund recurrent Company costs. This was in breach of Regulation 71(4) of the Public Finance Management (County Governments) Regulations, 2015 that disallows such grants. Further, the amount of Kshs.35,000,000 differed with Controller of Budget report amount of Kshs.50,000,000 resulting in unaccounted and unreconciled amount of Kshs.15,000,000.

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

88. Non-Compliance with the Law on Reservation for Special Groups

Review of the Procurement Plan for financial year 2024/25 revealed that Management had planned to spend a total of Kshs.2,344,295,754 on goods, works and services. However, an amount of Kshs.337,115,375, equivalent to 14% of the total Procurement Plan was reserved for youth, women and persons with disabilities. This was contrary to Section 53(6) of the Public Procurement and Asset Disposal Act, 2015 (Revised Edition 2022) which requires that all procurement and asset disposal planning shall reserve a minimum of thirty per cent (30%) of the budgetary allocations for enterprises owned by women, youth, persons with disabilities and other disadvantaged groups.

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

89. No-Compliance with Annual Development Plan in Projects Implementation

Review of the budget for the year under review revealed that seventy (70) projects valued at Kshs.600,656,435 were not included in the County Annual Development Plan. This was contrary to Section 126(1)(c) of the Public Finance Management Act, 2012 which requires that every County Government shall prepare a development plan in accordance with Article 220(2) of the Constitution, that includes programmes to be delivered with details for each programme of the strategic priorities to which the programme will contribute; the services or goods to be provided; measurable indicators of performance where feasible; and the budget allocated to the programme.

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

90. Irregularities in the Construction of Deputy Governor's Residence

The statement of financial position reflects property, plant and equipment balance of Kshs.3,381,969,160 as disclosed in Note 21 to the financial statements. The balance

includes additions to buildings of Kshs.368,303,914 out of which Kshs.19,981,854 was incurred on the construction of the Deputy Governor's residence. The accumulated payments for the house construction amounted to Kshs.59,818,069, as at 30 June, 2025 which is in excess of the Salaries and Remuneration Commission ceiling of Kshs.40,000,000. The excess payment of Kshs.19,818,069 on this project was therefore irregular and in breach of Salaries and Remuneration Commission Circular Ref: No. SRC/TS/COG/6/61/48 Vol.II(64) of 20 May, 2019 under paragraph (d) which provides the ceiling for the cost of construction for house of Deputy Governor to be Kshs.40,000,000.

Further, the Project file was not supported with Project Implementation Status Reports and Project Monitoring Committee Inspection Reports.

In the circumstances, Management was in breach of law.

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

Review of the payroll revealed that out of total staff population of two thousand two hundred forty-five (2,245) only seventeen (17) or 0.8% were classified as 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.

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

Review of the Integrated Personnel and Payroll Database revealed that two hundred and seventy-six (276) employees had salary deductions in excess of two thirds of their basic pay. This was contrary to Section 19(3) of the Employment Act, 2007 which prohibits such excessive deductions.

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

93. Delay in Confirmation of Officers on Probation

Review of the payroll for the month of April, 2025 revealed that seventy-five (75) officers had been on probation for more than six (6) 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.

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

94. Irregular Payments to Council of Governors

The statement of financial performance reflects use of goods and services amount of Kshs.1,898,155,201 out of which an amount of Kshs.5,000,000 was paid as subscription to the Council of Governors. This was contrary to Section 37 of 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 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.

95. Irregular Payments to Jumuiya Economic Development Secretariat

The statement of financial performance reflects use of goods and services amount of Kshs.1,898,155,201. The amount includes Kshs.253,495,083 incurred on hospitality, supplies and service out of which an amount of Kshs.3,000,000 was paid as subscription to Jumiya Economic Development Secretariat that was not supported by any law or policy guidelines.

In the circumstances, value for money on the expenditure amounting to Kshs.3,000,000 could not be confirmed.

96. Non-Submission of Financial Statements for Level 4 Hospitals

The Management of three (3) level four (4) Hospitals in Tana River County namely Hola, Ngao and Bura Hospitals failed to prepare and submit financial statements for audit. This was contrary to the requirement of Section 164 of the Public Finance Management Act, 2012 which states that within three months after the end of each financial year, the accounting officer for a County Government entity shall prepare financial statements in respect of the entity and submit them to the Auditor-General and deliver a copy to the County Treasury, the Controller of Budget and Commission on Revenue Allocation.

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

97. Failure to Establish Project Steering Committee

The County Executive Management did not establish a Steering Committee to oversee the transition from International Public Sector Accounting Standards (IPSAS) cash to accrual basis of accounting. This was contrary to The National Treasury Circular No.03/2025 dated 14 April, 2025 which provides for establishment of a Project Steering Committee to oversee the transition from IPSAS Cash basis to IPSAS Accrual.

In the circumstances, Management was in breach of law.

98. Non-Submission of Financial Statements on Equalization Fund

The County Executive and Management of the Equalization Fund in Tana River County were required to prepare and submit financial Statements for audit in accordance with the Public Sector Accounting Standards Board requirement and Section 164 of the Public Finance Management Act, 2012 which provides that at the end of each financial year, the Accounting Officer for a County Government entity shall prepare financial statements in respect of that in a format to be prescribed by the Public Sector Accounting Standards Board. However, the financial statements were not prepared and submitted to the Office of the Auditor-General. In addition, an amount of Kshs.143,331,449 that was disbursed

by The National Treasury towards implementation of equalization projects in the County during the financial year ended 30 June, 2025 was not accounted by a detailed schedule indicating project description, location, contract value, payments made and project implementation status report.

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

99. Non-Compliance with the Reporting Framework

Review of the financial statements submitted for audit revealed the following inconsistencies;

(i) The County Executive Members information on pages viii, ix and x did not disclose the bio data, education or professional qualifications and work experience of four (4) members;

(ii) The Statement of Performance Against Predetermined Objectives on pages xiv to xxiv did not provide programme objectives and specific results achieved as required by the reporting template;

(iii) The forward by County Executive Committee Member for Finance and Economic Planning on page xii and the Statement of Management Responsibilities were signed but the name of CECM finance and Economic Planning was not indicated;

(iv) The statement of changes in nets assets on page 4 reflects recognition of assets -PPE cash and recognition of liabilities that affect financial performance balances of Kshs.1,014,935,361 and Kshs.2,845,356,884 respectively but did not appear in the opening statement of financial position as at 1 July, 2024;

(v) The financial statements contained guidance notes from pages 9 to 40 reflecting the entity instead of the name of the County Government; and,

In the circumstances, the annual report and financial statements were not compliant with the Public Sector Accounting Standards Board Reporting Requirements.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

100. There were no material issues relating to effectiveness of internal controls, risk management and governance.

List of Unresolved Prior Year Matters

No.	Audit Issues for 2023/2024
1	Variance between Financial Statements and IFMIS
2	Inaccuracies in the Financial Statements
3	Inaccurate Compensation of Employees
4	Unaccounted for Fuel, Oil and Lubricants
5	Undisclosed Bank Balances
6	Unsupported Deposits and Retentions Balance
7	Unsupported Pending Bills
8	Failure to Pay Pending Bills as First Charge
9	Irregular Payments of Hospitality Expenses
10	Irregular Procurement of Non-Pharmaceuticals
11	Poor Management and Storage of Drugs
12	Irregular Procurement of Animal Vaccines and Drugs
13	Unsupported and Irregular Payments on Domestic Travel and Subsistence
14	Irregular Payment of Overseas Meeting Allowances
15	Advance Payment of Insurance Expenses
16	Proposed Construction of Tana River Aggregation and Industrial Park in Chifiri.
17	Delayed Completion of County Headquarter
18	Delayed Construction of the Deputy Governor Residence
19	Construction of Madogo Water Supply
20	Construction of Kamudhe- Dukanotu Cluster Water Project
21	Uninstalled Equipment
22	Supply, Installation and Testing of Solar Street Lights in Hola Town
23	Stalled Construction of Early Child Development Centre at Chamwanamuma and Kipini West Ward
24	Nugatory Expenditure
25	Non Submission of Financial Statements for Level Four Hospitals
26	Imprest Management -Standing Imprests Without Memorandum Cash Books
27	Incomplete Project Implementation Status Report
28	Non-Implementation of Audit Recommendations
29	Non-Conformity with Law on Recruitment of Persons with Disabilities
30	Irregular Engagement of More than thirty percent (30%) of Employees from One Ethnic Community
31	Violation of One Third Rule on Basic Salary
32	Irregular Payments of Legal Expenses
33	Incomplete Asset Register
34	Lack of Risk Management Policy
35	Updating Property Valuation Roll
36	Payment to the Council of Governors (COG)

COUNTY EXECUTIVE OF LAMU – NO.5

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

101. Non-Compliance with Transitional IPSAS Reporting Requirements

Management having taken advantage of the transitional provisions under IPSAS 33 have not indicated the elements of the financial statements that have not been recognized and the steps being taken towards full compliance with IPSAS Accrual under Note 2 to the financial statements.

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

102. Unsupported Trade and Other Payables Balance

The statement of financial position reflects trade and other payables balance of Kshs.31,529,691 as disclosed in Note 32 to the financial statements. Included in this balance is an amount of Kshs.8,663,719 or approximately 27% relating to payables outstanding for over three (3) years. However, the supporting ledgers lacked key information such as payment voucher numbers, invoice numbers, local purchase and service orders (LPO/LSO) numbers and chargeable account in support of the accounts payables balance.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.8,663,719 could not be confirmed.

103. Undisclosed Receivables from Non-Exchange Transactions

The statement of financial position reflects Nil balance in respect of receivables from non-exchange transactions. However, exchequer releases totalling Kshs.675,122,501 were received after closure of the financial year resulting in misstatement of receivables from non-exchange transactions balance.

In the circumstances, the accuracy of the nil balance of receivables from non-exchange transactions could not be confirmed.

Emphasis of Matter

104. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on a comparable basis of Kshs.4,415,440,207 and Kshs.3,506,109,354 respectively resulting in an under-funding of Kshs.909,330,853 or 21% of the budget. Similarly, the County Executive made payments totalling Kshs.3,375,750,430 against actual receipts of Kshs.3,506,109,354, resulting in an under-utilization of Kshs.130,358,924 or 3% 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

105. Unresolved Prior Year Audit Matters

In the previous year's 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 Control and Governance. However, review of the status during the audit of the County Executive in 2024/2025 revealed that twenty-four (24) issues as listed at the end of this report remained unresolved as at 30 June, 2025.

Other Information

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

107. Non-Compliance with the Fiscal Responsibility Principles on Wages

The statement of financial performance reflects expenditure amounting to Kshs.1,767,878,774 in respect of compensation of employees representing 53% of the total county revenue of Kshs.3,321,485,468 which exceeded the set limit of 35%. Further, the budget on compensation of employees was Kshs.1,679,188,727 representing 38%. This was contrary to Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which provides that 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 that the limit set shall not exceed thirty-five percent (35%) of the County Government's total revenue.

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

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

Review of the Human Resource records revealed that the County Executive had, one thousand four hundred and sixty-one (1,461) staff. This number included twenty-four (24) members of staff from the special interest groups, which represents 1.6 % of the total members of staff instead of the required 5%. Further, the County Executive recruited one hundred and thirty (130) employees during the year. However, no person with disabilities was recruited. This was contrary to 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.

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

Review of records provided for audit revealed that, the County Executive had one thousand, four hundred and sixty-one (1,461) employees out of whom, five hundred and thirty-five (535) staff are from the dominant ethnic community which represents (36.3%). This was contrary Section 7(2) of the National Cohesion and Integration Act, 2008 which requires public establishment not have more than one third of its staff from the same ethnic community.

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

110. Irregular Payment of Salary

Review of payroll records and payment of salaries for the year revealed that the gross salaries for the Executive Committee Members were paid at rates applicable for 2023/2024 financial year instead of the rates applicable for 2024/2025. This was contrary to the provisions of the Kenya Gazette Vol.CXXV – NO. 177 dated 9 August, 2023 on remuneration and benefits for state officers in the Executive of the County Government provide the gross monthly remuneration structure to be implemented for the financial year 2024/2025, with effect from 1 July, 2024.

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

111. Avoidable Expenditure

Review of legal records established that an amount of Kshs.5,749,700 was paid to a private legal practitioner as legal fees. The court had ruled that the County Executive pays the plaintiff an amount of Kshs.3,938,604 less Pay-As-You-Earn (PAYE) by 1 October, 2021. However, Management paid a total of Kshs.5,749,700 as legal fees resulting to overpayment occasioned by accrued interest totalling Kshs.1,811,096 for failure to settle the claim in time. The amount would have been avoided had the County Executive settled the amount as ordered.

Further, review of records revealed that expenditure totalling Kshs.7,169,709 was made to a widow of a former member of staff under work injury benefit who died in the line of duty in June, 2014. The total amount payable was Kshs.15,848,544 determined by the Directorate of Occupational Health and Safety Services Ministry of Labour. However, the failure to maintain an insurance policy with an insurer was not explained. This was contrary to Section 7(1) of the Work Injury Benefit Act, 2017 which provides that every employer shall obtain and maintain an insurance policy, with an insurer approved by the Minister in respect of any liability that the employer may incur under this Act to any of his employees.

In the circumstances, effective Management of public could not be confirmed.

112. Irregular Expenditure on Specialized Materials and Services

The statement of financial performance reflects expenditure on use of goods and services totalling Kshs.474,512,195 as disclosed in Note 10 to the financial statements. The expenditure includes an amount of Kshs.71,723,679 in respect of specialized materials and services out of which an amount of Kshs.9,407,455 was spent on knitting of tour guides track suits, soccer ball, fishing nets and supply and delivery of jua kali tools and equipment. However, even though the County Executive established a Youth Development Fund, Gender and Social Development Fund, Fisheries Development Agency and disabilities Fund through specific Acts of the County Assembly, the expenditure was wrongly charged to the County Executive operations. This was contrary to Section 139 of the Public Finance Management Act, 2012 which provides that regulations approved by the County Assembly shall provide for the administration, control and management of grants, including requirements for grant agreements binding on grant recipients that specify the terms and conditions to which the grant is subject.

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

113. Irregular Procurement of Fuel, Oil and Lubricants

The statement of financial performance reflects expenditure on use of goods and services totalling Kshs.474,512,195 as disclosed in Note 10 to the financial statements. The expenditure includes an amount of Kshs.67,560,295 in respect to fuel, oil and lubricants. Review of the procurement documents revealed that the County Executive procured fuel, oil and lubricants through request for quotations. This was contrary to the provisions of Regulation 91 of the Public Procurement and Asset Disposal Regulations, 2020 which provides that a procuring entity that procures using the request for quotations method pursuant to Section 105 of the Act, shall be subject to the procurement threshold in the Second Schedule which provides that for goods, works and services, the maximum level of expenditure under this method is Kshs.3,000,000 per request for quotation.

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

114. Irregular Payments of Subscriptions

Review of the documents provided for audit revealed that an amount of Kshs.3,000,000 was paid to the Council of Governors (COG) and an amount of Kshs.1,000,000 to the Frontier Counties Development Council (FCDC). This was contrary to Section 37 of the Intergovernmental Relations Act, 2012 which provides that the operational expenses in respect of the structures and institutions established in this Act shall be provided for in the annual estimates of the revenue and expenditure of the National Government to cater for the Summit, the Council of County 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.

115. Irregular Expenditure on Medical Expenses

The statement of financial performance reflects expenditure totalling Kshs.1,767,878,774 in respect of employee costs as disclosed in Note 9 to the financial statements. Included in this expenditure is an amount of Kshs.10,583,965 on pension and other social security contributions. Review of records revealed that Management made two (2) payments totalling Kshs.9,000,000 to an insurance service provider in respect of excess medical bills for a former staff. However, the payments were wrongly charged to personnel allowances paid as reimbursements instead of being charged to employer contributions to Compulsory Health Insurance Schemes.

Further, even though the payments were approved by the County Executive Committee as ex gratia payments and approval from the Controller of Budget sought to pay the same to Nairobi Hospital, the payments were instead made to the insurance service provider without a valid contract agreement. This was contrary to Section 135(1) of the Public Procurement and Asset Disposal Act, 2015 provides that the existence of a contract shall be confirmed through the signature of a contract document incorporating all agreements between the parties and such contract shall be signed by the Accounting Officer of the procuring entity and the successful tenderer.

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

116. Delayed Projects

116.1. Delayed Construction of County Headquarters

As previously reported, a contract to construct the County Headquarters at Mokowe was signed on 24 June, 2019 at a contract sum of Kshs.126,823,550 for a contract period of two (2) years up to 24 June, 2021. The construction was to be undertaken in partnership with the National Government through the State Department for Public Works according to a February, 2018 Memorandum of Understanding (MOU). The MOU provided that the project was to be implemented with funding by partners in the MOU where the County was to fund 30% of the cost of the project and National Government to provide counter funding of 70%. According to payment records, the County Executive had made payments of Kshs.31,987,330 while the National Government had paid an amount of Kshs.11,079,962 which translates to total payments of Kshs.43,067,292 or 34% of the contract sum. However, physical verification of the project carried out in May, 2025 revealed that the contractor requested and obtained an extension of project contract period up to 2 November, 2023. However, no additional works had been done since contract extension period to date and extension of the contract beyond 2 November, 2023 was not provided for verification. Management did not also set aside funds in its budget estimates for implementation of the project, and no additional funding to the project was received from the National Government during the year under review.

116.2. Delay in the Construction of the Governor's Residence

The County Executive paid a contractor an amount of Kshs.3,107,637 in respect to construction of the Governor's Residence. Review of the project file revealed that, a Memorandum of Understanding between the County Government and National

Government signed on 31 March, 2021 allocated two (2) acres of land for the construction of the residence. The contract was signed on 16 February, 2023 between the County Government and the contractor at a contract sum of Kshs.44,090,373 with a completion period of twelve (12) months. The contract completion period was later extended to 1 March, 2024. However, audit inspection of the project conducted in 21 May, 2025 revealed that the project was still not complete.

116.3. Delay in Completion of Faza Sub-County Headquarters

The County Executive paid a contractor an amount of Kshs.9,322,252 in respect to construction of the Faza Sub-County headquarters bringing the total paid for the project to Kshs.106,307,170 or approximately 54% of the contract sum. As previously reported, review of the project file revealed that the Management signed a contract agreement on 23 January, 2023 for a contract sum of Kshs.195,219,070 and a contract completion period of twelve (12) Months. Further, a Memorandum of Understanding between the National Government and the County Government provided for audit indicated that the cost of the project was to be shared in the ratio of 7 to 3 between the National and County Governments. However, as at the time of the audit the project was still incomplete.

In the circumstances, the value for money on the expenditure on the projects may not be achieved.

117. Failure to Establish the Office of the County Attorney

The County Executive has not established the Office of the County Attorney. This was contrary to Section 4(1) and (2)(a)(b)(c) of the County Attorney Act, 2020 which guides that there is established in each County the Office of the County Attorney, which is an office in the County Public Service. The Office shall consist of the County Attorney the County Solicitor and such other number of County Legal Counsel as the County Attorney may, in consultation with the County Public Service Board, consider necessary.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

118. There were no material issues relating to effectiveness of internal controls, risk management and governance.

List of Unresolved Prior Year Audit Matters

No.	Audit Issues for 2023/2024
1	Inconsistencies and Inaccuracies in the Financial Statements
2	Inaccurate Cash and Cash Equivalents Balance
3	Long Outstanding Deposits and Retentions Balance
4	Budgetary Control and Performance
5	Late Exchequer Releases
6	Failure to Adhere to Fiscal Responsibility Principles
7	Payment of Salaries Outside the Integrated Personnel and Payroll Database (IPPD)
8	Non-Competitive Hiring of Interns
9	Non-Compliance with Law on Mandatory Retirement Age
10	Irregular Procurement of Fuel, Oil and Lubricants
11	Irregular Procurement of Food Stuffs
12	Irregular Procurement of Consultancy Services
13	Irregular Payment of Subscription Fees to County Public Service Board (CSPB) National Consultative Forum
14	Irregular Payments to Council of Governors and Frontier Counties
15	Payments Outside the Mandate of the County Government
16	Misclassification of Payments on Other Grants and Transfers
17	Acquisition of Assets
18	Grounded Motor Vehicles and Transport Equipment
19	Failure to Update Fixed Assets Register
20	Non-Compliance with the Law on the Establishment of the Office of County Attorney
21	Project Implementation Status on Acquisition of Assets
22	Overstated Receipts
23	Failure to Clear Long Outstanding Pending Bills
24	Under-Staffed/Dysfunctional Internal Audit Unit

COUNTY EXECUTIVE OF TAITA/TAVETA – NO.6

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

119. Unsupported Cash and Cash Equivalents

The statement of financial position and as disclosed in Note 21 to the financial statements reflect cash and cash equivalents balance of Kshs.197,278,782. However, cashbooks for Taita Taveta EU Ideas Banana Process, Taita Taveta County Education Imprest Account, Agriculture Sector Development Support Project-Coop and Kenya Climate Smart Agriculture Project (KCSAP) were not provided for audit and were indicated as closed. However, no evidence was provided in support of the closure of the bank accounts.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.197,278,782 could not be confirmed.

120. Unsupported Work in Progress

The statement of financial position and as disclosed in Note 26 to the financial statements reflect property, plant and equipment balance of Kshs.1,222,110,730. The balance includes work in progress amount of Kshs.112,584,538. However, the project status report provided reflected total work certified balance of Kshs.301,618,411 resulting in a variance of Kshs.189,033,873. Further, physical inspection of a sample of projects revealed incomplete projects with total work certified balance of Kshs184,916,451.

In the circumstances, the accuracy and completeness of the works in progress balance of Kshs.112,584,538 could not be confirmed.

121. Unsupported Trade and Other Payables

The statement of financial position and as disclosed in Note 32 to the financial statements reflect trade and other payables balance of Kshs.2,226,102,979. However, the ageing analysis of trade and other payables was not provided for audit.

In the circumstances, the completeness of the trade and other payables balance of Kshs.2,226,102,979 could not be confirmed.

122. Inaccuracies in Transfer from County Government

The statement of financial performance and as disclosed in Note 11 to the financial statements reflect transfers from County Government balance of Kshs.818,594,423. However, the amount transferred in respect of Tavevo Water and Sanitation and Tavevo Water and Sanitation Company Limited (WSTF) amount of Kshs.610,805,126 and Kshs.7,000,000 differed with the amount reflected in the Company's financial statements of Kshs.118,125,322 and Kshs.2,543,850 respectively. The variances of Kshs.492,679,804 and Kshs.4,456,150 in respect of Tavevo Water and Sanitation and Tavevo Water and Sanitation Co. Ltd (WSTF) was not explained or reconciled.

In the circumstances, the accuracy and completeness of transfers from the County Executive of Kshs.816,294,423 could not be confirmed.

123. Unsupported Fuel, Oil and Lubricants

The statement of financial performance and Note 10 to the financial statements reflect use of goods and services amount of Kshs.1,351,075,350. The expenditure includes fuel, oil and lubricants amount of Kshs.74,635,474, which further includes an amount of Kshs.1,600,000 for the supply of fuel and lubricants. Records in support of the expenditure revealed that the County Executive through Municipality engaged two (2) private motor vehicles for official Municipality works. However, procurement records for the hire of the vehicles from the two (2) firms were not provided for audit.

In the circumstances, the accuracy and occurrence of the fuel, oil and lubricants of amount of Kshs.1,600,000 could not be confirmed.

Emphasis of Matter

124. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget an actual on comparable basis of Kshs.7,552,431,465 and Kshs.6,082,507,237 respectively, resulting in under-funding of Kshs.1,469,924,228 or 19% of the budgeted receipts. However, the County Executive spent an amount of Kshs.5,885,189,041 against actual receipts of Kshs.6,082,507,237 resulting in an under-utilization of Kshs.197,318,196 or 3 % of the 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

125. Unresolved Prior Year's Audit 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 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 Fund in 2024/2025 revealed that twenty (20) issues listed at the end of this report remained unresolved as at 30 June, 2025.

Other Information

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

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

Review of the County Executive revenue records for level 4 and 5 hospitals revealed that the four (4) facilities collected Kshs.72,171,273 and transferred the full amount to the County Revenue Fund. However, only Kshs.54,143,076 was reimbursed to the hospitals leaving a balance of Kshs.18,028,197. 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 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 full amount transferred by the facilities negatively impacted on service delivery by the health facilities.

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

128. Non-Compliances with the Fiscal Responsibility Principles

Review of the financial statements revealed breaches to the fiscal responsibility principles on development expenditure, wages and transfers to County Assembly as detailed below:

128.1. Development Expenditure

The supplementary estimates for the year ended 30 June, 2025 reflected total budgeted expenditure of Kshs.8,179,697,824 out of which the development amount was Kshs.2,406,197,010 or 29 % which is below the set minimum of 30% as required under Section 107(2)(b) of the Public Finance Management Act, 2012.

128.2. Expenditure on Wages

The supplementary estimates for the year ended 30 June, 2025 showed that that the budgeted expenditure on compensation of employees amounted to Kshs.3,806,221,972 representing 46.53% of the total budgeted revenue of Kshs.8,179,697,824. 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 should not exceed thirty-five (35%) percent of the County Government's total revenue.

128.3. Transfers to County Assembly

The supplementary estimates for the year ended 30 June, 2025 showed that the approved expenditure of the County Assembly amounted to Kshs.829,520,871 or 10% of the total revenues of the County Government amount of Kshs.8,179,697,824. The amount exceeded the stipulated 7% under Regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015 that requires the approved expenditures of a

County Assembly not to exceed seven per cent of the total revenues 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.

129. Unremitted Deductions

The statement of financial position and Note 32 to the financial statements reflect trade and other payables of Kshs.2,226,102,979. Included in the amount are third party payments of Kshs.721,019,458. The following observations were made;

129.1. Higher Education Loans Board Deductions

Review of third-party payments showed that HELB deductions amounting to Kshs.8,969,582 from October, 2023 to May, 2024 were yet to be remitted. This was contrary to Section 17(1) of the Higher Education Loans Board Act, 1995 (Revised 2012) which states that where an employer fails to deduct or after deducting any loan repayment from a loanee and does not pay such deductions to the Board within the prescribed period, a sum equal to five percent of the total amount of the repayment to be charged on the employer for each month or part of the month that the repayment remains unpaid.

129.2. Employees' Pension Deductions

Review of personnel expenditures revealed that pension employee deductions of Kshs.44,419,536 from November, 2022 to July, 2023, and October, 2023 to May, 2024 were yet to be remitted. This was contrary to Section 53A (1) of the Retirement Benefits Act, 2012 that requires an employer, having with the agreement of an employee who is a member of a scheme, made a deduction from the employee's emoluments for remittance to the scheme, fails to remit the deduction within fifteen days of the deduction, the scheme may, after giving such employer not less than seven (7) days' notice, institute proceedings for the recovery of the deduction.

129.3. Savings and Credit Cooperative Deductions

Employee's Savings and Credit Cooperative (SACCO) deductions amounting to Kshs.70,265,526 from the previous financial years as far back as January 2023 was yet to be remitted. This was contrary to Section 19 (4) of the Employment Act, 2007 (Revised 2012) that requires an employer who deducts an amount from an employee's remuneration in accordance with subsection (1)(a), (f), (g) and (h) to 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.

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

Review of human resource records revealed that eleven (11) out of three thousand two hundred and eighty-eight (3,288) or (0.3%) members of staff of the County Executive were persons with disabilities which is below the required 5% as stipulated in Section

5(1)(e) of the Persons with disabilities Act, 2025 which state 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.

131. Failure to Settle Long Outstanding Payables

The statement of financial position reflects trade and other payables balance of Kshs.2,226,102,979 as disclosed in Note 32 to the financial statements. However, review of the accounts payables revealed long outstanding payables dating back to the financial years 2014/2015 to 2015/2016 totalling Kshs.11,386,339. However, these long outstanding payables were not treated as a first charge contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015.

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

132. Incomplete Project Information

Review of twenty-five (25) projects for a contract sum of Kshs.279,190,607 revealed that the respective files had omissions in recording and filing of project documents such as site minutes, certificates of works done, payment vouchers and inspection and acceptance certificates. However, five (5) project files were not provided for audit. Thus it was not possible to confirm if the files were closed as required by Section 151(2)(h) of the Public Procurement and Asset Disposal Act, 2015 which requires the contract implementation team to be responsible for ensuring that the contract is complete, prior to closing the contract file including all handover procedures, transfers of title if need be and that the final retention payment have been made.

Further, there were no progress reports provided contrary to Section 152 of the Public Procurement Asset Disposal Act, 2015 which requires the Head of the Procurement function to prepare monthly progress reports for all procurement contracts of the procuring entity and submit them to the Accounting Officer. Also, the project files revealed that the project evaluation was done without an engineer's estimate contrary to Section 70(6)(b) of the Public Procurement and Asset Disposal Act, 2015, hence it could not be determined if the Bills of Quantities as presented by the contractor was fair and economical.

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

133. Irregular Procurement of Laundry Machines

The statement of financial position and as disclosed in Note 26 to the financial statements reflect property, plant and equipment balance of Kshs1,222,110,730. Included in the balance is plant and machinery balance of Kshs.137,164,744 which further includes procurement of laundry machines amounting to Kshs.17,821,521. Review of the procurement documents revealed that the inspection and acceptance committee identified several defects such as; missing heaters, a non-functional door safety micro

switch and undelivered overflow hose pipe among other defects. Despite the defects, Management received the machines and no evidence was provided to confirm that the defects were rectified before or after acceptance of the equipment.

In the circumstances, value for money on the expenditure of Kshs.17,821,521 on procurement of laundry machines could not be confirmed.

134. Incomplete and Stalled Projects

Physical inspection conducted in July, 2025 of twelve (12) sampled projects in the County amounting to Kshs.219,207,350 revealed that nine (9) projects were incomplete, while three (3) had stalled.

In the circumstances, value for money on the procurement of projects could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

135. Weaknesses in Management of Vehicles

Review of motor vehicle records revealed that the County Executive had three hundred and forty-nine (349) vehicles. Out of these vehicles, ninety-one (91) were faulty and twenty (21) were grounded and unserviceable. This was contrary to Regulation 132(2) of the Public Finance Management (County Governments) Regulations, 2015, which requires the implementation of measures for efficient, economical, and transparent use of the County Government assets.

Further, motor vehicle registration records for thirty-seven (37) vehicles, one hundred and three (103) GK vehicles and thirty-nine (39) vehicles with private registration numbers were not provided for audit. Further, two (2) motor vehicles shared registration records but only one was recorded in the assets register.

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

136. Weaknesses in Information, Communication and Technology Governance and Management

Review of Information, Communication Technology (ICT) internal controls revealed that the County Executive had not constituted the ICT Committee. Further, the lack of ICT governance structure resulted in failure to prepare and maintain an ICT Strategic Plan with a clear ICT Vision and Mission that defines how the County Executive planned to improve internal services and services to businesses and citizens and also define specific tasks and responsibilities for achieving value delivery from ICT investment. Similarly, ICT Risk Framework was not in place that defined the risk strategy, set acceptable levels of risk, responsibility for risk mitigation and mitigation measures.

In the circumstances, the reliability and effectiveness of the ICT control systems in place could not be confirmed.

137. Lack of Risk Management Policy

Review of policies records revealed that Management had not established a Risk Management Policy and Fraud Prevention Mechanisms put in place. A Disaster Recovery Plan was also not in place to mitigate and control, operational and other risks that the County Executive may face from time to time. Further, Management had not carried out any risk assessments to identify and address key areas of concern and document specific controls in response to risks noted.

In the circumstances, the existence of effective risk management and governance mechanisms could not be confirmed.

List of Unresolved Prior Year Matters

No.	Audit Issues for 2023/2024
1	Transfer to Other Government Entities
2	Transactions in Systems Payments but not Processed in Payment Details
3	Misclassification of Expenditure – Fuel, Oil and Lubricants
4	Unexplained Variances on Statutory Contributions
5	Unsupported Expenditure – Purchase of Certified Seeds, Breeding Stock and Live Animals
6	Unsupported Expenditure – Routine Maintenance- Vehicles and Other Transport Equipment
7	Unsupported Expenditure – Printing, Advertising and Information Supplies and Services
8	Unsupported Pending Bills Payables
9	Construction of Roads – Unsupported Murraming of Ebenezer Kilimanjaro Konoike Road
10	Construction of Roads – Unsupported Gravelling and Murraming of Mata Ward Feeder Roads
11	Unsupported Supply and Delivery of Fuel and Lubricants for Routine Maintenance for Ward Roads – Kaloleni Ward Roads
12	Unsupported Supply and Delivery of Fuel and Lubricants for Routine Maintenance for Ward Roads – Mata Ward Roads
13	Unsupported Supply and Delivery of Fuel and Lubricants for Routine Maintenance for Ward Roads – Mboghoni Ward Roads
14	Unsupported Provisional Sum on Rehabilitation of Ngambenyi Bungule Road
15	Unlicensed Mining Sites
16	Undisclosed Information on Volume and Revenue Generated from Mining
17	Non-Compliance With Fiscal Responsibility Principles on Wage Bill
18	Incomplete Project Files
19	Incomplete Stalled and Abandoned Projects
20	Lack of Human Resource and Recruitment Plans

COUNTY EXECUTIVE OF GARISSA – NO.7

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

138. Inaccuracies in Compensation of Employees

The statement of financial performance reflects compensation of employees' expenditure of Kshs.4,221,902,295 as disclosed in Note 6 to the financial statements. Analysis of the records indicated that employees' expenditure included an amount of Kshs.25,140,000 in respect of payments to twenty-five (25) locum staff. However, there was no evidence of requisitions from user departments, approval from the County Public Service Board, personnel and qualification documents, attendance or work records and engagement or appointment letters for twenty-three (23) of the staff members. In addition, there was no clear explanation provided regarding their roles, terms of engagement and basis of remuneration.

Further, an analysis of Integrated Payroll and Personnel Database (IPPD) and HRIS-Ke payroll data for the months of November and December, 2024 revealed eighteen (18) instances where officers were migrated from IPPD to HRIS-Ke, resulting in an increase of Kshs.380,184 in their basic salaries from Kshs.6,254,616 to Kshs.6,634,800; thirteen (13) instances where officers' job groups changed, leading to a gross pay variation of Kshs.1,824,900 from Kshs.9,435,036 to Kshs.11,259,936; and fourteen (14) instances where officers with a gross pay of Kshs.8,995,674, who were not captured in IPPD, were introduced in HRIS-Ke without any explanation.

In the circumstances, the accuracy of compensation of employees' expenditure of Kshs.36,540,758 could not be confirmed.

139. Unsupported Use of Goods and Services

The statement of financial performance reflects use of goods and services amount of Kshs.1,441,242,652 as disclosed in Note 7 to the financial statements. Included in the expenditure is an amount of Kshs.454,568,109 in respect of specialized materials and services, which further includes an amount of Kshs.37,686,405 spent on procurement of non-pharmaceuticals, radiology and dental consumables. However, the counter issue vouchers (S11s), stores ledgers and the framework contract agreement between the County Executive and suppliers were not provided for audit.

Further, the specialized materials and services expenditure include an amount of Kshs.13,116,162 spent on the supply of aluminum sulphate on behalf of the Garissa Water and Sanitation Company. However, the Water Company is an independent entity and Management did not provide explanations for the payments made on behalf of the Company.

In the circumstances, the accuracy and completeness of the specialized materials and services amount of Kshs.50,802,567 could not be confirmed.

140. Unsupported Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.1,254,486,244 as disclosed in Note 13 to the financial statements. The balance is in respect of assets acquired during the financial year. However, Management did not maintain a fixed assets register to support the balance. The balance comprise of Kshs.94,355,984 and Kshs.283,320,839 for completed buildings and Work-In-Progress (W-I-P), respectively whose ownership documents were not provided for audit. The value of the land on which the buildings are constructed was not disclosed.

Further, the W-I-P balance includes an amount of Kshs.166,000,000 for the construction of the Mother and Child Hospital at Garissa County Referral Hospital. However, the original bid documents, Bills of Quantities, Environmental Impact Assessment Report, National Construction Authority (NCA) license and project architectural drawings were not provided for audit and Project signage was not displayed at the construction site.

In addition, balance also includes an amount of Kshs.37,672,474 incurred for the installation of streetlights, under infrastructure, in Garissa Town on behalf of Garissa Municipality, which is an independent entity. However, Management did not provide justification for the payments made on behalf of the Municipality.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.1,254,486,244 could not be confirmed.

Emphasis of Matter

141. Budgetary Control and Performance

The statement of comparison of budget and actual amount reflects final receipts budget and actual on comparable basis of Kshs.10,835,570,111 and Kshs.8,947,779,967 respectively, resulting in an under-funding of Kshs.1,887,790,144 or 17% of the approved budget. However, the County Executive spent an amount of Kshs.8,504,279,014 against actual receipts of Kshs.8,947,779,969 resulting in an underutilization of Kshs.443,500,953 or 5% of total receipts.

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

142. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.1,422,048,727, as disclosed in Note 14 to the financial statements. However, ageing analysis revealed that pending bills amounting to Kshs.512,043,144 had been outstanding for more than three (3) years. However, no satisfactory explanation was provided for the failure to consider them as a first charge on the County Revenue Fund.

Failure to settle payables during the year they relate adversely affects the budgetary provisions for the subsequent year as they form the first charge.

My opinion is not modified in respect of these matters.

Other Matter

143. Unresolved Prior Year Audit Matters

In the audit report for the previous year, several issues were reported under the Report on Financial Statements, Report on Lawfulness and Effectiveness in the Use of Public Resources and Report on Effectiveness of Internal Control and Governance. However, thirty (30) matters listed at the end of this report remained unresolved as at 30 June, 2025.

Other Information

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

145. Non-Compliance with Gender, Ethnicity and Persons with Disabilities Requirements

Review of the payroll revealed that the County Executive had two thousand nine hundred and forty-six (2,946) employees, out of whom one hundred and six (106) were persons with disabilities representing four (4) percent. 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 (5%) of the employment positions are filled by persons with disabilities.

Further, the manual Excel payroll had eight hundred and forty (840) staff members and five hundred and sixty-six (566) contractual employees which did not contain details on gender, ethnicity and persons with disability. This was contrary to Section B22(2) of the Human Resources Policies and Procedures Manual for Public Service, 2016, which states that the Government will endeavor to have a gender balanced Civil Service by ensuring that not more than two-thirds of positions in its establishment are filled by either gender.

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

146. Irregular Engagement of Casual Employees

The statement of financial performance reflects compensation of employees' expenditure of Kshs.4,221,902,295 as disclosed in Note 6 to the financial statements. Included in the expenditure is an amount of Kshs.37,572,000 in respect of casual employees' wages.

However, review of payroll records revealed that Management engaged two hundred and seventy-three (273) casual employees for more than three (3) months. This was contrary to Section 37(1)(a) and (b) of the Employment Act, 2007, which provides that such engagement should be converted to a contract of employment.

Further, muster rolls and County Public Service Board approval for the engagement of the casual employees, were not provided for audit.

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

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

Review of the Integrated Payroll and Personnel Database (IPPD) payroll revealed that four (4) officers were drawing a net salary that was less than one-third of their basic salary. This was contrary to Section 19(3) of the Employment Act, 2007, which provides that the total amount of all deductions shall not exceed two-thirds of employee's wages.

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

148. Non-Compliance with the Law on Staff Retirement Age

Review of employment records revealed that five (5) officers had attained the mandatory retirement age of sixty (60) years but were still in the payroll as at 30 June, 2025. Management did not provide a justifiable reason for retaining the officers in service after they had attained the retirement age. This was contrary to Regulation 70(1) of the Public Service Commission Regulations, 2020 which provides that the mandatory retirement age in the public service shall be sixty (60) years and sixty-five (65) years for persons with disability.

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

149. Irregular Designation of Employees Living with Disabilities

During the year under review, the County Executive recognized ninety-four (94) employees as Persons with Disabilities (PWDs) and exempted them from taxation. However, Management did not provide disabilities assessment reports issued by government-gazetted hospitals and valid disabilities registration certificates from the National Council for Persons with Disabilities (NCPWD) for the employees. This was contrary to Section 35(1) and (5) of the Persons with Disabilities Act, 2025 which provides that, in order to facilitate access by persons with disabilities to various services, the Council shall register on a continuous basis all persons with disabilities and issue them with disabilities identification cards in such form as it may determine.

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

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

The statement of financial performance, as disclosed in Note 6 to the financial statements, reflects compensation of employees amounting to Kshs.4,221,902,295 against total revenue of Kshs.10,835,570,111, representing 39% of total revenue.

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's expenditure on wages and benefits for its public officers pursuant to Section 107(2) of the Act and that the limit shall not exceed thirty-five (35%) percent of the County Government's total revenue.

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

151. Lack of Annual Recruitment Plans

The County Executive advertised for the recruitment of officers during the 2024/2025 financial year. However, the Departments did not have annual recruitment plans to guide the recruitment. Further, there was no evidence that budgetary provisions were made before initiating the recruitment. 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 counties.

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

152. Irregular Payments of Subscriptions

During the year under review, Management paid amounts of Kshs.4,500,000 and Kshs.5,000,000 to Frontier Counties Development Council and to the Council of Governors respectively. However, Management did not provide justification for the payments to the Council of Governors, which is also funded from the National budget. In addition, the Frontier Counties Development Council Limited is not a public entity established by law. This was contrary to Section 37 of the Intergovernmental Relations Act, 2012 which provides that the operational expenses in respect to the structures and institutions established in this 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.

153. Irregular Engagement of Private Law Firms

The statement of financial performance reflects use of goods and services amount of Kshs.1,441,242,652, as disclosed in Note 7 to the financial statements. Included in this expenditure is an amount of Kshs.109,394,016 in respect of other operating expenses. Out of this, an amount of Kshs.57,758,400 was paid to various private law firms for legal services rendered to the County Executive. This is despite the existence of the County Attorney's Office, which is mandated to represent the County Executive in all legal proceedings and provide legal advice to County Departments.

This was contrary to Section 7(c) of the Office of the County Attorney Act, 2020 which provides that the County Attorney shall, on the instructions of the County Government,

represent the County Executive in court or in any other legal proceedings to which the County Executive is a party, other than criminal proceedings.

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

154. Anomalies in Project Implementation

The statement of financial position reflects property, plant and equipment balance of Kshs.1,254,486,244 as disclosed in Note 13 to the financial statements. The following issues were observed:

154.1. Irregular Procurement of Water Pipeline Project

Included in the balance is an amount of Kshs.869,382,440 in respect of acquisition of infrastructure assets out of which, an amount of Kshs.7,600,000 was for the construction of a 7-Kilometer water pipeline in Balambala town at a contract sum of Kshs.19,997,000. However, the works were procured through restricted tendering. This was contrary to Section102(1)(a) of the Public Procurement and Asset Disposal Act, 2015, which provides that an Accounting Officer of a procuring entity may use restricted tendering only if the works is complex or specialized.

Further, the winning bidder was not among the list of pre-qualified suppliers, contrary to Section 95(3) of the Public Procurement and Asset Disposal Act, 2015 which states that a procuring entity shall invite tenders from approved persons who have been pre-qualified.

154.2. Contract Irregularities in the Bour-Algi Giraffe Sanctuary Project

The County Executive entered into a contract for the construction of the Bour-Algi Giraffe Sanctuary in Garissa Township at a contract sum of Kshs.67,785,969 for which an amount of Kshs.43,149,655 was paid. However, the performance security bond for the project expired on 9 March, 2025. In addition, no project signage was displayed and the contractor was not on site at the time of audit.

This was contrary to Section 145(1) and (2) of the Public Procurement and Asset Disposal Act, 2015, which provides that the performance security shall be returned to the successful tenderer within thirty (30) days following the final acceptance by the Accounting Officer of the procuring entity and that the thirty (30) days shall include the retention period except in cases of procurement for works where the period shall commence from the date of practical completion or handover, whichever is earlier.

154.3. Delayed Construction of Perimeter Wall and Pavilion

During the year under review, an amount of Kshs.43,149,655 was paid towards the construction of pavilion and perimeter wall at Garissa Primary School Stadium at a contract sum of Kshs.187,800,000. The project was for a contract period of twenty-four (24) months commencing in February, 2025. However, physical inspection conducted in October, 2025 revealed that the project was incomplete and the Project Status Report indicated that only 18% of the works had been completed against 33% of the contract period elapsed. This may lead to project delays and additional costs.

Further, it was established that there was an unresolved land ownership dispute and no evidence was provided to confirm that adequate arrangements had been made to obtain a title deed to safeguard the land. In addition, project signage was not displayed at the site.

This was contrary to Section 162(2)(c)(i) and (ii) of the Public Finance Management Act, 2012 which requires every public officer, within their area of responsibility, to ensure that adequate arrangements are made for the proper use, custody, safeguarding and maintenance of public property, and to use their best efforts to prevent any damage from being done to the financial interests of the County Government.

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

155. Stalled and Unutilized Projects

Review of the Project Progress Report and physical verification carried out in the month of October, 2025 revealed that seventeen (17) projects with a total contract sum of Kshs.509,485,588 stalled at various stages of implementation. However, no satisfactory explanation was provided for the delay in completion and updated project status reports were not provided to confirm the current status of the projects.

Further, physical inspection conducted in May, 2025 revealed that five (5) projects, with a total value of Kshs.186,327,912 had been completed but had not been put into use. No justified explanation was provided for the failure to utilize the projects to serve the public.

In the circumstances, the value for money of the expenditure on stalled and unutilized projects could not be confirmed.

156. Unsatisfactory Implementation of Baraki–Maalim Water Pipeline Project

The balance of Kshs.869,382,440 in respect of infrastructure assets also includes expenditure totalling Kshs.25,700,000 for equipping and extension of 56-Kilometer Baraki–Maalim pipeline implemented at a contract sum of Kshs.219,827,435 which was fully paid. Although a physical inspection conducted in September, 2025 confirmed that the Project was complete, several technical design shortcomings were observed. The combined yield of the three (3) boreholes supplying the pipeline was 66 cubic meters per hour, while the installed collection pipe has a capacity of only 22 cubic meters per hour, resulting in underutilization of available water resources.

Further, the Project also lacked a storage facility at the collection point, which limits operational flexibility and the ability to regulate water distribution effectively. Further, some sections of the pipeline were found to be susceptible to leakages and bursts, which could compromise service delivery and lead to additional maintenance or replacement costs.

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

157. Non-Compliance with the Law on the Budget and Economic Forum and Finance Bill

During the year under audit, Management did not establish the County Budget and Economic Forum (CBEF). This was contrary to Section 137(1) of the Public Finance Management Act, 2012, which provides that a County Government shall establish a forum to be known as the County Budget and Economic Forum.

Further, Management did not submit to the County Assembly the revenue-raising measures for the County Government. This was contrary to Section 132(2) of the Public Finance Management Act, 2012 which provides that the County Executive Committee Member for finance shall, on the same date that the revenue raising measures are pronounced, submit to County Assembly the County Finance Bill setting out the revenue raising measures for the County Government together with the policy statement expounding on the measures.

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

158. Failure to Implement e-Procurement

During the year under review, Management acquired goods, works and services. However, the County Executive had not implemented an e-Procurement system, hence goods, works and services were procured through manual 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, starting from 1 January, 2019 and Regulation 49(2) of the Public Procurement and Asset Disposal Regulations, 2020, which provides that the conduct of e-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.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

159. Lack of Internal Audit Reports and Audit Committee

Review of records established that the County Executive had established an Internal Audit Unit. However, the Unit did not provide any evidence of audit assignments and reports conducted during the period under review.

Further, the County Executive did not establish an Audit Committee. This was contrary to Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015, which requires each County Government entity to establish an Audit Committee which shall support the Accounting Officers with regards to their responsibility for issues of risk management, internal controls, governance and assurance processes.

In the circumstances, the effectiveness of the County Executive's internal controls, risk management and governance processes could not be confirmed.

160. Lack of Approved Staff Establishment

During the year under review, the County Executive engaged a workforce comprising two thousand, nine hundred and forty-six (2,946) permanent employees, seven hundred and fifty-nine (759) staff on contractual terms and two hundred and seventy-three (273) casual employees. However, the County Executive did not have an approved staff establishment detailing the optimal number of staff required for each department, the hierarchy of authority, roles and responsibilities, current staffing levels and existing gaps. Such a framework is essential for guiding recruitment, deployment and overall human resource planning.

In the circumstances, existence of effective mechanisms of determining staffing levels and roles for effective service delivery could not be confirmed.

List of Unresolved Prior Year Matters

No.	Audit Issues for 2023/2024
1	Unsupported Locum Payments
2	Unsupported KRA Agency Payments
3	Accumulation of Pending Accounts Payables
4	Irregularities in Human Resource Management – Non-Compliance with Fiscal Responsibility Principle on Wage
5	Failure to Maintain Staff Establishment
6	Non-Adherence to Recruitment Thresholds for Persons with Disabilities
7	Irregular Engagement of Casual Employees
8	Employees Earning Less Than One Third of the Basic Pay
9	Employees Retained in Service Beyond the Mandatory Retirement Age
10	Processing of Salary Outside the IPPD
11	Failure to Label County Projects
12	Stalled Projects
13	Completed Projects Not Put into Use
14	Incomplete Equipping and Extension of Baraki and Maalimin Water Pipeline
15	Incomplete Construction of Garissa County Referral Hospital Medical Records Offices
16	Incomplete Construction of Parking and Fencing at Qorahey
17	Incomplete Fencing of Agricultural Training Centre
18	Upgrading to Bitumen Standard of Bulla Madina – Dobale Road
19	Irregular Operation of Bank Accounts
20	Procurement of Food Donations
21	Procurement of Street Lighting for Garissa Township Municipality
22	Procurement of Items for Garissa Water and Sewerage Company and Masalani Water Supply Project from Recurrent Vote
23	Irregular Payments to the Frontier Counties Development Council
24	Failure to Submit Financial Statement for County Entities
25	Failure to Publish and Publicize Procurement Contracts
26	Failure to Implement E-Procurement
27	Failure to Appoint County Chief Officers
28	Lack of Substantive County Public Service Board Chairman
29	Unconfirmed Existence of County Motor Vehicles
30	Ineffective Internal Audit Unit and Audit Committee

COUNTY EXECUTIVE OF WAJIR – NO.8

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

161. Unsupported Use of Goods and Services

The statement of financial performance reflects use of goods and services expenditure of Kshs.2,549,563,869 as disclosed in Note 8 to the financial statements. Included in the expenditure are payments amounting to Kshs.551,955,862 in relation to specialized materials and services, out of which an amount of Kshs.172,953,529 relates to expenditure on pharmaceutical drugs, non-pharmaceuticals, dressings and lab reagents from Kenya Medical Supplies Authority (KEMSA). However, the expenditure was not supported by way of requisitions from the respective health facilities, inspection and acceptance committee reports and stores ledger cards for the drugs supplied to the facilities.

In the circumstances, the accuracy and completeness of the specialized material and services amount of Kshs.172,953,529 could not be confirmed.

162. Unexplained Expenditure for Wajir Municipality

During the year under review, the County Executive made payments amounting to Kshs.199,460,538 in respect of salaries, goods, works and services relating to Wajir Municipality. The Municipality has its own management and administrative structures and is expected to operate independently of the County Executive to ensure accountability of its allocated funds. However, the County Executive processed and paid for the expenditure directly, instead of transferring the funds to the Municipality to execute its own operations as required. Management did not provide justifiable reasons for the failure to transfer the funds to the Municipality.

In the circumstances, the occurrence, rights, and obligations of the expenditure amounting to Kshs.199,460,538 incurred on behalf of the Municipality could not be confirmed.

163. Unsupported Transfers to Health Facilities

The statement of financial performance reflects transfers to other Government entities amount of Kshs.1,749,535,474 as disclosed in Note 9 to the financial statements. The expenditure includes current grants to Government agencies and other levels of Government totalling Kshs.301,146,792, out of which an amount of Kshs.12,706,500 was transferred to health facilities including dispensaries and health centres which were not clustered as Level 4 Hospitals. However, expenditure returns such as cashbooks, ledgers, payment vouchers and procurement documents from the health facilities in support of the transfers were not provided for audit.

In the circumstances, the accuracy and completeness of the transfers to other Government entities amounting to Kshs.12,706,500 could not be confirmed.

164. Unsupported Voided Payments

Review of the Integrated Financial Management Information System (IFMIS) revealed that seventy-five (75) transactions totalling Kshs.38,710,198 were voided before final payment stage. However, supporting documents including voided payment vouchers, requests to void payments, The National Treasury approval and Exchequer requisitions from the Controller of Budget were not provided for audit. Further, no documentary evidence was provided to support authorization for voiding of the transactions which had been approved by the Controller of Budget.

In the circumstances, the completeness and regularity of the voided transactions amounting to Kshs.38,710,198 could not be confirmed.

165. Undisclosed Trade and Other Payables Balance

The statement of financial position reflects trade and other payables balance of Kshs.3,586,633,121 as disclosed in Note 17 to the financial statements. Included in the balance is an amount of Kshs.1,314,671,336 in relation to additional payables which were not disclosed in the prior year's audited financial statements. Review of payment records relating to various projects revealed that an amount of Kshs.202,671,592 was paid during the year in respect of projects that were initiated and procured in the prior years. However, the pending bills were not disclosed in the prior year's audited financial statements.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.3,586,633,121 could not be confirmed.

Emphasis of Matter

166. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.12,733,180,597 and Kshs.10,719,507,094 respectively, resulting in an under-funding of Kshs.2,013,673,503 or 16% of the budget. Similarly, the statement reflects actual expenditure of Kshs.10,465,936,544 against actual receipts of Kshs.10,719,507,094, resulting in an under-absorption of Kshs.253,570,550 or 2% of the actual receipts.

Further, the County Executive had an approved development budget of Kshs.5,140,139,752 against the actual expenditure of Kshs.3,894,298,288 resulting in an under-expenditure of Kshs.1,245,841,464, or 24% of the total development budget.

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

167. Late Exchequer Releases

The statement of comparison of budget and actual amounts reflects total actual receipts of Kshs.10,719,507,094. The receipts include an amount of Kshs.2,248,004,891 that was received towards the end of the month of June, and July, 2025.

Due to late remittances by The National Treasury, the County Executive could not undertake all the planned and budgeted programmes in time and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of these matters.

Other Matter

168. Unresolved Prior Year Audit Matters

In the previous year's 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 Control and Governance as listed at the end of this report. However, review of the status during the audit of in 2024/2025 revealed that seventeen (17) matters remained unresolved as listed at the end of this report.

Other Information

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

170. Long Outstanding Trade and Other Payables Balance

The statement of financial position reflects trade and other payables balance of Kshs.3,586,633,121 as reflected in Note 17 to the financial statements. However, review of payable records and the Controller of Budget's County Governments Budget Implementation Review Report for 2024/2025 revealed that County Government had outstanding payables of more than one (1) year amounting to Kshs.2,243,731,601. The pending bills relate to unpaid obligations to suppliers and contractors for goods and services delivered, some of which date back to the financial year 2015/2016. The Executive continued to incur expenditure without prioritizing the settlement of the existing obligation. The County Executive is exposed to potential losses arising from legal cases and penalties. This was contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulation, 2015 which states that debt service payments shall be a first charge on the County Revenue Fund and 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.

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

Review of the staff payroll for June, 2025 revealed that sixty-seven (67) employees received net salary that was less than one-third of their respective basic pay. 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.

172. Irregular Engagement of Casual and Interim Employees

Review of employees' records revealed that five hundred and twenty-eight (528) casual employees were engaged continuously for more than three (3) months. This was contrary to Section 37(1)(a) and (b) of the Employment Act, 2007 which provides that, where a casual employee works for a period or a number of continuous working days which amount in the aggregate to the equivalent of not less than one month or performs work which cannot reasonably be expected to be completed within a period or 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.

Further, some of the casuals were engaged to perform tasks that are ordinarily performed by contractual and permanent employees including drivers, supply chain management assignments and revenue collection. In addition, two (2) employees were designated as interim employees. However, this cadre is not provided for in the County Human Resource Manual, 2013 and the nature of duties for which the staff were engaged in could not be confirmed.

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

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

Review of the payroll records revealed that the County Executive had a total of four thousand, five hundred and fifty (4,550) employees who included one hundred and seven (107) persons living with disabilities representing approximately 2% of all employees. This was contrary to 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.

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

Review of human resource records revealed that the County Executive had a total staff of three thousand, six hundred and eighty one (3,681) as at 30 June, 2025 out of which two thousand seven hundred and seventy five (2,775) representing seventy-five percent

(75%) 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.

175. Non-Compliance with Fiscal Responsibility Principles on Wages

The statement of financial performance reflects compensation of employees amount of Kshs.4,148,678,570 as disclosed in Note 7 to the financial statements, which represents 37% of the total revenue receipts amount of Kshs.11,294,111,513. This was contrary to Regulation 25(b) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the County Executive's expenditure on wages and benefits shall not exceed 35% of total County Executive revenue for the year.

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

176. Unremitted Statutory and Employees' Benefits Deductions

The statement of financial position reflects trade and other payables balance of Kshs.3,586,633,121 and as disclosed in Note 17 to the financial statements. Included in the balance is an amount of Kshs.732,615,329 in respect of unremitted statutory deductions to the National Social Security Fund and employees' contributions to Local Authorities Pension Trust and Local Authorities Provident Fund, some dating back to 2014/2015 financial year as detailed below:

Component	Amount (Kshs)
Basic Salaries - Civil Service	75,778,565
Employer Contribution to Staff Pensions Scheme	535,904,297
Employer Contributions to National Social Security Fund	7,650,480
Gratuity - Civil Servants	113,281,987
Grand Total	**732,615,329**

This was contrary to Section 19(4) of the Employment Act, Cap 226, which states that an employer who deducts an amount from an employee's remuneration 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.

177. Irregular Payments of Subscriptions

The statement of financial performance reflects use of goods and services amount of Kshs.2,549,563,869 which includes other operating expenses amounting to Kshs.437,313,074 as disclosed in Note 8 to the financial statements. Further, the other operating expenses include amounts of Kshs.5,000,000 and Kshs.3,000,000 paid to the

Council of Governors and Frontier Counties Development Council Limited, respectively. This was contrary to Section 37 of the Intergovernmental Relations Act, 2012 which provides that the operational expenses in respect to the structures and institutions established in this 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.

178. Irregular Operation of Standing Imprest and Deposits Accounts

During the year under review, amounts of Kshs.53,790,500 and 95,573,678 were transferred from the Central Bank of Kenya's recurrent and development accounts, to the standing imprest and deposit accounts respectively maintained at a commercial bank. The commercial bank accounts were subsequently used for making normal operations payments. This was contrary to the Regulation 82(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires all County Exchequer accounts and County Government bank accounts to be opened at the Central Bank of Kenya except for petty cash. The nature of payment and amounts involved could not be justified to be paid from petty cash.

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

179. Irregular Expenditure on National Government Functions

During the year under review, an amount of Kshs.48,063,174 was incurred in respect of construction of chain-link perimeter fence in a police post, construction of staff quarters at a police station and construction of classrooms, toilets and administration block for a secondary school. These facilities fall within the functions of the National Government.

Further, there was no evidence that the National Government projects being implemented were either budgeted for or listed among the development projects identified during public participation. This was contrary to the provisions of the Fourth Schedule of the Constitution of Kenya, 2010 which sets out the functions and powers of the National Government and the County Governments.

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

180. Irregular Expenditure on Solar Installation and Water Reticulation System

Review of payment records revealed that an amount of Kshs.1,504,122,914 was spent in development of infrastructure assets. Included in the payments is an amount of Kshs.57,299,870 incurred on solarization and water reticulation system for various farm groups. However, review of the project files and other records revealed that there were no reports to confirm the viability of the proposed solarization and water reticulation system in farming within the County.

Further, there was no evidence provided for audit to support the criteria used to identify the beneficiaries of the project including identification, vetting, award minutes and attendance registers for the farmers who benefitted from the program.

In addition, no evidence was provided to confirm that monitoring and evaluation was subsequently undertaken by the County Agricultural Officers to assess the progress and provide assurance on the success and impact of the projects.

In the circumstances, value for money and regularity of expenditure amounting to Kshs.57,299,870 could not be confirmed.

181. Wasteful Expenditure on Drilling, Developing and Testing of Boreholes

During the year under review, an amount of Kshs.94,857,540 was spent on drilling, developing and testing of boreholes within the County. However, review of project files and inspection of the project revealed that a contractor was awarded contracts amounting to Kshs.4,063,944 for drilling, developing and testing of borehole located at Baragothey BH2 in Wajir West. As at the time of audit, an amount of Kshs.2,771,704 had been paid to the contractor. However, physical inspection of the project revealed that the borehole was dry and not in use.

According to the review of hydrogeological survey report, the project site had a history of dry boreholes and relied on one borehole with a very low yield. Despite the report highlighting the low groundwater potential in the area, the contractor was allowed to continue with drilling of the borehole.

Further an amount of Kshs.3,734,040 was paid to a contractor for drilling, develoment and testing of borehole located at Garseykhoftu in Wajir West. However, physical inspection of the project revealed that although the borehole had been drilled it had not been equipped and remained non-operational and therefore the local communities did not benefit.

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

182. Failure to Utilise Completed Projects

Physical inspection of projects conducted in the month of October, 2025 revealed that the County Executive spent an amount of Kshs.694,916,095 in execution of development projects. However, the projects were complete but not equipped/furnished and remained unutilized as detailed below:

No.	Project Description	Contract Amount (Kshs)
1.	Proposed Installation and Commissioning of Plastic Waste Management Plant in Wajir Town	86,852,000
2.	Proposed Upgrading of Arbajahan Health Centre to Level 4	137,524,320
3.	Proposed Upgrading of Kutulo Health Centre to Level 4	41,168,956
4.	Proposed Upgrading of Sarif Health Centre to Level 4	24,755,975
5.	Proposed Completion of Wajir County Assembly in Wajir Town- Various contracts	404,614,844
	Total	**694,916,095**

In the circumstances, the value for money for the Kshs.694,916,095 spent in the projects could not be confirmed.

183. Failure to Utilise Completed Abattoir

Physical inspection carried out in October, 2025 revealed that an international abattoir was constructed in Wajir County. The project, initiated by the National Government through the Ministry of Northern Kenya and Arid Lands Development in the year 2011 was aimed at boosting the local economy through value addition in meat processing and export. However, physical inspection revealed that, although the abattoir was completed several years ago, it remained unutilized and in a deteriorating state. In addition, no handover report, project files or payment records to determine the total amount paid by the National Government were provided for audit. During the financial years 2015/2016, 2016/2017 and 2018/2019, a total of Kshs.137,333,600 was paid to the contractor by Wajir County Executive.

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

184. Delayed Construction of County Aggregation and Industrial Park

Included in the expenditure on construction of buildings for the year, is an amount of Kshs.189,974,783 in respect to construction of County Aggregation and Industrial Park. The County entered into a contract for the construction of County Aggregation and Industrial Park with a local contractor at a contract sum of Kshs.601,000,973 with a contract period ending on 7 August, 2025. However, physical inspection of the project conducted in the month October, 2025 revealed that the contractor was on site and works valued at Kshs.238,971,516 or 40% of the contracts sum were incomplete:

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

185. Delayed Construction of Infrastructure Works in Informal Settlements

The County Executive engaged a local company for the construction of infrastructure works in six (6) selected informal settlements within Wajir town at a contract sum of Kshs.779,862,423. The contract was awarded on 19 March, 2024 and commenced on 20 August, 2024 and was scheduled for completion in August, 2025 with a project completion period of twelve (12) months.

Review of the project progress report revealed that, the percentage of physical completion status stood at 69% as at 30 September, 2025 with an amount of Kshs.508,513,626 certified for payment by the resident engineer as per interim payment Certificates No.1 to 4. As at the time of audit in October, 2025 an amount of Kshs.409,829,834 had already been paid to the contractor. Physical inspection of the project revealed that the contractor was on-site. However, works valued at Kshs.88,837,400 remained incomplete as at the time of inspection.

In the circumstances, delayed implementation of the project negatively affected service delivery to the public and value for money on the expenditure of Kshs.409,829,834 spent on the project could not be confirmed.

186. Irregular Management of Bursary Fund

The statement of financial performance reflects payments on other grants and subsidies amount of Kshs.154,611,200 as disclosed in Note 11 to the financial statements which includes an amount of Kshs.130,000,000 for scholarships and other educational benefits transferred as grant to Bursary Fund account for issuance of bursaries and scholarships. This was contrary to the Fourth Schedule of the Constitution of Kenya (Article 185 (2), 186 (1) and 187 (2)) on distribution of functions between the National Government and the County Governments, which state that the County Governments are responsible for pre-primary education, village polytechnics, homecraft centres and childcare facilities. The activities funded by the County Executive including provision of bursaries to needy students in secondary schools, colleges and universities fall under the mandate of the National Government.

Further, the County Bursary Fund has been in operation for more than ten (10) years. This was contrary to Regulation 197(1) of the Public Finance Management (County Governments) Regulations, 2015, which provides that the initial approval for establishment of a County Public Fund shall be for a maximum period of ten (10) years, beyond which the County Executive Committee and County Assembly approvals shall be sought.

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

187. Disproportionate Deployment of Drivers

Review of vehicles fleet records revealed that the County Executive had a total of one hundred and forty-nine (149) serviceable vehicles and plants against two hundred and sixteen (216) drivers employed by the County Executive. The variance of sixty-seven (67) drivers translates to redundant workforce which may lead to under-utilization of human resources and unnecessary expenditure on salaries and related costs. This was contrary to Section 149(1) of the Public Finance Management Act, 2012 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.

188. Lack of Sectoral Planning

The County Departments did not prepare sectoral plans as provided under Section 109 of the County Governments Act, 2012, which requires each department to develop a ten-year sectoral plan as part of the County Integrated Development Plan (CIDP). Further, the sectors did not prepare annual work plans aligned to the Annual Development Plan to serve as a road map for implementation for the annual sector programmes and projects.

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

189. Failure to Implement e-Procurement

During the year under review, the County Executive procured various goods, works and services. However, the County Executive had not fully implemented e-Procurement system. This implies that goods, works and services were procured through a manual 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, starting from 1 January, 2019 and Regulation 49(2) of the Public Procurement and Asset Disposal Regulations, 2020, which provides that the conduct of e-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.

190. Failure to Prepare Procurement Progress Reports

During the year under review, Management did not prepare a Project Implementation Status Report. 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.

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

191. Failure to Prepare and Submit Financial Statements for Level 4 Sub-County Hospitals

The financial statements for seven (7) Sub-County Level 4 Hospitals for the year ended 30 June, 2025 and prior years were not submitted to the Auditor-General. The Hospitals include Eldas Sub-County Level 4 Hospital, Tarbaj Sub-County, Bute Sub-County, Griftu Sub-County, Wajir TB Manyatta Sub County, Abakore Sub-County and Leheley Sub-County Level 4 Hospitals.

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 require 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.

192. Failure to Publish Finance Manual

Review of manuals in place revealed that the County Treasury did not publish financial manuals during the year under review. This was contrary to Regulation 91(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires a County Treasury to publish financial manuals and forms which may be used by County Government entities to support implementation of the Regulations.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

193. Lack of Project Specifications in the Budget

The County Executive had an Annual Development Plan (ADP) that outlined programs and activities to be undertaken during the year under review. However, the County Budget did not contain specific projects earmarked for implementation during the year and amounts allocated to the projects. Lack of detailed budgeting made it difficult to verify whether the implemented projects were in line with the development priorities identified in the ADP. Although the budget was prepared in programme-based format as required, it was necessary to provide a clear link between the programmes and projects included in the ADP and the allocation of financial resources in the approved budget.

In the circumstances, the existence of effective internal controls on the County Executive's budget and plans could not be confirmed.

194. Weaknesses in the Payroll Systems

Review of the County Executive payroll revealed that salaries were processed through two (2) sets of payrolls. One (1) set of payrolls was maintained on the Human Resource Information System (HRIS), comprising a total of three thousand seven hundred and sixteen (3,716) employees and a manual payroll maintained in Excel spreadsheets, with a total of eight hundred and forty-four (844) employees. During the year under review, a total amount of Kshs.633,021,164 was paid through the manual payroll. However, the manual payroll system is susceptible to errors and irregularities such as ghost workers and unauthorized adjustments. Management did not provide a satisfactory explanation for maintaining a large number of employees in the manual payroll.

Further, there were discrepancies between the votes and department names. The misalignment was mainly due to the restructuring and consolidation of various departments within the County, which had not been updated or reflected in the IPPD/HRIS system.

In the circumstances, the existence of effective internal controls on the payroll management could not be confirmed.

195. Weaknesses in Management of Non-Current Assets

The County Executive owns land, buildings, motor vehicles, ICT equipment and furniture and fittings. However, a fixed assets register was not maintained and the County Executive did not have policies and procedures for management of assets. In addition, assets were not tagged for ease of identification and tracking of movement.

Further, review of the motor vehicles fleet register and physical inspection of assets in October, 2025 revealed that ninety (90) motor vehicles of an undetermined value were grounded and unserviceable. However, Management did not demonstrate any plans put in place to repair the vehicles or dispose them. Further, the County Executive did not have an annual disposal plan.

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

196. Lack of Inventory Management System for Drugs and Medical Supplies

The County Executive has several healthcare facilities. However, an inventory management system to manage the stock of drugs and medical supplies was not in place. Instead, inventory records were maintained manually in physical files by the stores staff. These records were not organized according to the item code number, arranged in the order of dates and by fiscal year. This practice poses a risk of inefficiency, errors and loss of critical data, particularly with respect to monitoring expiry dates and the timely distribution of drugs.

In the circumstances, the existence of an effective inventory management system for the Hospitals could not be confirmed.

197. Lack of Annual Recruitment Plans

The County Executive recruited one hundred and twenty-five (125) staff during the year under review. However, the Departments did not have annual recruitment plans to guide the recruitments.

Further, no evidence was provided to indicate that there was budgetary availability before recruitments were made. Failure to develop annual recruitment plans supported by budgetary evidence can result in overstaffing, understaffing, or hiring for positions that do not align with organizational priorities.

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

198. Lack of Approved Disaster Recovery Plan and Risk Management Policy

During the year under review, the County Executive did not have an approved Disaster Recovery Plan to ensure continuity of operations in the event of a system failure, cyberattack or other disruptive incidents like fire and floods.

Further, Management initiated the development of a Risk Management Policy during the year under review. However, the policy was still in draft form awaiting formal approval.

In the circumstances, the existence of efficient financial controls and effective disaster recovery and risk management policies could not be confirmed.

199. Failure to Implement the Annual Development Plan Activities

Review of the Statement of Performance Against County's Predetermined Objectives revealed significant under-achievement in the implementation of planned activities. Two hundred and eighty-nine (289) performance targets were set across nine (9) Departments. Review of the status during the year under review revealed that one hundred and nineteen (119) targets, representing 41%, were fully achieved; sixty-three (63) targets, representing 21%, were not achievedne hundred and seven (107) targets or 37%, were partially achieved.

The performance is inconsistent with the provisions of the County Governments Act, 2012 which requires effective and efficient implementation of development plans and it undermines the realization of socio-economic benefits intended in the Annual Development Plan.

In the circumstances, the existence of measures to ensure effective delivery of services as indicated in the Annual Development Plan could not be confirmed.

List of Unresolved Prior Year Matters

No.	Audit Issues for 2023/2024
1	Expenditure Relating to Other County Entities
2	Employees Earning Less Than One Third of Basic Salaries
3	Irregular Engagement of Casual Employees
4	Non-Compliance with Engagement of Persons with Disabilities Requirement
5	Non-Compliance with Fiscal Responsibility Principle on Compensation of Employees
6	Irregular Payments to the Council of Governors and Frontier Counties Development Council Limited
7	Unserviceable Motor Vehicles and Equipment
8	Expenditure on National Government Functions
9	Farm Groups Projects
10	Accumulation of Pending Accounts Payable
11	Failure to Implement E Procurement
12	Lack of Project Implementation Status Report
13	Failure to Implement Audit Recommendations
14	Lack of Project Specifications in the Budget
15	Payment of Salary Through Manual Payroll
16	Weaknesses in Management of Non-Current Assets
17	Lack of Inventory Management System for Drugs and Medical Supplies

COUNTY EXECUTIVE OF MANDERA – NO.9

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

200. Non-Compliance with Transitional 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 International Public Sector Accounting Standards IPSAS 33 did not indicate the specific elements of the financial statements that were not recognized and the steps taken to achieve full compliance with IPSAS Accrual.

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

201. Use of Goods and Services

The statement of financial performance reflects use of goods and services amounting to Kshs.2,795,555,940 as disclosed in Note 8 to the financial statements. Review of expenditure records revealed the following observations:

201.1. Unsupported Expenditure on Routine Maintenance of Vehicles and Other Transport Equipment

Included in the use of goods and services expenditure is an amount of Kshs.62,369,506 in respect of routine maintenance of vehicles and other transport equipment. However, expenditure amounting to Kshs.13,000,000 was not supported with motor vehicles' work tickets indicating the details of the dates when vehicles were in the garages, job cards and pre and post repair inspection reports by the County Mechanical Engineer indicating details of repairs/work performed and an updated status report detailing the condition of the repaired vehicles.

In the circumstances, the accuracy and completeness of the expenditure amounting to Kshs.13,000,000 in respect of routine maintenance of vehicles and other transport equipment could not be confirmed.

201.2. Unsupported Expenditure on Fuel, Oil and Lubricants

Included in the use of goods and services expenditure is an amount of Kshs.48,657,493 in respect of fuel, oil and lubricants utilized by various County Departments in the year under review. However, Management did not provide a framework agreements or formal contracts stipulating the contractual terms, obligations and service level agreements governing the supplier relationship in respect of fuel consumption amounting to Kshs.8,913,933.

Further, fuel consumption records from the supplier were not reviewed or reconciled with the internal fuel register by a designated senior officer.

In the circumstances, the accuracy, completeness and regularity of the expenditure amounting to Kshs.8,913,933 in respect of fuel, oil and lubricants could not be confirmed.

202. Unsupported Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs.4,632,854 as disclosed in Note 13 to the financial statements. However, the balance includes nil balance in respect of special purpose accounts held at the Central Bank of Kenya whose reconciliation statements and cashbooks were not provided for audit review.

Further, the balance includes amounts of Kshs.61,482 and Kshs.40,460 in respect of Mandera County Kenya Climate Smart Agriculture Project and Special Account Agricultural Sector Development Support Program (ASDSP) respectively, both held at the Central Bank of Kenya and which had remained dormant for more than three (3) years.

In the circumstances, the accuracy and completeness of the nil cash and cash equivalents balance in the special purpose accounts could not be confirmed.

203. Unsupported Deposits and Prepayments Balance

The statement of financial position reflects refundable deposits and prepayments balance of Kshs.3,266,794 as disclosed in Note 16 to the financial statements. However, the aging analysis, movement schedule showing the opening balance, additions and payments during the year were not provided for audit.

Further, the balance was not supported by contracts, certificates of payment, fee notes, interim payment certificates, reference of the payment from which the retention money was deducted and other supporting records.

In the circumstances, the accuracy and completeness of the deposits and prepayments balance of Kshs.3,266,794 could not be confirmed.

204. Unsupported Expenditure on Civil Works

The statement of financial position reflects property, plant and equipment balance of Kshs.2,836,135,325 as disclosed in Note 14 to the financial statements, out of which a balance of Kshs.2,026,494,467 is in respect of infrastructure. Included in the balance is an amount of Kshs.12,965,500 incurred on civil works at Mandera County Public Service Board Office block in Mandera East. However, the payment was not supported with tender register, tender opening minutes, evaluation report, professional opinion, certificate of practical completion and inspection and acceptance report.

Further, inspection carried out in October, 2025 revealed that there was no branding or signage to identify the project undertaken by the County Government.

In the circumstances, the accuracy, completeness and occurrence of expenditure of Kshs.12,965,500 could not be confirmed.

205. Unsupported Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.2,836,135,325 as disclosed in Note 14 to the financial statements. The balance comprises of Kshs.569,701,673 for buildings, Kshs.146,423,478 for motor vehicles, Kshs.2,026,494,467 in respect of infrastructure, Kshs.59,865,615 in respect of furniture and fittings and Kshs.33,650,092 in respect of computers and ICT equipment. However, Management did not have a depreciation policy and the assets acquired during the year under review were not depreciated.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.2,836,135,325 could not be confirmed.

206. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.3,523,524,212 (opening statement balance of Kshs.2,226,355,164) as disclosed in Note 15 to the financial statements. However, the schedule did not have the invoice date, the contract sum and amounts paid as at 30 June, 2025. The County Executive reported having paid an amount of Kshs.965,320,054 towards trade and other payables during the year.

Further, payables amounting to Kshs.1,261,035,109 were not noted to have 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 this is done to the extent possible that the County Government does not default on debt obligations.

In the circumstances, the accuracy, completeness and regularity of the trade and other payables balance of Kshs.3,523,524,212 could not be confirmed.

Emphasis of Matter

207. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.14,567,547,952 and Kshs.11,780,595,216 respectively, resulting in an under-funding of Kshs.2,786,952,736 or 19% of the budget.

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

208. Late release of Exchequer

Review of records revealed that Exchequer releases amounting to Kshs.2,650,957,719 were received in the month of June, 2025 and July, 2025 from the Exchequer. This was contrary to Section 17(6) of the Public Finance Management Act, 2012, which requires that The National Treasury shall, at the beginning of every quarter and in any event not

later than the fifteenth day from the commencement of the quarter, disburse monies to County Governments.

The delay in exchequer releases affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of these matters.

Other Matter

209. Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit in 2024/2025 revealed twenty-one (21) matters as listed at the end of this report remained unresolved as at 30 June, 2025.

Other Information

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

211. Non-Compliance with Inventory Control and Procurement Procedures

Included in the expenditure on use of goods and services is an amount of Kshs.986,507,315 in respect of specialized materials and services. However, review of records revealed that expenditure amounting to Kshs.68,575,742 paid for the supply and delivery of medical drugs was not supported with store records to confirm receipt and utilization of supplied drugs, contrary to Section 159(2) and 162(1) of the Public Procurement and Asset Disposal Act, 2015.

Further, expenditures amounting to Kshs.35,300,000 for the supply of medical drugs from other pre-qualified suppliers were not supported with tender opening minutes, tender evaluation committee appointment and minutes and inspection and acceptance committee appointment letters and reports.

In addition, regret letters issued to unsuccessful bidders for supply of drugs from other pre-qualified suppliers did not disclose the name of the winning bidder contrary to Section 87(3) of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, Management was in breach of law and the regularity of expenditure of Kshs.103,875,742 in respect of specialized materials and services could not be confirmed.

212. Irregular use of resources allocation of Resources

Included in the use of goods and services expenditure of Kshs.2,795,555,940 is an amount of Kshs.32,916,496 in respect of utilities, supplies and services, out of which a total of Kshs.16,150,437 was incurred on utility bills for hospitals within the County. However, Management had already transferred funds amounting to Kshs.37,500,000 to Mandera County Referral Hospital and other Sub-County Hospitals specifically to manage their operations and expenditures, including utility bills.

Despite these transfers, the County Executive continued to settle utility bills on behalf of the hospitals. This was contrary to Section 149 (1)(b) of the Public Finance Management Act, 2012, which obligates entities to utilize allocated resources in a way that is effective, economical and transparent.

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

213. Irregular Payments of Subscriptions

Management paid an amount of Kshs.6,000,000 and Kshs.2,400,000 for annual subscription to the Council of Governors and Frontier Counties Development Council respectively. This was contrary to Section 37 of the Intergovernmental Relations Act, 2012 which provides that the operational expenses in respect to the structures and institutions established in this 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.

214. Irregular Spending on National Government Functions

Review of expenditure revealed that Management implemented various projects amounting to Kshs.48,442,541 which fall under the National Government functions. There was no evidence of a written agreement between the two (2) levels of Governments as required by Article 187 of Constitution of Kenya to guide the implementation of these projects.

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

215. Lack of Project Identification

Management incurred an amount of Kshs.1,256,315 on the construction of one (1) classroom at Waledo ECDE Centre, located in Shimpir Fatuma, Mandera South. However, physical inspection conducted on 18 May, 2025 revealed that the classroom was connected to other classrooms constructed under the National Government Constituencies Development Fund (NGCDF) for Mandera South during the same financial year.

Further, the project was not labelled to confirm that it was implemented by the County Government. As a result, it was not possible to confirm whether the construction was indeed carried out by the County Government.

In the circumstances, value for money for the Kshs.1,256,315 expenditure on construction of classroom could not be confirmed.

216. Failure to Utilize Completed Projects

Management incurred an amount of Kshs.4,949,989 in respect of construction of a Gela shade at Elwak and an amount of Kshs.3,899,578 in respect of proposed renovation and alteration works to the specialist clinic at Mandera County Referral Hospital. However, physical inspection conducted on 18 May, 2025 and 25 October, 2025 respectively, confirmed that the projects were completed but not in use. The non-utilization of the completed projects raises concerns about their viability and the effectiveness of public resource utilization, as the intended objectives and benefits of the projects have not yet been realized.

In the circumstances, the value for money for the completed and unutilized projects could not be confirmed.

217. Non-Compliance with the Law on Procurement Reservation for the Disadvantaged Groups

Review of the 2024/2025 Consolidated Procurement Plan for the County Executive revealed that Management allocated an amount of Kshs.1,381,921,205 of its budget for procurement to the disadvantaged groups, representing only 27.6% of the total procurement budgetary allocation. This was contrary to Section 53(6) of the Public Procurement and Asset Disposal Act, 2015, which requires state organs and public entities to reserve a minimum of 30% of their procurement and disposal allocations for enterprises owned by women, youth and persons with disabilities. The under-allocation indicates non-compliance with statutory requirements aimed at promoting inclusivity and economic empowerment of marginalized groups.

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

218. Failure to Operationalize Emergency Fund

The statement of financial performance reflects payments on other grants and subsidies amounting to Kshs.898,302,758, comprising of Kshs.459,999,999, Kshs.382,347,226 and Kshs.55,955,533 for scholarship and other education benefits, emergency relief and refugee assistance and purchase of seedlings respectively. However, the payments on emergency relief and refugee assistance include an amount of Kshs.32,846,226 for water trucking and an amount of Kshs.349,501,000 for the supply and delivery of relief food items for vulnerable members of society. The expenditure ought to have been incurred through the Emergency Fund. The County Executive established the Mandera County Emergency Fund through Section 4 of the Mandera County Emergency Fund Act, 2020 to facilitate payments for urgent and unforeseen needs where no specific legislative authority exists. However, the County Executive did not set aside funds in the annual budget for the Emergency Fund as required by Section 5 of the Mandera County Emergency Fund Act, 2020.

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

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

During the year under review, the department of Health recruited sixty (60) health workers, out of this number, only one (1) person with disabilities was hired. This translates to 1.7%, contrary to Section 5(1)(e) of the Persons with Disabilities Act, 2025 which require every County Government to promote the inclusion of persons with disabilities in the County public service by putting in place measures to ensure that at least five percent (5%) of the employment positions are filled by persons with disability.

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

220. Non-Compliance with the Law on Gender Equality

Review of the payroll data revealed that the County Executive had a total workforce of three thousand, eight hundred and twenty-two (3,822) employees as at April, 2025. Nine hundred and forty-three (943) employees or approximately 24.6% were female, while two thousand eight hundred and seventy-nine (2,879) or approximately 75.32% were male. This distribution was contrary to Section B22(2) of the Human Resources Policies and Procedures Manual for Public Service, 2016, which states that the Government will endeavour to have a gender balanced Civil Service by ensuring that not more than two-thirds of positions in its establishment are filled by either gender.

In the circumstances, Management was in breach of the Government policy.

221. Non-Compliance with Procedures for Initiating Procurement of Consultancy Services

The use of goods and services expenditure of Kshs.2,795,555,940 includes an amount of Kshs.724,408,964 in respect of other operating expenses, out of which an amount of Kshs.10,200,000 was paid for provision of consultancy services for preparation of valuation roll for Mandera and Elwak Municipalities. However, the terms of reference outlining performance benchmarks, milestones, activities, timelines for the consultancy services and report of the Contract Implementation Team were not provided for audit. This was contrary to Section 117(b) and 151(1) of the Public Procurement and Asset Disposal Act, 2015 which provides that for any initiation of procurement, there should be inclusion of the terms of reference outlining performance benchmarks, milestones, activities and timelines of contract.

In the circumstances, the regularity of expenditure amounting to Kshs.10,200,000 in respect of provision of consultancy services could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

222. Lack of Disaster Recovery Plan

Review of records revealed that Management did not have in place a Disaster Recovery Plan. This was contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism and a system of risk management and internal controls that builds robust business operations.

In the circumstances, the continuity of operations in the event of a system failure, natural disaster, or cyber-attack could not be confirmed.

223. Salaries Paid Outside the Payroll System

The statement of financial performance reflects employees' costs amounting to Kshs.4,358,112,527 as disclosed in Note 7 to the financial statements. However, review of the County Executive's payroll records revealed that the County maintained two (2) sets of payrolls despite having adopted the Human Resource Information System (HRIS-Ke) with effect from December, 2024. The HRIS-Ke system manages payroll for three thousand, eight hundred and twenty-seven (3,827) employees, while a manual payroll in an Excel spreadsheet covers five hundred and fifty-two (552) employees. The existence payroll of parallel systems raises concerns about payroll management accuracy and internal controls.

Further, review of the manual payroll revealed that three hundred and eighty-three (383) National Police Reservists (NPR) were engaged on a casual basis, earning gross salary between Kshs.15,000 and Kshs.45,000 per month. As a result, total expenditure of Kshs.30,342,500 was incurred. Details of how the NPRs were identified, recruited and on-boarded were not provided. Further, no evidence was provided to confirm that their engagement was approved by the County Public Service Board (CPSB) as required by Section 79 of the County Governments Act, 2012.

In the circumstances, existence of effective control mechanisms on payroll management could not be confirmed.

224. Weaknesses in the Management of Inventory

The statement of financial performance reflects payments on use of goods and services amounting to Kshs.2,795,555,940 as disclosed in Note 8 to the financial statements. Included in the use of goods and services expenditure of Kshs.2,795,555,940 is an amount of Kshs.986,507,315 in respect of specialized materials and services, out of which an amount of Kshs.316,875,752 was incurred on medical supplies. However, audit inspection conducted on 14 May, 2025 revealed that Mandera County public hospitals

lack an automated Drug Inventory Management System and continue to rely on manual records which are prone to errors and inefficiencies.

In the circumstances, existence of effective control mechanisms on drug management could not be confirmed.

225. Weaknesses in Management of Fixed Assets

Review of the fixed assets register provided for audit revealed that the fixed assets register was not updated with assets acquired during the year. In addition, the County Executive did not have in place policies and procedures relating to asset management and the non-current assets were not physically inspected regularly.

Further, Management did not maintain an assets register of land and buildings, recording each parcel of land and the terms on which it is held showing details such as the conveyance, address, area, dates of acquisition, disposal or major change in use, capital expenditure, leasehold terms, maintenance contracts and other pertinent management details.

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

List of Unresolved Prior Year Matters

No.	Audit Issues for 2023/2024
1.	Unsupported Direct Bank Deductions by Kenya Revenue Authority
2.	Unsupported Payments on Pharmaceutical and Non-Pharmaceutical Supplies
3.	Unsupported Deposits and Retentions
4.	Unsupported Payment for Consultancy Services
5.	Unsupported Provision of Legal Services
6.	Non-Compliance with Budgetary Limits and Reporting Requirements
7.	Non-Compliance with Law on Ethnic Composition
8.	Non-Compliance with Law on Fiscal Responsibility Principle on Wage Bill
9.	Irregular Subscriptions to Council of Governors and Frontier Development Council-Regional Block
10.	Irregular Procurement of Supply and Delivery of Business Start-up Kits
11.	Unutilized Regional Livestock Market
12.	Construction of ECDE Classrooms
13.	Expenditure on National Government Functions
14.	Accumulation of Pending Accounts Payable
15.	Failure to Operationalize Emergency Fund
16.	Failure to Operationalize Climate Change Fund
17.	Payment of Salaries Outside the IPPD
18.	Failure to Publish Finance Manual
19.	Failure to Insure County Buildings
20.	Weaknesses in Management of Fixed Assets
21.	Lack of Risk Management Policy

COUNTY EXECUTIVE OF MARSABIT – NO.10

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

226. Failure to Disclose Contingent Liabilities

Note 44 to the financial statements discloses a nil balance in respect of contingent liabilities. However, review of the legal status update by the Legal Department revealed that during the year under review, the County Executive had thirty-three (33) active court cases. Management did not disclose any potential financial exposure or contingent liabilities relating to these cases. This was contrary to the requirements of Paragraph 88(a),(b) and (c) of International Public Sector Accounting Standards (IPSAS) 19 which states that an entity shall disclose for each of the class of contingent liability at the reporting date a brief description of the nature of the contigent liability and where applicable an estimate of its financial effect, uncertainity relating to the amount and possibility of any reimbursement.

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

227. Misclassification of Expenditure

The statement of financial performance and Note 10 to the financial statements reflect use of goods and services amount of Kshs.942,141,669. Included in the amount is expenditure totalling Kshs.72,843,573 in respect of training expenses out of which an amount of Kshs.14,013,160 was spent on purchase of medical supplies but classified under training expenses.

In the circumstances, the accuracy and completeness of training expenses amount of Kshs.72,843,573 could not be confirmed.

228. Unsupported Trade and Other Payables

The statement of financial position and Note 32 to the financial statements reflect trade and other payables balance of Kshs.1,805,275,078. However, the County Executive did not undertake the mandatory supplier circularization and reconciliation exercise as guided by the National Treasury. In addition, the supplier confirmations, reconciliations, and supporting documentation including invoices and orders were not provided for audit.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.1,805,275,078 could not be confirmed.

Emphasis of Matter

229. 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.9,036,122,480 and Kshs.7,742,021,252 respectively, resulting in under-funding of Kshs.1,294,101,228, or 14% of the budget. However, the County Executive spent Kshs.7,673,354,995 against actual receipts of Kshs.7,742,021,252, resulting in an under-utilization of Kshs.68,666,257 of the actual receipts.

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

230. Late Exchequer Releases

The statement of financial performance and Note 6 to the financial statements reflect transfers from the County Revenue Fund (CRF) amount of Kshs.7,427,622,411. However, the amount includes disbursements totalling Kshs.1,000,772,795 which were received after 30 June, 2025. Late disbursement of funds may have affected the County Executive operations and service delivery and impacted negatively on its cash flow.

My opinion is not modified in respect of these matters.

Other Matter

231. Unresolved Prior Year's 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 the year 2024/2025 revealed that twenty-one (21) matters remained unresolved as listed at the end of this report.

Other Information

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

233. Long Outstanding Trade Payables

The statement of financial position and Note 32 to the financial statements reflects trade and other payables balance of Kshs.1,805,275,078. Included in the balance is trade and other payables balance of Kshs.1,450,651,625 that was to be paid during the year under review as a first charge but remained outstanding as at the end of the year.

Further, trade and other payables amounting to Kshs.830,528,021 had been outstanding for more than three (3) years and no explanation was provided for non-prioritizing the long outstanding bills for payment. This was contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulation, 2015 which states that debt service payments shall be a first charge on the County Revenue Fund and Accounting Officer shall ensure this is done to the extent possible that the County Government does not default on debt obligations. The continued accumulation of pending bills exposes the Executive to potential losses of legal cases and penalties.

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

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

During the year under review, twenty-five (25) employees earned net salaries that were less than one-third (1/3) of their basic pay. This was contrary to Section 19(3) of the Employment Act, 2007 which provides that the total amount of deduction of the wages of an employee shall not exceed two-thirds (2/3) of such wages.

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

235. Salaries Paid Outside Integrated Payroll and Personnel Database System

The County Executive paid salaries amounting to Kshs.88,545,699 to two hundred and seventy-six (276) staff members outside the Integrated Payroll and Personnel Database (IPPD) and Human Resource Information System-Kenya (HRIS) systems. This was contrary to Section 1.5.1 of The National Treasury Financial Accounting Recording and Reporting Manual which requires salaries, allowances or arrears of County Government employees to be processed through Integrated Payroll and Personnel Database (IPPD).

In the circumstances, Management was in breach of The National Treasury guidelines.

236. Non-Remittance of Statutory Deductions

Review of the payroll records revealed that contributions to the Local Authority Pension Fund (LAPF) comprised of employee contributions at 12% and employer contributions by the County Executive at 15% each of employees' gross salary. However, while these deductions were made in the payroll, an amount of Kshs.24,821,579 was not remitted to the members' accounts by the close of the financial year, resulting in the County Executive incurring penalties totalling Kshs.2,539,950.

This was contrary to Section 19(4) of the Employment Act, 2007 which stipulates that an employer who deducts an amount from an employee's renumeration in accordance with Section 1(a), (f), (g) and (h) shall pay the amount so deducted in accordance with the period and other requirements specified in the law, agreement of court or arbitration as the case may be.

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

237. Non-Compliance with the Fiscal Responsibility Principles on Wages

The statement of cash flows reflects compensation of employee's amount of Kshs.3,653,972,362 representing forty-nine (49%) of the total revenue received of Kshs.7,427,622,411. This was more than thirty-five per cent (35%) provided for under Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which states that the County Government expenditure on wages and benefits for public officers should not exceed thirty-five per cent (35%) of the total County revenue.

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

238. Failure to Provide Work Injuries Benefit Cover

During the year under review, the County Executive did not provide the Work Injuries Benefit Insurance Act (WIBA) Policy for its employees. This was contrary to Section 7(1) of the Work Injuries Benefit Act, 2007 which states that every employer shall obtain and maintain an insurance policy, with an insurer approved by the Minister in respect of any liability that the employer may incur under this Act to any of his employees.

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

239. Irregularities in Training Expenses

The statement of financial performance reflects use of goods and services amount of Kshs.942,141,669 as disclosed in Note 10 to the financial statements. Included in the expenditure is an amount of Kshs.72,843,573 in respect of training expenses. However, Management did not provide evidence of training needs assessment, annual training projections and training program to justify the expenditure. Further, no quarterly trainings returns were prepared to evaluate the effectiveness of trainings conducted during the year. In addition, the County Executive staff claimed reimbursement of subsistence allowances and training fees amounting to Kshs.14,208,153 without evidence of prior approval, nomination by the Head of Human Resource, or confirmation that the trainings were sanctioned in accordance with established procedures.

In the circumstances, the regularity of the training expenditure of Kshs.72,843,573 could not be confirmed.

240. Irregular Payments to Frontier Counties Development Council

The statement of financial performance and Note 13 to the financial statements reflect other grants and subsidies balance of Kshs.1,298,646,535. Included in the expenditure is an amount of Kshs.939,998,885 in respect of other capital grants and transfers, out of which Kshs.6,000,000 was paid as annual subscription fees to Frontier Counties Development Council. However, the Council does not draw its mandate from the Constitution of Kenya or an Act of Parliament and payments to this organization were not based on any law. 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.

241. Failure to Register with the Office of the Data Protection Commissioner

Audit review established that despite actively collecting, processing, and storing personal data of staff and service providers during the year under review, the County Executive had not registered with the Office of the Data Protection Commissioner as a data controller and data processor. This was contrary to Section 18(1) of the Data Protection Act, 2019 which requires that data controllers and data processors who process personal data must register with the Office of the Data Protection Commissioner.

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

242. Unapproved Late Commitments

Review of procurement records revealed that expenditure commitments/contracts for various works and supplies of goods and services amounting to Kshs.85,735,089 were made after 31 May, 2025 without the written approval of the Accounting Officer. This was contrary to Regulation 50(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that all commitments for the supply of goods or services shall be done not later than the 31 May each year except with the express approval of the Accounting Officer in writing.

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

243. Non-Compliance with the Marsabit County Emergency Fund Act 2014

The statement of financial performance reflects other grants and subsidies amount of Kshs.1,298,646,535 as disclosed in Note 13 to the financial statements. Included in the amount is emergency relief and refugee assistance expenditure of Kshs.195,802,370. However, the money was spent at the departmental level instead of transferring the same to the Marsabit County Emergency Fund, a Fund established under Marsabit County Emergency Fund Act, 2014 to manage emergencies within the County. This was contrary to Section 110(1) of the Public Finance Management Act, 2012 which states that a County Executive Committee may, with the approval of the County Assembly, establish an emergency fund for the county government under the name of the County Fund and the fund shall consist of money from time to time appropriated by the County Assembly to the Fund by an appropriation law.

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

244. Non- Compliance with Public Procurement and Asset Disposal Act, 2015

The statement of financial performance and Note 10 to the financial statements reflects use of goods and services amount of Kshs.942,141,669. However, the following procurement anomalies were noted;

244.1. Procurement of Hospitality Services

Included in the expenditure for use of goods and services is an amount of Kshs.59,594,580 in respect of hospitality supplies and services, out of which amounts of Kshs.1,975,000 and Kshs.2,074,800 were incurred on purchase of publicity materials and procurement of conferencing facilities respectively. However, the following anomalies were noted;

(i) The requisitions provided were incomplete as the item description, quantity, unit cost and date of requisition were not indicated. This was contrary to Regulation 71(2)(a) of the Public Procurement and Asset Disposal Regulations, 2020, which requires user departments to submit the requisitions to the Head of the Procurement function for processing with accompanying specifications, bills of quantities, technical drawings, or terms of reference.

(ii) The suppliers that submitted the successful quotations did not confirm the order in writing contrary to Section 87(2) of the Public Procurement and Asset Disposal Act, 2015, which provides that the successful bidder shall signify in writing the acceptance of the award within the time frame specified in the notification of award.

(iii) The Head of procurement did not sign the professional opinion recommending the successful quotations. This was contrary to Section 84(1) Public Procurement and Asset Disposal Act, 2015 which provides that the Head of Procurement Function of a procuring entity shall, alongside the report to the Evaluation Committee as secretariat comments, review the tender evaluation report and provide a signed professional opinion to the accounting officer on the procurement or asset disposal proceedings.

244.2. Procurement of Medical Equipment

The County Executive paid an amount of Kshs.4,960,000 for purchase and installation of a digital ultrasound machine at Laisamis Sub-County Hospital. However, the requisitions provided from the user department were incomplete lacking essential details such as the item description, quantity and unit cost were not indicated. This was contrary to Regulation 71(2)(a) of the Public Procurement and Asset Disposal Regulations, 2020, which requires that the user departments to submit the requisitions to the Head of the Procurement function for processing with accompanying specifications, bills of quantities, technical drawings, or terms of reference.

Further, the successful bidder did not provide a written confirmation of acceptance of the award, contrary to Section 87(2) of the Public Procurement and Asset Disposal Act, 2015 which states that the successful bidder shall signify in writing the acceptance of the award within the time frame specified in the notification of award.

244.3. Procurement of Patient Uniforms

The County Executive incurred expenditure totalling Kshs.2,799,080 for purchase of patients uniform and beddings for Sololo Level 4 Hospital. However, the notification of

award was sent to the winning bidder on 28 March, 2025 but the bidder did not confirm the acceptance in writing as required by Section 87(2) of the Public Procurement and Asset Disposal Act, 2015 which provides that the successful bidder shall signify in writing the acceptance of the award within the time frame specified in the notification of award.

Further, the winning bidder did not sign the Purchase Order to signify their intent to enter into contract with Accounting Officer. Additionally, no formal contract was executed between the supplier and the County Executive as required by Section 135(1) of the Public Procurement And Asset Disposal Act, 2015, which provides that the existence of a contract shall be confirmed through the signature of a contract document incorporating all agreements between the parties and such contract shall be signed by the accounting officer or an officer authorized in writing by the accounting officer of the procuring entity and the successful tenderer.

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

245. Irregular Funding of National Government Functions

The statement of financial performance and Note 13 to the financial statements reflect other grants and subsidies amount of Kshs.1,298,646,535. Included in the expenditure is Kshs.939,998,885 in respect of other capital grants and transfers, out of which Kshs.49,967,065 was used in projects that fall under the exclusive mandate of the National Government as outlined below;

245.1. Deputy County Commissioner's Headquarters and Residence

During the year under review a local company was awarded the tender for the construction of the Deputy County Commissioner Headquarters and residence in Uran Moyale Sub-County, at a contract amount of Kshs.38,867,151. Audit inspection carried out in the month of July, 2025 confirmed that the facility had been completed and was in use for administrative functions by the National Government including services such as registration for Identity Cards (IDs).

245.2. Purchase of Furniture for Chalbi Boys High School

During the year under review the County Executive spent an amount of Kshs.2,800,000 on purchase of lockers and chairs for Chalbi Boys High School in North Horr Sub-County.

245.3. Construction of Two-Bedroom Staff House at Bori Mixed Day/Boarding Secondary School

During the year under review the County Executive spent an amount of Kshs.3,599,914 on construction of a two-bedroom staff house at Bori Mixed Secondary School at Moyale Sub-County.

245.4. Construction of Kitchen and Dining Hall at Korr School

The County Executive spent an amount of Kshs.4,700,000 on the construction of a kitchen and dining hall at Korr School in Laisamis Sub-County.

The above payments contravened the provisions of the Fourth Schedule of the Constitution of Kenya 2010, on distribution of functions between the National Government and the County Governments, which stipulates that primary schools, special education, secondary schools, special education institutions among others, are functions of the National Government.

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

246. Delayed Completion of Capital Projects

246.1. Delayed Utilization of Sololo Level 4 Hospital

The County Executive engaged a local contractor for construction of Sololo Level 4 Hospital at a contract sum of Kshs.483,369,790. The sum was varied by Kshs.26,076,012, totalling Kshs.509,445,802. The project commenced on 1 July, 2019 and original completion date was set on 25 February, 2021. It was noted that an extension of thirty (30) weeks was given after a request dated 2 August, 2024, and the project completion and hand over new date was set as 30 March, 2025. Review of the project file and physical inspection of the project carried out in the month of July, 2025 revealed that the Hospital was complete and certificate of practical completion issued on 4 February, 2025. However, the facility was not operational as the Kenya Defense Forces were on site equipping the Hospital and doing other auxiliary structures.

Further, physical inspection revealed that the structure had deteriorated due to lack of occupation and maintenance, including:

(i) Infestation by bats and rodents, resulting in soiling and damage of electrical fittings, tiles, ceilings, walls, bathrooms, and toilet sinks.

(ii) Ceiling panels had fallen off in some sections, and leaking plumbing fixtures.

(iii) Neglected cabro paving works in the parking area and overgrown bushes and weeds surrounding the building. Missing electrical fittings and exposed wiring was noted posing safety hazards.

246.2. Delayed Construction of County Aggregation and Industrial Park

The County Executive entered into a contract with a local contractor for the construction of the County Aggregation and Industrial Park at a contract sum of Kshs.498,913,945. At the time of the audit, an amount of Kshs.105,003,893 had been paid to the contractor. Review of project records and physical inspection carried out in July, 2025 revealed that the project was behind schedule. The project commenced on 21 May, 2024, with an expected completion date of 21 November, 2025. However, only the perimeter wall, foundations, and floor slabs for the aggregation warehouse/cold storage and the value addition warehouse estimated at only 21% of the work had been completed, compared to the 100% of the contract period elapsed.

246.3. Delayed Construction of Marsabit County Stadium

The County Executive entered into a contract with a local contractor for the development of Marsabit County Stadium in April, 2017, at a contractual sum of Kshs.77,051,120. The contract was one hundred and eighty-four (184) weeks. However, by the two hundred and fifty (250) week the contractor had abandoned the site resulting in termination of the contract in January, 2022. At the time of termination, the certified works amounted to Kshs.61,788,200. Contract records provided for audit indicated that after the termination of Phase 1, the project was handed over to Sports Kenya for completion of unfinished works and subsequent phases. However, the contractual amount and the scope of works agreed upon between the County Executive and Sports Kenya could not be determined due to lack of records. Further, physical inspection carried out during the month of October, 2025 revealed that the contractor was not on site and the project had stalled, the playing turf was overgrown with weeds, the drainage systems were clogged and stadium pavilions were incomplete.

246.4. Failure to Construct Governor's and Deputy Governor's Residences

The County Government of Marsabit had not constructed official residences for the Governor and Deputy Governor and had continued paying house allowances to the Governor and the Deputy Governor totalling Kshs.3,600,000 during the year under review. This was contrary to the provisions of the Salaries and Remuneration Commission (SRC) Circular Ref No. SRC/TS/CGOVT/3/61/VOL.V(44) dated 14 August, 2020, which reaffirmed the Commission's directive issued during its 274th meeting held on 15 July, 2020. The circular states that counties must comply with the earlier directive requiring the construction of official residences by the deadline of 30 June, 2022, after which leasing of residential premises would no longer be permitted.

246.5. Delayed Construction of Sand Dam and Drainage Works to Control Sololo Flash Floods

The Department for Water awarded a contract for the construction of a sand dam and associated drainage works aimed at mitigating flash floods in Sololo to a local contractor at a contract sum of Kshs.70,291,641 out of which an amount of Kshs.36,035,863 was paid. Review of the Bills of Quantities and physical inspection conducted in July, 2025 revealed that the contractor was required to construct two(2) cofferdams valued at Kshs.12,975,302 and Kshs.47,052,900 respectively. However, only one cofferdam valued at Kshs.12,975,302 had been constructed and the contractor was not on site at the time of inspection.

Further, the contract commenced on 22 March, 2024 with an expected duration of two hundred and forty (240) days. However, according to the Engineer's progress certificate, only 51% of the project works had been completed, and the project was two hundred and ninety (290) days behind schedule.

In the circumstances, the value for money in the projects could not be confirmed.

247. Failure to Unutilized Completed Projects

Review of the County's Project Implementation Status and physical inspection done in the month of July, 2025 revealed that County Executive's projects done at cost of Kshs.19,668,295 were complete as at the time of the audit but had remained unutilized as detailed below;

No.	Project Description	Contract Amount (Kshs)
1	Construction of Lependera Dispensary	4,963,035
2	Completion of maternity block at Butiye	2,300,000
3	Renovation of Antutta Dispensary	2,000,000
4	Solarization of Kituruni Bore Hole-Karare	4,905,260
5	Renovation and furnishing of Leiyai Dispensary	2,500,000
6	Piping from Hajo to Biashara street	3,000,000
	Total	**19,668,295**

In the circumstances, the value for money in the projects' expenditure of Kshs.19,668,295 could not be confirmed.

248. Project Implementation Status

Review of the County's Project Implementation Status and physical inspection done in the month of July, 2025 revealed that the County Executive's projects done at a cost of Kshs.30,935,706 had the following anomalies;

248.1. Mini Irrigation Project and Construction of Fence and Double Pit Latrine in Dokatu

The contractual amount for the project was Kshs.13,223,566. However, as per the project signboard, the project was started in the financial year 2023-2024 but as at the time of audit on July, 2025 the project was not complete, the irrigation drip lines had not been installed and the contractor was not on site.

248.2. Expansion and Desilting of Hula Hula WaterPan

The contractual amount for the project was Kshs.4,000,000. However, the expansion part of the waterpan whose cost could not be quantified, was not done and the minutes of any meeting that may have authorized changes to the scope of works were not provided for review. In addition, the project site lacked signage

248.3. Desilting of Ogah and Dirib Segi Water Pans

The contractual amount for the projects was Kshs.6,015,640. However, it could not be ascertained whether the desilting was done as the dams were found to have heavy siltation as at the time of audit.

248.4. Equipping of the Serichoi Water Project

The contractual amount for the project was Kshs.4,496,500. However, physical inspection revealed that three of the supplied water tanks (two 5,000-litre tanks and one 10,000-litre tank) had sunk into the ground due to lack of proper installation on concrete bases. Further, the installed solar panels and water pressure pump were non-functional at the time of inspection, indicating potential defects or failure to conduct post-installation testing and commissioning.

248.5. Equipping of Dadach Lakole Dispensary

The equipment were purchased at a cost of Kshs.3,200,000. However, the medical equipment supplied were stored in one of the rooms being used as a guard house as the dispensary was not operational. In addition, three rooms within the dispensary were occupied by teachers from a nearby primary school thereby limiting the availability of space intended for health service delivery.

In the circumstances, value for money in the expenditure of Kshs.30,935,706 could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

249. Lack of a Functional Audit Committee

As previously reported, an Audit Committee was formally appointed on 17 October, 2023. However, following the resignation of one member in November, 2023, no replacement had been appointed as at the time of audit. As a result, the Committee lacked the required quorum to convene and discharge its statutory oversight responsibilities, thereby rendering it non-functional and undermining effective governance and internal control processes.

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

250. Lack of Risk Management Policy

As previously reported, review of records and processes revealed that the County Executive lacked a risk management policy. This was contrary to the requirements of Regulation 158(1)(a) of the Public Finance Management (County Governments) Regulations, 2015 which obligates Accounting Officers to ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism and develop a system of risk management and internal control that builds robust business operations.

In the circumstances, the effectiveness of the internal controls within the financial and operational system could not be confirmed.

251. Use of Unlicensed Operating System and Expired Antivirus

Inspection of sampled user computers and staff interviews revealed that the computers were operating on Microsoft Windows operating systems whose support and security updates had expired. Additionally, the installed Microsoft Office software was unlicensed, and the antivirus software had expired, with the last update having been done in 2018.

In the circumstances, the effectiveness of the internal controls over the financial and IT operational system could not be confirmed.

252. Irregular Use of Personal Emails in Official Communication

Audit review revealed that the County employees were using personal email accounts to conduct official government business, despite having been issued with official government email addresses. This was contrary to the provisions of the Head of Public Service Circular Ref. No. 23(1) date 14 June, 2022, which emphasizes the mandatory use of official email addresses in line with Government ICT Standards, 2019, to enhance security, confidentiality and accountability in public service communication.

In the circumstances, the safety, confidentiality and accountability in managing official data could not be confirmed.

253. Failure to Provide Staff Medical Cover

During the year under review, the County Executive had a budgetary allocation of Kshs.32,852,399 for staff medical insurance cover. However, Management did not provide medical insurance cover to the employees. No satisfactory explanation was provided for the failure to implement the budgeted activity.

In the circumstances, the effectiveness of the internal controls within the budgeting and budget implementation processes could not be confirmed.

List of Unresolved Prior Year's Matters

No.	Audit Issues for 2023/2024
1	Unsupported Legal Fees
2	Irregular Motor Vehicle Insurance Payments
3	Irregular Payment of Special House Allowances
4	Misclassification of Expenditure
5	Inaccuracy in Pending Bills
6	Wasteful Expenditure on Foreign Travel and Subsistence
7	Non-Compliance with the Fiscal Responsibility Principles on Wage Bill
8	Irregular Commitments for Supply of Goods and Services
9	Anomalies in Projects Implementation
10	Stalled/ Incomplete and Unused Projects
11	Regularity of Procurement Processes and Procedures
12	Irregular Funding of National Government Functions
13	Non-Compliance with Budget Formulation and Expenditure Classification Requirements
14	Irregularities in the Management of County Government Vehicles and Fire Equipment
15	Project Implementation Status
16	Non-Compliance with the Public Sector Accounting Standards Board Requirements
17	Failure to Maintain an Updated Fixed Assets Register
18	Use of Manual Payroll
19	Information, Communication and Technology Environment
20	Lack of Risk Management Policy
21	Lack of a Functioning Audit Committee

COUNTY EXECUTIVE OF ISIOLO – NO.11

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

254. Inaccuracies in Transfers from County Revenue Fund

The statement of financial performance and Note 6 to the financial statements reflect revenue from non-exchange transactions - transfers from CRF amount of Kshs.4,661,625,171. However, the County Revenue Fund (CRF) financial statements reflected transfers to the County Executive amount of Kshs.4,323,469,237 resulting in a variance of Kshs.338,155,934. Further included in the transfers from CRF are development and special purpose transfers amounts of Kshs.1,100,616,525 and Kshs.228,155,934 respectively. However, the CRF cashbook reflects transfer amounts of Kshs.990,616,525 and Kshs.338,155,934 to the development and special purpose accounts resulting in variances of Kshs.110,000,000 and Kshs.110,000,000 respectively.

In the circumstances, the accuracy and completeness of transfers from the CRF amount of Ksh.4,661,625,171 could not be confirmed.

255. Inaccuracies in Transfers to Other Government Entities

The statement of financial performance and Note 11 to the financial statements reflect transfers to other Government entities totalling Kshs.885,484,501, which includes transfers to self-reporting Project-FLLoCA amounting to Kshs.133,555,181. However, the statement of financial performance for the Financing Locally Led Climate Action (FLLoCA) Program - County Government of Isiolo reflects transfers from the County Government totalling Kshs.30,870,282. This resulted in an unexplained variance of Kshs.102,684,899.

In the circumstances, the accuracy and completeness of transfers to self-reporting Project - FLLoCA amount of Kshs.133,555,181 could not be confirmed.

256. Inaccuracies in Employee Costs

The statement of financial performance reflects employee costs amount of Kshs.2,003,131,850 as disclosed in Note 9 to the financial statements. Included in the amount is basic salaries of permanent employees amounting to Kshs.1,453,191,674. However, records from the Integrated Payroll and Personnel Database (IPPD) and Human Resource Information System (HRIS) reflect total basic salary payments of Kshs.930,322,388, resulting in an unexplained variance of Kshs.522,869,287. Further, included in the employee costs are payments totalling Kshs.1,860,000 in respect of basic wages of temporary employees. However, the casual staff register, containing the bio-data and employment details of the casual workers, was not maintained during the year under review.

In the circumstances, the accuracy and completeness of the employee costs of Kshs.2,003,131,850 could not be confirmed.

257. Unsupported Transfers to Dispensaries Centers

The statement of financial performance reflects transfers to other Government entities of Kshs.885,484,501, which as disclosed Note 11 to the financial statements includes transfers to other County Government entities amount of Kshs.132,523,819. The amount further includes transfers to fifty-two (52) dispensaries and vocational training centers totalling Kshs.12,271,145. However, no detailed breakdown, expenditure returns or supporting documentation were provided to account for how the transferred funds were utilized at each facility.

In the circumstances, the completeness and accuracy of the transfers to other county Government entities of Kshs.12,271,145 could not be confirmed.

258. Unsupported Payment of Stipend to Community Health Promoters

The statement of financial performance and Note 11 to the financial statements reflect transfers to other Government entities amount of Kshs.885,484,501. Included in the amount are other current transfers, grants and subsidies totalling Kshs.36,635,000, out of which an amount of Kshs.14,505,000 was made to the Department of Health for payment of monthly stipend to Community Health Promoters (CHPs). However, transfers of Kshs.9,825,000 made on 8 May, 2025, were not supported by acknowledgment receipts from the intended beneficiaries, payment schedules and bank transfer documentation.

Further, the County Government reported a co-funding arrangement with a local consortium for payment of the CHP stipends in four Wards of Kinna, Wabera, Bulapesa, and Burat for the period from January, 2023 to December, 2024. However, contract agreement and Memorandum of Understanding (MoU) between the two parties was not provided for audit review.

In the circumstances, the accuracy and completeness of other current transfers, grants and subsidies amount of Kshs.14,505,000 could not be confirmed.

259. Undisclosed Cash and Cash Equivalents Balance

The statement of financial position and Note 21 to the financial statements reflect cash and cash equivalents balance of Kshs.318,040,601. Review of the records revealed that the County Executive maintained a bank account in a local commercial bank which had a balance of Kshs.193,411 as at 30 June, 2025. However, the account details and the amount held at the bank were not disclosed in the financial statements as required.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.318,040,601 could not be confirmed.

260. Unsupported Expenditure on the Construction of County Fuel Station

The statement of financial performance and Note 10 to the financial statements reflect an amount of Kshs.935,337,726 in respect of use of goods and services. During the year the County Executive made a payment totalling Kshs.9,860,140 to a contractor towards construction of a County fuel station in Isiolo Town. However, the Environmental Impact

Assessment (EIA), the needs assessment that justified the construction of the facility, mechanical engineer's drawings specifying materials and designs and proof of land ownership or a duly executed lease agreement were not provided for audit review.

In the circumstances, the regularity and completeness of the expenditure of Kshs.9,860,540 on the construction of the fuel station could not be confirmed.

261. Unsupported Expenditure on Governors Cup Tournament

The Department for Education, Youth and Sports, Gender, Culture and Social Services paid an amount of Kshs.1,319,000 to facilitate a Governor's cup tournament held in Isiolo Town. However, no imprest warrant was issued contrary to Regulation 93(1) of Public Finance Management (County Governments) Regulations, 2015 which requires an imprest to be issued for specific purpose. Further, the payment was not supported by approved budget breakdown and details of the participating teams and the venues were not provided for review. In addition, an amount of Kshs.532,000 was paid to nineteen (19) individuals who were not County staff members at a rate of Ksh.28,000 per person. No explanation was provided for paying non-staff individuals.

In the circumstances, the regularity and completeness of the payment amounting to Kshs.1,319,000 could not be confirmed.

Emphasis of Matter

262. Delayed Exchequer Disbursements

The statement of financial performance and Note 6 to the financial statements reflect transfers from County Revenue Fund (CRF) amount of Kshs.4,661,625,171. However, transfers amounting to Kshs.812,378,638 or 17% of the total transfers was received during the last week of June, 2025.

The late disbursement of funds may have disrupted the execution of planned projects and activities, thereby negatively impacting service delivery to the public.

263. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget of Kshs.6,235,553,233 against the actual receipts of Kshs.4,843,949,289, resulting in an under-funding of Kshs.1,391,603,944 or 22% of the approved budget. Further, the County spent an amount of Kshs.4,068,100,314 against actual receipts of Kshs.4,843,949,289, resulting in under-utilization of Kshs.775,848,975 or 16% of the actual receipts.

This under-funding and underutilization affected the implementation of the County's planned programmes and may have impacted negatively on the delivery of essential services to the public.

My opinion is not modified in respect of these matters.

Other Matter

264. Unresolved Prior Year's Matters

In the previous year's audit report, several issues were raised under Report on Financial Statements, Report on 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 (20) matters remained unresolved as listed at the end of this report.

Other Information

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

266. Delay in Completion of Works in the Upgrade of Isiolo Abattoir

The statement of financial performance and Note 11 to the financial statement reflect transfers to other Government entities amount of Kshs.885,484,501. Included in the amount are transfers to other County Government entities of Kshs.132,523,819, out of which an amount of Kshs.12,289,655 was paid on 20 December, 2024 for the upgrading of Isiolo Abattoir to International Export Standards. The project with a cost of Kshs.169,746,482, began on 28 March, 2023, and was initially expected to be completed on 10 June, 2023. Review of documents revealed that two (2) project extensions, the first from 9 June, 2023 to 31 August, 2023 and the second from 29 August, 2023 to 30 November, 2023. However, physical inspection carried out on 14 August, 2025, six hundred and thirteen (613) days after the upgrading works commenced, revealed that construction works was still ongoing and project remain incomplete.

Further, the payment of Kshs.12,289,655 made in the year under review, includes an amount of Kshs.1,441,164 withheld as retention. However, review of the retention bank account revealed that no retention amount was held.

In the circumstances, the value for money on the expenditure of Ksh.12,289,655 incurred on the project could not be confirmed.

267. Failure to Transfer Statutory Functions and Resources to Isiolo Municipality

The Isiolo Municipality was granted a Municipal Charter effective 1 July, 2019, through Gazette Notice dated 10 July, 2019, thereby transferring specified municipal functions and operational authority from the County Government of Isiolo to the Municipality. However, available information revealed that, more than seven (7) years after the Charter came into effect, the County Executive had not fully operationalized the Municipality in accordance with the Urban Areas and Cities Act, 2011 (Revised 2019), as follows:

(i) The Municipality's budget for the year under review was prepared and controlled by the County Executive, and there was no evidence of budget approval or appropriation by the Municipal Board as required under Sections 20 and 21 of the Urban Areas and Cities Act. Except for Municipal's project account with joint signatories, all expenditures were controlled by the County Treasury.

(ii) The County Executive did not transfer approved allocations for the Municipality for the financial year 2024/2025 totalling Kshs.145,579,859 comprising administrative expenditure, capital transfers under Kenya Urban Support Program – Urban Institutional Grant (KUSP-UIG), and capital transfers under Kenya Urban Support Program – Urban Development Grant (KUSP-UDG) amounts of Kshs.46,918,661, Kshs.35,000,000 and Kshs.63,882,198 respectively.

(iii) The County Executive did not demonstrate that human or physical resources were transferred to enable the Municipality perform the functions assigned under the Charter. This was contrary to Section 15(2)(a) and (c) of the Urban Areas and Cities Act, 2011.

(iv) Several functions legally transferred to the Municipality continued to be performed by the County Executive, including garbage collection and solid waste management, storm drainage and flood control, street lighting, maintenance of urban roads, market management, fire and disaster services, animal control, and municipal planning and administration. This was contrary to the Municipal Charter and Section 20(2) of the Act, which require municipalities to independently manage assigned services.

(v) Isiolo Municipality's financial statements revealed that the County Executive made payments totalling Kshs.31,567,374 on its behalf, rather than transferring funds to the Municipality to execute its own mandated functions.

In the circumstances, the County Executive was in breach of the law.

268. Irregular Payments to the Council of Governors

During the year under review, Management made payments totalling Kshs.4,000,000 as subscription fees to the Council of Governors. However, the expenditure is not provided for in the approved County Executive's budget. Further, no justification was provided by Management for incurring expenditure on a function that constitutionally falls under the National Government. This was contrary to Section 37(b) of the Intergovernmental Relations Act, 2012, which requires that operational expenses of the Council of Governors 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.

269. Irregular Splitting of Procurement of Motor Vehicle Insurance Services

Review of procurement records revealed that the County Executive entered into a contract with an insurance company for the provision of motor vehicle insurance services

at a contract sum of Kshs.4,200,000. However, the procurement was irregularly split into three separate quotation requests, each below the amount of Kshs.3,000,000 threshold, in order to avoid the open tendering process. This was contrary to Section 91(1) of the Public Procurement and Asset Disposal Act, 2015, which provides that open tendering is the preferred method of procurement for goods and services whose value exceeds the prescribed threshold.

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

270. Non-Compliance with Procurement Disclosure and Reporting Requirements

Review of procurement processes for the year under review revealed that Management did not publish all awarded contracts on the Public Procurement Information Portal (PPIP) as required. This was contrary to Executive Order No. 2 of 2018 and Circular Ref. No. OP/CAB 39/1A dated 28 June, 2018, which mandates all public entities to publish contract awards in the prescribed format and manner.

Further, the County Executive did not provide the mandatory Biannual Reports to the Public Procurement Regulatory Authority (PPRA) detailing contract awards to youth, women, and persons with disabilities. This was contrary to Section 157(10), (12), and (13) of the Public Procurement and Asset Disposal Act, 2015, which require reporting, disclosure, and certification of compliance with the preference and reservation framework.

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

271. Late Commitments of Goods, Works and Services

Review of Integrated Financial Management Information System (IFMIS) purchase order data revealed that the County Executive awarded sixty-two (62) contracts totalling Kshs.321,028,837 for the supply of goods and services after 31 May, 2025. This was contrary to Regulation 50(1) of the Public Finance Management (County Governments) Regulations, 2015, which requires that all commitments for the supply of goods and services be made not later than 31 May of each financial year.

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

272. Irregularities in Human Resource Management

272.1. Irregular Retention of Employees Beyond Mandatory Retirement Age

Review of the Human Resource Information System (HRIS) payroll for June, 2025 revealed that thirty-three (33) employees and four (4) County advisors were over sixty (60) years of age, which is beyond the mandatory retirement age. This was contrary to Section 80(10) (a) and (b) of the Public Service Commission Act, 2017 which requires an officer to retire from the service with effect from the date of attaining age. The affected employees collectively earned a gross salary of Kshs.3,722,048 in the month of June, 2025.

Further, four (4) of the affected staff serving as directors in job group R, who were also serving beyond the mandatory retirement age, no documentary evidence was provided to define their roles, responsibilities and job description of their positions they occupy.

272.2. Irregular Engagement of Advisors

Review of payroll and human resource records as at 30 June, 2025 revealed that the County Executive had engaged thirteen (13) advisors across various functions. This was contrary to the Salaries and Remuneration Commission (SRC) Circular Ref. SRC/TS/CGOVT/3/16 dated 29 July, 2013, which limits the number of advisors to a maximum of four (4). As previously reported, no documentary evidence was provided to demonstrate how the County Public Service Board established the additional nine (9) advisor positions and there was no evidence that a proposal for their creation was submitted to the County Assembly for approval through the County Executive Committee Member responsible for the County Public Service, as required.

272.3. Irregular Payment of Leave Allowance

Review of the payroll for the year under review revealed that one hundred and three (103) employees were paid leave allowance above the maximum leave allowance of Kshs.10,000 resulting in payment of irregular leave allowance totalling Kshs.4,006,207. This was contrary to SRC Circular SRC/TS/TA/3/10 (86) that entitles a maximum leave allowance amount of Ksh.10,000 to employees on job group P and above, contrary to SRC Guidelines.

272.4. Irregular Payment of Extraneous Allowance

Review of payroll data for the year under review revealed that an amount of Kshs.8,730,050 was paid as extraneous allowance which is not prescribed by any circular or guidance by the Salaries and Remuneration Commission (SRC).

Further, letters of assignment or deployment indicating that the recipients were performing duties beyond their normal responsibilities were not provided for audit verification. This was contrary to Article 230 of the Constitution of Kenya that gives the SRC the power to set remuneration and benefits to National and County Government's public officers.

272.5. Irregular Recruitment of County Staff

During the year under review, the County Public Service Board (CPSB) recruited a total of eighty-six (86) staff members for various positions. However, key supporting documents including minutes of CPSB meetings approving the recruitments, job advertisements, shortlisting criteria, and evaluation or scoring records by the recruitment committee were not provided for audit review.

Further, review of the County Annual Development Plan (ADP) and approved budget for the year revealed that there was no provision for recruitment activities, either in planning or in financial allocation.

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

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

Review of the payroll records provided for audit revealed that on different months, various employees had deductions that were more than two-thirds of their basic pay. This was contrary to the provisions of Section 19(3) of the Employment Act, 2007 which states that the total amount of all deductions that 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.

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

Review of June, 2025 payroll revealed that the County Executive had a total of one thousand, seven hundred and six (1,706) employees out of whom seven hundred and ninety-one (791) or approximately 46% were from one ethnic community. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 that states 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.

275. Stalled Projects

275.1. Construction of Isiolo Municipal Stadium Phase I

As previously reported, the County Executive engaged a local contractor during the 2018/2019 financial year for the construction of Isiolo Municipal Stadium at a contract sum of Kshs.345,998,315. The project commenced in May, 2019 with an expected completion date of December, 2020, for a period of twenty (20) months. However, as at 30 June, 2022, the project had stalled following its suspension to pave way for investigations. By time of suspension, the contractor had been paid an amount of Kshs.231,622,838, representing 66.9% of the contract amount. According to the Ministry of Public Works, the physical completion of the project was estimated at 67%. Physical inspection conducted on 11 August, 2025 confirmed that no construction activities were ongoing at the site, as the contractor was not on site. The project therefore remains incomplete with no evidence of resumption of works.

275.2. Proposed Construction of Isiolo County Headquarters

As previously reported, the National Government, through the State Department for Public Works, in collaboration with the County Government of Isiolo, commenced the construction of Isiolo County Headquarters on 4 March, 2019. The project was initially valued at Kshs.870,700,000 but was subsequently revised downwards to Kshs.556,900,000 in accordance with applicable Government guidelines. However, despite the lapse of approximately seventy-eight (78) months (or over six years) since the project began, the project remains incomplete and stalled. As at the time of audit in

August, 2025, only an amount of Kshs.180,400,000 had been paid, representing 32% of the revised contract sum. Physical verification conducted on 11 August, 2025 revealed that no construction activities were ongoing and the contractor was not on site.

275.3. Delayed Completion of Isiolo Municipality Market

As previously reported, the County Executive entered into a contract with a local contractor on 25 June, 2018, for the construction of a modern market, at a contract sum of Kshs.545,211,810. A total amount of Kshs.366,626,237 or 67% of the contract sum, had been paid to the contractor and a progress report indicated 80% completion level.

Physical inspection conducted on 11 August, 2025, which was more than seven (7) years after the contract was signed and thirty-two (32) months after the lapse of the revised project completion date of December, 2022, revealed that the project remained incomplete with no construction activities underway and the contractor was not on site. No justification was provided by Management for the prolonged delays and failure to complete the project. This was contrary to Section 149(1)(b) of the Public Finance Management Act, 2012 that requires an Accounting Officer to be accountable in ensuring that the resources of the entity are used in a way that is effective and efficient.

In the circumstances, the public may not receive value for money from funds already spent on the projects.

276. Irregularities in Imprest Management

276.1. Irregular Issuance of Multiple Imprests

Review of the imprest register maintained by the County Executive revealed that two (2) officers that were issued with multiple imprests amounting to Kshs.8,410,300 issued to one (1) officer totalling Kshs.1,134,200 and to another officer totalling Kshs.7,276,100. This was contrary to Regulations 93(4)(b) of Public Finance Management (County Governments) Regulations, 2015 which provides that the Accounting Officer should ensure that the applicant has no outstanding imprests. No explanation was provided why the officers were issued with multiple imprest before surrender of earlier imprests.

276.2. Irregular Imprest Utilization for Garbatulla Land Adjudication Exercise

The County Executive paid an amount of Kshs.3,951,700 for facilitation of the Garbatulla land adjudication exercise and issuance of allotment letters by the National Land Commission in Isiolo Township using temporary imprest. Review of the surrender documents revealed that an amount of Kshs.3,310,750 was issued as imprest to various County staff and National Government land experts who participated in the exercise for fourteen (14) days. However, no daily attendance sheets signed by the participants were not provided to confirm their presence throughout the 14 days, making it difficult to verify whether all individuals were present and eligible for the facilitation allowances paid. An additional amount of Kshs.372,650 was spent on the direct procurement of stationery items which were not taken on charge, recorded in stores documents or supported with records.

276.3. Irregular Issuance of Imprest and Direct Procurement for Peace Dialogue Activities

Review of records revealed that an imprest amounting to Kshs.1,200,000 was issued for facilitation of the Inter-grazing Committee Peace Dialogues on resource sharing at Daaba on 9 September, 2024. However, review of the surrender documents revealed that the imprest was approved and paid on 18 September, 2024, which was nine (9) days after the event had taken place. Despite the timing, the payment was processed as an imprest instead of being recorded as a claim. The anomalies were not explained. Further, an amount of Kshs.300,000 was paid to a local supplier for the supply of tents and refreshments. These services were procured directly without competitive tender process, contrary to Section 91(1) of the Public Procurement and Asset Disposal Act, 2015, which requires open tendering as the preferred method of procurement for goods and services above the prescribed threshold.

276.4. Irregular Payment for Personnel and Payroll Data Cleaning

The County Executive issued an imprest totalling Kshs.3,124,800 to facilitate personnel and payroll data cleaning for County Government staff Mombasa, from 17 February, 2025 to 25 February, 2025. However, two (2) staff did not sign the attendance list on date 17 and 18 February, 2025 and the attendance lists for dates 23, 24, and 25 February, 2025 were not provided for audit review.

Further, the County Executive paid per diem totalling Kshs.536,000 to three (3) facilitators from a Government Institution based in Mombasa. Their specific role in the data cleaning exercise was not defined, and no justification was provided for paying them imprests while at their duty station. This was contrary to SRC circular Ref.No.SCR/ADM/11/(156) dated August 2023 on payment of daily subsistence allowance which states that payment of daily subsistence allowance shall not be payable for a location within a radius of 50km of the affected duty station of the respective officers.

In the circumstances, the regularity of the payments totalling Kshs.16,881,850 could not be confirmed.

277. Undelivered Office Equipment and Computers

The statement of financial performance and Note 10 to the financial statement reflect use of goods and services amounting to Kshs.935,337,726. Included in the amount is other operating expenses totalling Kshs.89,441,968. The County Executive through the Department for Agriculture, Land, and Physical Planning, engaged a contractor through a Request for Quotation (RFQ) to renovate and equip an office at Isiolo Fishery Farm at contract sum of Kshs.1,999,654. Further, the Bills of Quantities included four (4) executive high-back chairs costing Ksh.60,000, fifteen (15) visitors' chairs at a total cost of Ksh.15,000, four (4) three-drawer metallic filing cabinets at a total cost of Ksh.80,000, two desktop computers valued at Kshs.102,000, and two laptops valued at Kshs.220,000 all totalling Kshs.477,000. However, none of these items had been delivered as at the time of the audit inspection on 7 August, 2025.

In the circumstances, the value for money on equipment and computers expenditure of Kshs.477,000 could not be confirmed.

278. Unutilized Hatchery Equipment Project

The statement of financial performance and Note 10 to the financial statement reflect use of goods and services amounting to Kshs.935,337,726. Included in the amount is other operating expenses totalling to Kshs.89,441,968. The County Government, through the Department for Fisheries Development, engaged a contractor for the supply and installation of hatchery equipment and rehabilitation of the fisheries pump at a contract sum of Kshs.2,498,917. However, audit inspection carried out on 7 August, 2025 revealed the hatchery was not operational. Further, Inspection and Acceptance report was not provided to confirm that the goods and services delivered met the required specifications. In addition, Bill of Quantities required supply of one standby generator at a cost of Kshs.50,000. However, the generator had not been delivered as at the time of the verification.

In the circumstances, the value for money on the expenditure of Kshs.2,498,917 included in the project could not be confirmed.

279. Delayed Upgrading of Ola Jarole Kachewa Road

The statement of financial position and Note 26 to the financial statements reflect property, plant, and equipment balance of Kshs.18,866,554,912, which includes Work in Progress additions of Kshs.18,031,167. This amount was the first payment paid to a company for the construction of Ola Jarole-Kachewa Road to bitumen standards. The procurement was awarded on 12 May, 2025 with a contract duration of nine (9) months and contract sum of Kshs.180,311,676. However, physical verification of the project on 7 August, 2025 approximately three (3) months, or 33% of project's duration revealed that the estimated progress of works was only about 10% an indication of significant delays in project implementation. Review of the revised or supplementary budget further revealed that the County Executive had allocated an amount of Kshs.90,074,590 for the construction of bitumen standard roads during the year. The allocation is insufficient to fully fund the nine months project valued at Kshs.180,311,676 resulting in a budget deficit of Kshs.90,237,086.

In the circumstances, the value for money on the expenditure of Kshs.18,031,167 incurred on the project could not be confirmed.

280. Irregular Procurement of Ambulances

The statement of financial position and Note 26 to the financial statements reflect property, plant and equipment balance of Kshs.18,866,554,912, which include motor vehicles balance of Kshs.400,752,524. Review of payment documents, cash book, and bank statements revealed that during the financial year the County Executive incurred an expenditure of Kshs.32,000,000 on the purchase of three (3) ambulances. However, examination of procurement records related to the supply and delivery of the ambulances revealed that none of the bidders submitted the required two (2) copies of the tender

documents (original and copy), yet the evaluation minutes indicated that all bidders complied.

Further, no individual evaluation score sheets of evaluators were provided to support the award decision. In addition, there was no signed contract agreement, contrary to Section 135 of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, the value for money on the expenditure of Kshs.32,000,000 on motor vehicles acquisition could not be confirmed.

281. Failure to Fully Implement e-Procurement Processes

Review of procurement processes by the County Executive during the year under review revealed instances of procurement activities being conducted outside the Integrated Financial Information System (IFMIS) e-procurement module as required. Specifically, the tender requisitions and advertisements, opening of tenders, tenders' evaluation and award of contracts were conducted manually. This was contrary to Regulation 49(2) of the Public Procurement and Asset Disposal Regulations, 2020, and the Executive Order No. 2 of 2018, which required full implementation and use of the e-procurement system for all public procurement transactions.

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

282. Long Outstanding Trade and Other Payables Balance

The statement of financial position reflects trade and other payables balance of Kshs.985,147,345 as disclosed in Note 32 to the financial statements. Out of this balance, trade and other payables amounting to Kshs.364,159,486 or 36% have been outstanding for over two (2) years. The payables were not paid as a first charge in the financial year 2024/2025. 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.

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

283. Non-Remittance of Statutory Deductions

Review of records revealed that the County Executive did not remit statutory and pension deductions amounting to Kshs.27,754,937, Kshs.10,462,150 and Kshs.39,725,361 to LAPFUND, National Social Security Fund (NSSF) and LAPTRUST, Pension Trust, respectively. This was contrary to Section 19(1) and (6) of the Employment Act, 2007, which requires employers to remit statutory deductions to the respective agencies within the prescribed timelines. As a result, the County Executive may incur additional and avoidable costs of interest and penalties due to delay in settling the long outstanding debts.

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

284. Failure to Adhere to Rental Lease Agreement

The statement of financial performance and Note 10 to the financial statements reflect use of goods and services amounting to Kshs.935,337,726. Included in the amount is an expenditure on rental of produced assets totalling Kshs.49,621,250. During the year under review, the County Government paid a total amount of Kshs.3,712,000 to a landlord for rent of premises housing the Department for Youth, Sports and Talent at Desert Trail Building, covering the period from October, 2024 to January, 2025. The payment comprised of an amount of Kshs.1,856,000 for two (2) office blocks and a warehouse, and Kshs.1,856,000 for two (2) office blocks and a multipurpose complex shed. However, the lease agreement dated 4 April, 2022 provided for audit only makes reference to office space and a warehouse. No amended lease agreement addendum or formal documentation was provided to support the expanded scope of leased premises.

In the above circumstances, the regularity and value for money of the additional rental expenditure of Kshs.1,856,000 could not be confirmed.

285. Non-Compliance in Procurement and Asset Disposal Planning

Review of the Procurement Plan for the year under review revealed the following non-compliance issues:

(i) The Procurement Plan was not prepared in the prescribed format provided in the third Schedule of the Public Procurement and Asset Disposal Regulations, 2020. Descriptions of the goods being procured, procurement methods for items, planned dates of execution and current status of items procured was not included in the plan.

(ii) The Procurement Plan was not signed by the Head of Procurement Unit and was not approved by the County Executive Committee Member for Finance as required by the Third Schedule of the Public Procurement and Asset Disposal Regulations, 2020.

(iii) The Procurement Plan did not include and consider a minimum of 30% of the annual procurement plan being reserved for women, youth, persons with disabilities and other disadvantaged groups. This was contrary to Regulation 149 of the Public Procurement and Asset Disposal Regulations, 2020 which requires a procurement entity to allocate at least 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.

(iv) No evidence was provided to show there was stakeholder consultation during the development of the plan. Further, no needs assessments, approvals, minutes and justifications for the planned procurement were provided for review.

(v) During the year under review a supplementary budget was passed and an increment was approved for procurement of goods and services. However, the procurement plan was not updated to reflect the changes in the County budget.

(vi) There was no evidence provided to confirm that Chief Officers of all departments of the County Executive conducted quarterly reviews of the procurement plan and reported on the implementation of the plan to the County Executive Member of 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 a quarterly report on the implementation of a procurement plan and submit it to the county executive committee member for finance.

(vii) The County did not have an Asset Disposal Plan for the year under review.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

286. Lack of Asset Management Unit

Review of asset management records revealed that the County Executive had not established an Asset Management unit responsible for overseeing asset. Consequently, there were no documented systems or designated officers accountable for planning, acquisition, tracking, maintenance, storage, safeguarding of assets, disposal of obsolete or unusable assets and, preparation and maintenance of comprehensive asset register.

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

287. Weaknesses in Internal Controls Related to Management of County Vehicles

As disclosed in Note 10 to the financial statements, the County Executive spent Kshs.9,591,989 on routine maintenance of vehicles and other transport equipment. Review of the County Executive's vehicle fleet management revealed that the County did not have a fleet management system in place to support planning, coordination, and monitoring of vehicle usage and movements, no motor vehicle fleet status list indicating the condition of each vehicle for the year under review was provided, and motor vehicle management was not centralized under the Transport Officer, resulting in gaps in oversight and internal controls.

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

288. Inadequate Security and Safety Controls at the County Information and Communication Technology Data Centre

Audit inspection of the County Executive's ICT Data Centre revealed significant infrastructure and security weaknesses, including lack of proper network cable management, absence of fire suppression systems or fire extinguishers, and poor ventilation, despite the room hosting critical County servers. Additionally, the facility was secured with a basic, easily breakable lock and lacked adequate access control mechanisms, making it susceptible to unauthorized access.

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

289. Weaknesses in Drug Inventory Management at Isiolo County Referral Hospital

Review of the Integrated Financial Management Information System (IFMIS) payment records for the year under review revealed that the Department for Health procured medical drugs worth Kshs.150,496,019, while Kenya Medical Supplies Authority (KEMSA) records indicated that Isiolo County Referral Hospital received drugs worth Kshs.18,712,036 during the year. The Hospital uses an automated management system to manage pharmacy and store operations. However, attempts to generate an annual report from the system were unsuccessful due to system incompleteness, and the system did not provide comprehensive records of drug receipts and issues for the year. This limitation hindered reconciliation with KEMSA supply data compromising audit verification.

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

290. Weaknesses in Management of Medical Insurance

During the year under review, the County Executive engaged an insurance company to provide medical insurance cover at a contract sum of Kshs.120,508,279 and group life, personal accident plus work injury benefits covers at a contract sum of Kshs.14,965,831, and a total of Ksh.104,408,646 was paid to the insurance company. However, review of the procurement and contract records revealed that a schedule from the insurer detailing the number of staff covered and the applicable premium rate per category of staff was not provided for audit, hence the basis on which the total contract sum was determined could not be confirmed. Further, the County Government did not provide evidence that it had verified the eligibility of the insurance company by obtaining a valid license from the Insurance Regulatory Authority authorizing it to provide medical insurance cover. In addition, details of the approved hospitals and medical facilities under the medical scheme were not provided for audit.

The County Executive staff payrolls also indicated that the total number of staff was one thousand, seven hundred and seven (1,707). However, only one thousand six hundred and twenty-eight (1,628) were covered and Management did not provide criteria on how the covered staff members were identified and selected. Further, the County Executive

recruited eighty-six (86) additional employees during the year, but no evidence was provided to confirm that the new staff were enrolled in the insurance cover.

In the circumstances, the effectiveness of internal controls relating to the management of the medical insurance cover could not be confirmed.

291. Ineffective Internal Audit Function

291.1. Lack of Audit Committee

Review of the County's governance structure revealed that the internal function unit lacked functional independence due to lack of an Audit Committee. This was contrary to Section 155(1) of the Public Finance Management (County Governments) Regulations, 2015, which provides that the Head of Internal Audit shall report administratively to the Accounting Officer and functionally to the Audit Committee to ensure operational independence.

291.2. Lack of an Audit Management System

The internal audit function was not supported by an audit management system or modern analytical tool. The limitations significantly hindered its ability to conduct efficient, risk-based audits and to offer independent and objective assurance on internal controls, risk management and governance.

291.3. Lack of Access to Integrated Financial Management Information System

The internal audit function did not have access to the Integrated Financial Management Information System (IFMIS) a core system in the processing of financial transactions. This restricted the unit's ability to monitor and review financial transactions in real-time, thereby compromising its oversight effectiveness.

291.4. Lack of an Internal Audit Annual Review

There was no evidence that an annual review had been conducted on the independence, performance, and competence of the Internal Audit Function. This was contrary to Regulation 159(2) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Audit Committee to undertake such reviews and provide commentary in its annual report.

291.5. Lack of Implementation of Internal Audit Recommendations

Management did not demonstrate action on the findings and recommendations issued by the Internal audit function. The absence of follow-up mechanisms raises concerns about the effectiveness and impact of internal audit work in improving governance and accountability.

291.6. Understaffing of the Internal Audit Function

The County Executive's Internal Audit function had only two (2) members of staff, the Head of Internal Audit and one Principal Internal Auditor. The limited human resources constrained the unit's ability to cover the broad range of County operations and to provide timely assurance services.

In the circumstances, the effectiveness of the internal audit function in delivering on its mandate could not be confirmed.

292. Lapse of Contract for the County Executive Committee Member for Education

Review of payroll and personal records revealed that the contract of the County Executive Committee (CEC) Member for Education, Youth, Sports, Culture, and Social Services lapsed on 9 October, 2024, and no evidence of renewal or extension was provided. As at the time of audit in August, 2025, the position remained vacant.

In the circumstances, the effectiveness of governance and decision-making in the relevant Department could not be confirmed.

293. Anomalies in Migration from Integrated Payroll and Personnel Database to Human Resource Information System

The County Government of Isiolo adopted Human Resource Information System (HRIS-Ke) with effect from December, 2024. Comparison of IPPD data for November, 2024 HRIS-Ke December, 2024 data revealed the following inconsistencies:

293.1. Job-Group Changes

During the transition, job group for one (1) employee disignated as Director of Administration was irregularly changed from job group Q to P. No explanation or authorization for the change was provided for audit verification.

293.2. Underpayment of Basic Salary

The total basic salary paid in November, 2024 was Kshs.80,883,049 while the amount paid in December, 2024 was Kshs.75,628,397 reflecting an unexplained reduction of Kshs.4,275,421. Further, a total of one thousand, five hundred and seventy-two (1,572) employees were underpaid their basic salaries despite maintaining the same job groups as in the previous month indicating inconsistencies in payroll processing during the migration to HRIS-Ke.

293.3. Variance in Payment of Health Workers' Extraneous Allowance

Two hundred and fifty-one (251) employees were paid health workers' extraneous allowance amounting to Kshs.6,208,000 in November, 2024. In December, 2024, the same category of officers received only Kshs.3,620,000 resulting in a variance of Kshs.2,588,000. No explanation or justification for the reduction was provided for audit review.

293.4. Inconsistencies in the Number of Employees in the New System

The total number of employees appearing in November, 2024 IPPD payroll was one thousand, seven hundred and twelve (1,712) employees, while the December, 2024 HRIS payroll had one thousand, six hundred and ninety-eight (1,698) employees, resulting in an unexplained variance of fourteen (14) employees.

293.5. Unauthorized New Employees Added in the Payroll

Three (3) new employees comprising of an accountant, an enrolled nurse and an assistant game warden, who did not appear in the November, 2024 IPPD payroll were included in the December, 2024 HRIS-Ke payroll. A total gross salary of Kshs.233,788 was paid to these employees. However, no explanation was provided to justify their inclusion in the payroll during the system transition.

In the circumstances, the effectiveness of internal controls on payroll management and the actual status of staff composition and profiles for the County Executive could not be confirmed.

List of Prior Year's Audit Issues

No.	Audit Issues for 2023/2024
1	Long Outstanding Pending Accounts Payables
2	Inaccuracies in the Asset Register
3	Lack of Land Ownership Documents
4	Office Equipment, Furniture, and Fittings
5	ICT Equipment
6	Machinery and Equipment
7	Budgetary Controls and Performance
8	Regularity of Human Resource Management Practices
9	Regularity of Procurement and Award of Contracts
10	Irregularities in Imprest Management
11	Stalled Projects
12	Anomalies in Projects Implementation
13	Proposed Construction of Accident and Emergency Centre at Isiolo County Referral Hospital
14	Non-Preparation and Submission Financial Statements
15	Delay in Completion of Construction of Isiolo Fire station
16	Project Implementation Status
17	Irregular Allowances for Land Adjudication Process
18	Failure to Adhere to Guidelines on Migration to New Accounting Framework
19	Improper Management and Control of Motor Vehicles
20	Understaffing in Internal Audit Unit

COUNTY EXECUTIVE OF MERU – NO.12

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

294. Payment of Undisclosed Legal Fees

The statement of financial performance reflect use of goods and services amount of Kshs.1,585,636,068 which as disclosed in Note 10 to the financial statements includes other operating expenses amount of Kshs.310,276,980. The latter amount further, includes legal payments totalling Kshs.140,507,214 out of which an amount of Kshs.100,000,000 related to part payment of a contingent liability of Kshs.756,757,420 disclosed in the previous audit report. However, Management did not retain withholding tax from the advocate's payment as required by law.

Further, payments totalling Kshs.40,507,214 in respect of legal cases were not disclosed in the financial records. The expenditures were not budgeted for and no explanation was provided on how such unapproved and unplanned expenditure was processed and paid.

In addition, details of the court cases, fee requisitions indicating amount, taxed amount, the amount paid, unpaid balances and status of the cases were not provided for audit.

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

295. Unsupported Transfers to Other Government Entities

The statement of financial performance reflects transfers to other government entities amount of Kshs.766,771,028 which includes Facility Improvement Fund (FIF) amount of Kshs.108,648,141 and transfers to other county government entities amount of Kshs.529,412,779 as disclosed in Note 11 to the financial statements. The transfers amount of Kshs.529,412,779 further includes Donor (DANIDA) funds amount of Kshs.29,495,006 also transferred to primary healthcare facilities. However, Authority to Incur Expenditure (AIEs), payment vouchers, stores receipts vouchers (S13) and project implementation status reports were not provided for audit.

Further, various medical services, key personnel and equipment in the hospitals, the staffing levels, the equipment at the facilities as prescribed by the Kenya Quality Model for Health Policy Guidelines, bank reconciliation statements and reimbursements amount on claims from Social Health Authority (SHA) and Social Fund Health Insurance (SHIF) were not provided for audit.

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

296. Unreconciled Long Outstanding Refund on Borrowing

The statement of financial position and as disclosed in Note 15 to the financial statements reflect receivables from non-exchange transactions balance of Kshs.1,650,794,342 which excluded borrowings by Meru Micro-finance Corporation totalling Kshs.1,400,000.

Review of debtors' records revealed that the amount was borrowed from the County Executive to facilitate payment of salaries for the Corporation's employees in March, 2018. However, no satisfactory explanation was given on why the debt was remained unsettled as at 30 June, 2025.

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

297. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.3,415,572,399, as disclosed in Note 17 to the financial statements. However, the supporting ledgers reflected a balance of Kshs.3,428,210,299 resulting in a variance of Kshs.12,837,900. Further, review of payables records provided for audit revealed that the County Executive submitted to the Controller of Budget, payables totalling Kshs.1,741,933,778, resulting in another unreconciled and unexplained variance of Kshs.1,673,638,621.

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

298. Unreconciled Kenya Medical Supplies Authority Debt

The statement of financial position reflects trade and other payables balance of Kshs.3,415,572,399. As disclosed in Note 17 to the financial statements, the balance of trade and other payables includes payables to Kenya Medical Supplies Authority of Kshs.43,412,108 for the supply of drugs and medical supplies. However, the Authority's records reflects a balance of Kshs.105,367,569, resulting in an unreconciled and unexplained variance of Kshs.61,955,461.

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

299. Outstanding Retentions and Deposits Refund

The statement of financial position and as disclosed in Note 18 to the financial statements reflect refundable deposits and prepayments balance of Kshs.89,224,553. The balance is in respect of retention money withheld by the County Executive which should be maintained in a designated deposit account. The opening balance reflects a balance of Kshs.86,843,700 and the County Executive procured capital projects totalling Kshs.705,357,090 as reflected in the statement of cash flows. However, the movement in the refundable deposits during the year was not disclosed in the Notes to the financial statements. Further, the deposit bank account revealed a closing balance of Kshs.40,824,224, resulting in an unexplained and unreconciled variance of Kshs.48,400,329.

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

300. Unexplained Voided Transactions

Analysis of the Integrated Financial Management Information System (IFMIS) payments indicated that four hundred and ninety-six (496) transactions with a value of Kshs.766,804,548 were voided during the year under review. However, Management did not provide a reconciliation to confirm whether the voided transactions were subsequently paid and that the Controller of Budget was notified of the voided transactions.

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

Emphasis of Matter

301. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.12,452,916,563 and Kshs.9,054,751,662 respectively, resulting in an under-funding of Kshs.3,398,164,901 or 27% of the budget. However, the County Executive spent an amount of Kshs.8,241,985,043 against actual receipts of Kshs.9,054,751,662 resulting in an under-utilization of Kshs.812,766,619 or 9% 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

302. Unresolved Prior Year Audit Matters

In the previous year's audit report, 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 in 2024/2025 revealed that thirty-seven matters as listed at the end of this report remained unresolved as at 30 June, 2025.

Other Information

There were no material issues relating to Other Information.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

303. Delayed Passing of the Budget by the County Assembly

Review of the budget process revealed that the County Assembly of Meru did not approve the County Government's annual budget estimates within the statutory deadline of

30 June, as required under the Public Finance Management Act, 2012. The budget was instead passed on 13 August, 2024. This was contrary to Section 129(7) of the Public Finance Management Act, 2012, which requires timely approval of budget estimates to ensure the smooth commencement of government operations at the start of each financial year. The County Treasury is also obligated to submit the estimates in good time to facilitate adequate review and deliberation.

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

304. Delayed Disbursement of Exchequer Releases

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

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

305. Non-Compliance with Fiscal Responsibility Principles on Development Expenditure

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

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

306. Projects Implementation Status

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

306.1. Overlapping Scope between Works done by Mechanical Transport Fund and Contractors

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

306.2. Incomplete Works at Timau Stadium

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

306.3. Incomplete Execution of Low Voltage Board Works at Kanyakine Hospital

The County Executive through the Department for Health awarded a contract for supply, installation and commissioning of low voltage board at Kanyakine Sub-County Hospital to a local contractor through an open national tender. The contract agreement was signed on 2 May, 2023 for a contract sum of Kshs.8,958,007. Two (2) certificates of payment were raised with the second and final payment of Kshs.1,861,026 paid on 30 September, 2024. However, physical inspection at the Hospital in June, 2025 revealed that the board had been mounted but there was no evidence of connection to the power supply system.

Further, test reports and commissioning certificates to confirm that commissioning activities had been carried out were not provided for audit. This resulted in the Hospital relying on outdated electrical infrastructure. In addition, procurement documents were not provided for audit.

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

307. Failure to Utilise Completed Projects

307.1. Ablution Block and Laboratory at Kenya Medical Training College - Miathene Campus

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

307.2. Kiguchwa Dispensary

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

307.3. Modern Roof Shed at Kinoro Market

The contract for construction of a modern roof shed at Kinoro Market was awarded to a local merchant at a contract sum of Kshs.1,279,619. The project inspection certificate was issued on 15 February, 2024. Physical inspection carried out in June, 2025 revealed that the works were complete. However, the market was not in use and was instead occupied by boda-boda riders. The responsible Department did not provide any explanation for the failure to operationalize the project promptly to ensure the intended economic benefits were realized.

307.4. Timau Market Roofing

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

307.5. Grill Fixing at Maritati Market

The County Executive incurred an expenditure amount of Kshs.3,120,680 for fixing grills at Maritati Market. However, the project has remained unutilized for over one year.

307.6. Alterations and Installations of Steel Grills at Marimati Perimeter Wall

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

In the circumstances, the value for money spent on projects and delivery of the intended economic and social benefits to the public could not be confirmed.

308. Delayed Proposed Construction of County Aggregation and Industrial Park

The State Department for Industry invited bids for construction of the proposed County Aggregation and Industrial Park (CAIP). Seven (7) bidders submitted their documents and the contract was awarded to a local merchant at a contract sum of Kshs.492,212,741. Review of the project file provided for audit revealed that one of the unsuccessful bidders who had quoted a contract sum of Kshs.465,320,261 was disqualified at the mechanical works evaluation stage for failing to attach sub-contractor details. However, Section 111 on evaluation and qualification criteria provided only mandatory requirements for main contractor and did not specify mandatory documentations for sub-contractors. It was therefore, not clear why the bidder who had submitted the lowest bid by Kshs.26,892,480 was disqualified. The County Executive may have prepared skewed or tailored technical specifications, resulting in unfair competition. This was contrary to Section 149(1) of the Public Finance Management Act, 2012 which requires an Accounting Officer to ensure that resources of the entity for which the officer is designated are used in a way that is effective, efficient, economical and transparent. Further, Management has since paid the contractor an amount of Kshs.478,499,999. However, the corresponding bank statement for the project was not provided for audit.

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

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

Review of contract records revealed that the County Executive entered into several procurement contracts. However, but no documentary evidence was provided to confirm that the County Executive complied with paragraph 3(1) of the Public Procurement Capacity Building Levy, Order 2023 which 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 Levy Order, 2023.

310. Non-Compliance with Fiscal Responsibility Principles on Wages

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

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

311. Irregularities in Human Resource Matters

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

311.1. Centralized Budgeting for Staff Costs

Review of employee costs revealed that the budget for staff costs for all departments was made under the vote Meru - Public Service Management and Administration (Vote 3569), yet each Department's Accounting Officer (the Chief Officer) is responsible for identifying staffing needs, preparing recruitment requests, and submitting them to the County Public Service Board (CPSB). This was contrary to Regulations 119(2) and (3) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the budgetary allocation for personnel costs shall be determined based on a detailed costing of a human capital plan of a County Government entity as approved by the responsible County Department for Public Service Management matters, the County Public Service Board and County Treasury. Regulation 3 provides that the Accounting Officer of a County Government entity shall ensure that the personnel cost of all appointees, as well as promotion and salary increase, can be met within the budgetary allocation voted for the County Government entity.

311.2. Failure to Budget and Pay Gratuity to Contracted Employees

The County Executive engaged contracted employees but did not honor the terms of the contracts as gratuity payable upon completion of the contract period was not paid. Further the terms of the contract kept on changing after every contract renewal. No explanation was given why the County Executive failed to pay or set aside funds for gratuity to the contracted employees. This was contrary to Paragraph 6.6.2 of the Employment Contract Between Meru County Public Service Board which provides that the employee and the contracted employee for the provision of services on contract shall upon successful completion of the contract the employee will be entitled to thirty (30) calendar days' wages in lieu of gratuity.

In the circumstances, Management was in breach of the employment contract.

312. Irregularities in the Human Resource System

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

312.1. Unverified Workers

Review of the data collection report from the Vendor revealed that the County Executive had a total of six thousand, two hundred and five (6,205) staff members out of which, five thousand, six hundred and twenty-eight (5,628) employees were verified leaving five hundred and seventy-seven (577) staff unaccounted for. Further, review and audit of the payroll in June, 2025 revealed a workforce of five thousand, eight hundred and fifty-seven (5,857) resulting in an unreconciled variance of one thousand, three hundred and forty-eight (1,348) between the Vendor staff numbers and the audited staff. The inconsistency in respect of the staff members' records was not explained.

312.2. Staff Under Probation for More than the Stipulated Period

Review of the payroll records revealed that an amount of Kshs.343,604,330 was paid to five hundred and ninety-eight (598) staff members who were on probation for more than one year. This was contrary to Paragraph B.16 (1) of the County Public Service Human Resource Manual, 2013 which provides that where vacancies exist in the pensionable establishment, candidates recruited to fill such vacancies shall be appointed on probation for six (6) months. No explanation was provided for the extended period on probation.

312.3. Salaries Paid to Unknown Staff

Review of sampled human resource records in the County Executive payroll revealed that an amount of Kshs.9,486,690 was paid to employees who did not offer services to the County Executive and were subsequently removed from the payroll as detailed below: -

(i) A Medical Officer was granted a four-year study leave and bonded to serve the County for four (4) years upon completion. At the time of approval, the officer had served only two (2) years. There was no evidence that the officer resumed duty after completing the study leave. Despite the lack of resumption, the officer continued to receive salary, leading to a potential loss of Kshs.9,486,690 for the four (4) years from the expected date of return date of 21 October, 2021.

(ii) The Medical Officer was posted to the County Executive by the Transitional Authority in June, 2015 and acknowledged by then County Chief Officer of Health. However, job designation remained Medical Officer Intern, Job Group L since the officer was posted. The officer's request to pursue a Masters of Medicine (Family Medicine) was approved by the County Public Service Board and released vide a letter ref: 2014005244/TY/(17) dated 29 August, 2017. The release letter being signed by the then Acting Chief officer Health. The rules governing the award of scholarship was signed by the officer on 7 September, 2017 and bonding forms were completed and signed on 25 August, 2017. The bonding period was four (4) years or Kshs.10,155,150 payable to Chief Officer for Health on behalf of the County Executive in case of breach. However, as at the time of audit in June, 2025, there was no evidence in the staff personal file confirming completion of studies, no evidence that the officer resumed duty or any payment in lieu of the bond. The last document in the personal file (data sheet) was filled and completed on 6 April, 2018. The staff was also not in the Chief Officer of Health staff returns submitted for audit and did not turn up for physical count conducted on 12 March, 2025.

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

313. Non-Compliance with the Law Staff Ethnic Composition

Review of personnel records revealed that the County Executive had five thousand, eight hundred and fifty-seven (5,857) staff out of which five thousand two hundred and twelve (5,212) representing 89% were from the dominant ethnic community in the County. This was contrary to the requirements of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community.

Further, the dominant community represented 88% of the new recruitment conducted in 2024/2025. This was contrary to Section 65(1) of the County Governments Act, 2012, which provides that in selecting candidates for appointment, the County Public Service Board shall consider the need to ensure that at least thirty percent (30%) 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.

314. Irregular Payments for Subscription

The statement of financial performance and as disclosed in Note 10 to the financial statements reflect use of goods and services amount of Kshs.1,585,636,068 which includes other operating expenses amount of Kshs.310,276,980 out of which amounts of Kshs.6,000,000 and Kshs.300,000 were paid to the Council of Governors and County Public Service Board National Consultative Forum, respectively. However, supporting documents such as legal framework, invoices and contract agreements for the basis of the payment were not provided 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 by 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.

315. Failure to Establish Sub-County (Level 4) Hospitals

The County Executive had nine (9) established Sub-counties. However, the County Executive had only established seven (7) sub–county hospitals. Further, there was no evidence to prove that the County Executive established a County Health Management Team, a Health Quality and Assurance Unit, a Health Facility Improvement Board and a Policy on transfer of unutilized pharmaceutical and non – pharmaceuticals from one health facility to another to ensure efficient stock management. This was contrary to Section 8 (1) of the Meru County Health Services Act, 2016 which provides that there shall be at least one county hospital, at least one sub–county hospital in each sub–county, and at least one health center in each ward.

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

316. Failure to Enact County Finance Act

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

317. Weaknesses in the Management of Fixed Asset

Review of the County Executive's assets register revealed that Management did not update its fixed assets register in year under review. Review of sampled procurement records and physical inspection revealed that assets acquired over several financial years, including some identified in the year under review totalling Kshs.3,959,399 had not been recorded in the assets register.

Further, Regulation 136(1) of the (County Governments), Public Finance Management Regulations, 2015 requires County Governments to maintain an updated asset register that records all fixed and movable assets. This includes tagging assets and keeping detailed records such as the cost of acquisition, asset location, and condition. Physical inspection of sampled office desks, chairs and desktops revealed that the assets were not tagged.

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

318. Lack of Approved Training Policy, Needs Assessment, and Annual Training Plan

The County Executive did not have in place an approved Training Policy, an approved Annual Training Plan, or evidence of a Training Needs Assessment (TNA). Additionally, the County's Human Resource Manual was still in draft form, which contributed to the lack of formalized training and development procedures and frameworks. This was contrary to Section H 2 (3) of the Human Resource Policies and Procedures Manual for Public Service, 2016, which requires that nomination and selection for individual and group training shall be based on prioritized training projections. The policy also requires that the approved programmes should address National, Organizational and individual goals.

In the circumstances, the effectiveness of training programmes in the County Executive could not be confirmed.

List of Unresolved Prior Year Audit Matters

No.	Audit Issues for 2023/2024
1	**Unsupported Assets**
2	Failure to Support Finance Costs
3	Long Outstanding Accounts Payable
4	Contingent Liability
5	Failure to Set Expenditure Limit on Salaries and Wages
6	Lack of an Approved Staff Establishment
7	Regional Diversity in Recruitment
8	Non-Adherence to One Third Basic Salary Requirement
9	Delayed Implementation of Second Informal Settlements Improvements Project Phase 2
10	Voided Transactions
11	Failure to Tag Fixed and Movable Assets
12	Long Outstanding Retentions and Deposits Refund
	Special Audit Report on Payroll Management, July, 2025
14	The Compensation of Employees to Revenue Ratio Exceeded the Set Threshold
15	Budget for Personnel Emoluments made under one Vote
16	Lack of Approved Staff Establishment
17	Lack of Annual Recruitment Plans
18	Irregular Recruitment of Staff
19	Employment of Officer in Other Government Entities
20	Integrity of Date of Birth Records in Payroll Systems
21	Missing and out of Date Contract Details in the Contract Payrolls
22	Failure of Chief Officers to Account for Human Resources in their Departments
23	Authenticity of Staff in the Payroll
24	Charging of Compensation of Employees Expenditure to One Budget Vote
25	Irregular Payment of Extraneous Allowance
26	Irregular Payment of Commuter Allowance
27	Irregular Payment of Special Salary
28	Overpayment of Leave Allowance
29	Irregular Payments of Health Workers Allowances
30	Employees Paid in More than One Payroll Per Month
31	Payments after Contract Expiry
32	Circumventing Payroll Controls to Pay Irregular Salary Arrears
33	Non-Deduction of Statutory Dues
34	Non-Compliance with Requirement on Ethnic Diversity
35	Payment of Special Duty Allowance for More than Six Months
36	Staff Under Probation for more than the Stipulated Period
37	Overpayment and Underpayment of Salary and Allowances

COUNTY EXECUTIVE OF THARAKA-NITHI – NO.13

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

319. Unsupported Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.6,090,520,032 which includes motor vehicles and land balances of Kshs.368,260,755 and Kshs.56,548,329 respectively as disclosed in Note 19 to the financial statements. However, log books for one hundred and seventeen (117) motor vehicles were not provided for audit review. In addition, title deeds or certificates of lease documents for two thousand, six hundred and fifty-six (2,656) parcels of land) were not provided for audit review. Further, there was no evidence that Management had carried out physical inspection and verification of the assets during the year under review.

In the circumstances, the accuracy and ownership of motor vehicles and land balances of Kshs.368,260,755 and Kshs.56,548,329, respectively could not be confirmed.

320. Unaccounted for Contractors Retention Money

As previously reported, the statement of financial position and as disclosed in Note 15 to the financial statements reflects retentions account payables balance of Kshs.107,949,605. However, the County Executive's deposit bank account reflected a balance of Kshs.29,848,571, resulting to an unexplained and unreconciled variance balance of Kshs.78,101,034. This was contrary to Regulation 210 (1) (g) of the Public Finance Management (County Governments) Regulations, 2015 which provides that a public officer employed by a County Government or a County Government entity commits an offence of financial misconduct if, without lawful authority, the officer fails to pay into a government bank account any public money entrusted to the officer or received by the officer for or on behalf of that Government or that entity.

In the circumstances, the accuracy and completeness of the retentions account payables balance of Kshs.107,082,266 could not be confirmed.

321. Unreconciled Variances in Trade Account Payables

The statement of financial position reflects trade account payables balance of Kshs.882,571,678 which includes Kshs.90,190,799 owed to the Kenya Medical Supplies Authority (KEMSA) as disclosed in Note 16 to the financial statements. However, records maintained at KEMSA reflected a balance of Kshs.152,014,693 as receivable from the County Executive of Tharaka - Nithi resulting in a unexplained and unreconciled variance of Kshs.61,823,894.

In the circumstances, the accuracy and completeness of the trade account payables balance of Kshs.882,571,678 could not be confirmed.

322. Unexplained Voided Transactions

The statement of financial performance reflects total payments amounting to Kshs.4,466,801,531. However, review of Integrated Financial Management Information System (IFMIS) records revealed that five hundred and forty-six (546) payment transactions totalling Kshs.441,482,502 were processed and subsequently voided or cancelled during the year ended 30 June, 2025. However, these voided transactions were not supported by requests for voiding and no documentary evidence was provided to confirming that the Controller of Budget was notified of the voiding of the payments to facilitate the necessary adjustments.

In the circumstances, the accuracy and completeness of the voided transactions of Kshs.44,482,502 could not be confirmed.

Emphasis of Matter

323. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis balances of Kshs.6,466,615,529 and Kshs.4,955,540,851, respectively, resulting to an under-funding of Kshs.1,511,074,678 or 23% of the budget. Similarly, the County Executive spent Kshs.4,950,137,528 against actual receipts of Kshs.4,955,540,851, resulting to an under-utilization of Kshs.5,403,323 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

324. Unresolved Prior Year Matters

In the previous years' audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management had not resolved the thirteen (13) matters listed below as at 30 June, 2025.

List of Unresolved Prior Year Matters

No.	Audit Issues for 2023/2024
1	Misclassification of Expenditure
2	Un-accounted for Contractors Retention Money
3	Variance in Acquisition of Assets

No.	Audit Issues for 2023/2024
4	Variance in Pending Bills Accounts Payables
5	Delayed Upgrading of Kambandi-Cheera-Ruguti Road to Bitumen Standards
6	Delayed Upgrading of Karandini-Kithioroni Road to Bitumen Standards
8	Delayed Upgrading of Tunyai - Ntaara Road to Bitumen Standards
8	Delayed Construction of Ndagani Market
9	Non-Compliance with the One Third Rule of Basic Salary
10	Non-Compliance with the Fiscal Responsibility Principle on Wage Bill
11	Non-Compliance with Fiscal Responsibility Principle on Development Expenditure
12	Irregular Payment to Council of Governors
13	Voided Transactions

Other Information

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

326. Irregular Payments to Council of Governors

Review of records revealed that Management made a payment of Kshs.2,000,000 to the Council of Governors during the year under review. However, Management did not provide explanation for the payment to the Council which is an independent entity, contrary to Section 37 of the Intergovernmental Relations Act, 2012 which provides that operational expenses for the structures and institutions established under 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.

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

The statement of financial performance reflects employees' cost amount of Kshs.2,583,302,787 representing 56% of the total revenue of Kshs.4,615,034,940. This was contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015, which requires the County Executive to set a wage limit which should not exceed 35% of the total revenue received.

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

328. Non-Compliance with the Law on Fiscal Responsibility Principles on Development Expenditure

The statement of comparison of budget and actual amounts reflects total expenditure amount of Kshs.4,950,137,528 comprising of recurrent and development expenditures of Kshs.4,142,302,726 and Kshs.807,834,802 respectively. The development expenditure accounted for 16% of the total expenditure which was below the 30% threshold stipulated by Regulation 25(1)(g) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the County Government's 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.

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

The statement of financial performance reflects employee costs amount of Kshs.2,583,302,787 as disclosed in Note 8 to the financial statements. Review of the June, 2025 payroll revealed that seventy-six (76) employees received net salaries which were less than a third (1/3) of their basic salaries. This was contrary to Section 19(3) of the Employment Act, 2007 which provides that the total amount of all deductions 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.

330. Failure to Remit Payroll Deductions

The statement of financial position reflects trade payables balance of Kshs.882,571,678 as disclosed in Note 16 to the financial statements, which further includes a balance of Kshs.205,935,531 in respect to accrued salaries and wages. Review of payables records revealed that long outstanding remittances totalling Kshs.20,693,721 deducted from employee salaries remained outstanding for more than twelve (12) months and had not been remitted to the Local Authorities Pension Trust (LAPTRUST). This was contrary to Section 19(4)(5) of the Employment Act, 2007 which stipulates that an employer who deducts an amount from an employee's remuneration in accordance with Subsection (1)(a), (f), (g) and (h) 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.

331. Irregular Engagement of Road Marshals

Review of road marshals' manual payrolls revealed that six hundred and forty-nine (649) employees were engaged as casuals for more than twenty (20) months beyond the allowed three (3) months period resulting in irregular payment of Kshs.17,314,500. This was contrary to Section 9(1)(a) and 37(1)(b) of Employment Act, 2007 which requires a written contract for employment that lasts for three months or more.

Further, it was observed that thirty-two (32) officers were engaged to replace officers who had exited. However, the basis or criteria of appointment was not supported by an approval from County Public Service Board advertisements, a list of applicants, shortlisting minutes interview minutes and final selection reports. This was contrary to Section 65(2) of the County Governments Act, 2012 which provides for a fair and transparent engagement of employees with merit and fair competition.

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

332. Irregular Payment of Special Salary to Staff

Review of employee records revealed that Management paid special salary amounting to Kshs.1,346,760 to four (4) officers in addition to their basic salary they were entitled to during the year. However, approval from the Salaries and Remuneration Commission was not provided contrary the SRC circular SRC/TS/29(83), dated 22 August, 2023 on Remuneration and Benefits for Public Officers in the County Governments for the third remuneration Review Cycle 2021/2022 – 2024/2025, that lists all the earnings County Executive Officers were entitled to and their respective appointment letters.

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

333. Non-Compliance with Law on Staff Ethnic Composition

Review of payroll records revealed that out of the total employees of three thousand and sixty-six (3,066), two thousand and thirty-four (2,034) or 66% were from the dominant community in the County. Further, the recruitment conducted during the year did not remedy the ethnic disparity. 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.

334. Projects Implementation

334.1. Delayed Upgrading of Karandini-Kithioroni Road

The statement of financial position and as disclosed in Note 19 to the financial statements reflects property, plant and equipment balance of Kshs.6,090,520,032 which includes access roads balance of Kshs.374,263,966. The balance includes an amount of Kshs.95,981,740 paid to a contractor for upgrading of Karandini-Kithioroni road to bitumen standards. The contract was awarded on 10 December, 2020 for a period of three (3) years and a contract completion date of 10 December, 2023 which was later extended to 4 June, 2025 as per the approval dated 4 December, 2023. However, physical inspection conducted in September, 2025 revealed 2.3 km of the road was yet to be tarmacked but the contractor was on site.

Further, payment records reflected that out of a contract sum of Kshs.450,171,829, an amount of Kshs.374,902,818 representing 83%, had been paid to the contractor.

In the circumstances, value for money on the expenditure amount of Kshs.374,902,818 could not be confirmed.

334.2. Delayed Upgrading of Kambandi-Cheera-Ruguti Road

The amount of Kshs.374,263,966 spent on access roads further includes Kshs.30,717,612 paid to a contractor for upgrading of Kambandi-Cheera-Ruguti road to bitumen standards. The contract was awarded on 21 November, 2018 for a period of three (3) years and contract completion period of December, 2022 which was later extended to 24 October, 2024 as per the approval dated 24 April, 2023. Payment records showed total payments to date amounting to Kshs.293,415,939 representing 82% of the contract sum of Kshs.356,261,151.

However, physical inspection conducted in September, 2025 revealed that the contractor was not on site. No correspondences were provided on measures being taken to complete the project.

In the circumstances, value for money for the expenditure amount totalling Kshs.293,415,939 could not be confirmed.

334.3. Delayed Upgrading of Tunyai - Ntaara Road

As previously reported, tender for upgrading Tunyai-Ntaara road to bitumen standards was awarded in November, 2018 to a contractor at a contract sum of Kshs.689,341,600. The contract period was three (3) years from 25 November, 2018 to November, 2022 and was to cover twenty (20) Kilometres. However, physical inspection conducted in September, 2025, revealed that the project is yet to be completed and the project had stalled with only four (4) Km of the road upgraded. Further, the contractor had abandoned the site after receiving payments totalling Kshs.179,265,569. The contract performance period expired, with no valid contract as at the time of inspection.

In the circumstances, value for money on the expenditure amount of Kshs.179,265,569 could not be confirmed.

334.4. Delayed Construction of Ndagani Market

The statement of financial position reflects property, plant and equipment balance of Kshs.6,090,520,032 which includes civil works and infrastructure balance of Kshs.2,579,384,655 as disclosed in Note 19 to the financial statements. The amount includes Kshs.14,535,270 paid during the year under review, to a contractor towards construction of Ndagani Market. As previously reported, review of records showed that the contract for the construction of Ndagani Market was awarded to a contractor and signed on 6 June, 2023 at a cost of Kshs.42,942,750 for a contract period of ten (10) months. The order to commence works was immediately given and an amount of Kshs.7,564,580 was paid towards the project. Physical inspection carried out in September, 2025 revealed that the project remained incomplete and the contractor was

not on site. Total payments to the contractor amounted to Kshs.22,099,850 or 52% of the contract sum.

In the circumstances, value for money on the expenditure amount of Kshs.22,099,850 could not be confirmed.

334.5. Stalled Construction of Igangara Bridge

The County Executive engaged a contractor for the construction of the Igangara Bridge at a contract sum of Kshs.21,004,700 vide a contract signed on 8 May, 2023. The project commenced on 8 May, 2023 and was scheduled for completion on 8 May, 2025 for a project period of twenty-four (24) months.

However, physical inspection carried out in September, 2025 revealed that the project had stalled. The contractor was not on site and had been paid a total sum of Kshs.8,827,890 or 42% of the contract sum.

In the circumstances, value for money on the amount paid totalling Kshs.8,827,890 towards the project could not be confirmed.

334.6. Un-Occupied Deputy Governor's Residence

During the financial year 2018/2019, Management awarded a contract for construction of Deputy Governor's residence at a contract sum of Kshs.30,279,440. An amount of Kshs.26,742,335 or 89% of the contract price had been paid as at 30 June, 2023. Physical inspection conducted in September, 2025 revealed that the residence was nearly complete. However, there were no ongoing works and the contractor was not on site. A certificate of Practical Completion of the works was issued by the County Works Officer on 23 May, 2025.

Further, the County Executive continues to pay rent for the Deputy Governor's resident, yet the period for rent payment/leasing the Deputy Governor's residence as provided for in the Salaries and Remuneration Commission Circular No. SRC/TS/COG/6/61/48 VOL.II (64) lapsed on 30 June, 2022.

In the circumstances, value for money on expenditure amount of Kshs.26,742,335 for construction of Deputy Governor's residence could not be confirmed.

335. Non-Compliance with Kenya Quality Model for Health Policy Guidelines

Review of services offered and equipment in place and number of staff at dispensaries in the County revealed that during the year under review, the medical facilities did not meet the requirements of Kenya Quality Model for Health Policy Guidelines due to staff deficits and lack of essential machines/equipment as listed at the end of this report.

In the circumstances, the effectiveness of Universal Health Care Services could not be confirmed.

336. Non-Compliance with the Public Procurement Capacity Building Levy Order

Review of contracts records revealed that the County Executive entered into contracts but no documentary evidence was provided for audit to confirm that the County Executive complied with Paragraph 3(1) of the Public Procurement Capacity Building Levy, Order 2023 which states that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of 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 also 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.

Although Management explained that IFMIS was configured from January, 2025 to automatically deduct the levy, no evidence was provided to confirm, that the required deductions and remittances were made for the period between September and December, 2024.

In the circumstances, Management was in breach of the Levy Order, 2023.

337. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.882,571,678 and as disclosed in Note 16 to the financial statements. Review of the trade account payables balance revealed that payables balance of Kshs.150,504,534 had been outstanding for more than four (4) years. Management did not provide explanation why the long outstanding trade payables have not been settled in the year to which the expenses were incurred or the subsequent financial years. 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 approved budget estimates.

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

338. Failure to Retain Facilities Improvement Funds at the Hospitals

Review of revenue records obtained from Level 5, Level 4 and Level 3 and other lower-level health facilities in Tharaka Nithi County revealed that during the year under review, a total Kshs.293,274,998 was collected towards the Facilities Improvement Fund (FIF). Out of the amount, a total of Kshs.235,535,466 was transferred to the County Revenue Fund. However, the County Treasury did not reimburse any amount to the health facilities resulting in a deficit of Kshs.235,535,466.

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 full amount transferred by the facilities impacted negatively 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

339. There were no material issues relating to effectiveness of internal controls, risk management and governance.

COUNTY EXECUTIVE OF EMBU – NO.14

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

340. Unsupported Retention Deposits

The statement of financial position reflects refundable deposits and prepayments balance of Kshs.18,340,626 as disclosed in Note 33 to the financial statements. The balance is in respect of retention money withheld by the County Executive, which is supposed to be banked in a refundable deposits account. Further, the opening balance reflects a balance of Kshs.32,161,778 while the County Executive procured capital projects totalling Kshs.896,222,260 as reflected in the statement of comparison of budget and actual amounts. However, the movement of the deposits has not been disclosed in the Notes to the financial statements.

Further, the bank account held at Central Bank of Kenya revealed a closing balance of Kshs.569,633 resulting in an un explained and unreconciled variance of Kshs.17,770,993 but Management did not provide deposit ledger/register.

In the circumstances, the accuracy and completeness of the refundable deposits and prepayments balance of Kshs.18,340,626 could not be confirmed.

341. Unsupported Expenditure on Legal Services

The statement of financial performance reflects an amount of Kshs.468,516,798 in respect of the use of goods and services, which includes other operating expenses amounting to Kshs.90,698,285. As disclosed in Note 10 to the financial statements, the expenditure includes other operating expenses of Kshs.90,698,285 out of which Kshs.2,287,351 was paid to an Advocate. However, the files containing details of the work done by the Advocate were not provided for audit review. Further, there was no approval from the County Executive Committee regarding the outsourcing of legal services.

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

342. Unsupported Payments in Respect of County Industrial Aggregation Park

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

In the circumstances, the accuracy, completeness and regularity of the expenditure could not be confirmed.

343. Undisclosed Account Payables

The statement of financial position reflects current liabilities balance of Kshs.1,722,877,451. However, the balance excludes transfers from special purpose account amount of Kshs.10,167,300 which was borrowed but had not been refunded back to the account. Further all payables have been classified as current liabilities.

However, review of the payment plan submitted to Controller of Budget showed that payables balance of Kshs.1,429,250,047 were scheduled to be settled over a period of six (6) years between 2026/2027 and 2032/2033 which should have been classified as non-current liabilities.

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

344. Unreconciled Kenya Medical Supplies Authority Debt

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

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

345. Unsupported Voided Transactions

Review of the County Executive's system payments revealed that eight hundred and sixty-two (62) transactions amounting to Kshs.313,720,244 were voided during the financial year 2024/2025. However, Management did not provide the supporting details, approvals and justification for the voided transactions.

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

Emphasis of Matter

346. Budgetary Control and Performance

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

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

347. Pending Accounts Payables

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

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

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

My opinion is not modified in respect of these matters.

Other Matter

348. Unresolved Prior Year Audit Matters

In the previous year audit report, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance as listed at the end of this report. However, review of the status during the audit revealed that the matters relating to the 2023/2024 financial year revealed that the thirty-five (35) issues remained unresolved as at 30 June, 2025.

Other Information

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

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

During the year under review, Management paid an amount of Kshs.3,000,000 to a local company for an extension of a contract for the supply, delivery, implementation,

customization, and commissioning of a revenue collection and management automation system. The original contract expired on 6 April, 2023, but had not been formally extended. Despite the lapse, Management proceeded to issue two (2) Local Purchase Orders intending to extend the contract without a formal recommendation from the Tender Evaluation Committee. This was contrary to Section 139(1)(2) of the Public Procurement and Asset Disposal Act, 2015 which sets the contractual obligations to a contractor after a procurement process is completed.

In addition, the County Executive was already in the process of acquiring a new revenue system at a contract sum of Kshs.37,120,000 and an amount of Kshs.8,742,644 had already been incurred towards acquiring the new revenue system.

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

351. Weaknesses in Management of County Vocational Training Centres

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

Further, the Department for Vocational Training, offered appointment letters to twenty-six (26) Station Managers to the Vocational Training Centres across Embu County. However, it was noted that proper recruitment procedures was not followed including advertisements for the respective posts and interviews.

In addition, at one (1) VTC, one permanent and pensionable instructor, also served as the Manager, responsible for training approximately eighty-three (83) enrolled students in the financial year under review. The instructor was technically skilled in one technical area, resulting in a competency gap for students enrolled in carpentry and welding courses.

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

352. Failure to Establish Sub–County (Level 4) Hospital

As previously reported, the County of Embu has four (4) Sub-counties. However, the County Executive Management has only established three (3) Sub - County (Level 4) Hospitals, and none had been established in Manyatta Sub - county. This was contrary to Section 8 (1) of the Embu County Health Services Act, 2024 which states that there shall be at least one County Hospital, at least one Sub-County hospital in each Sub-County, and at least one Health Center in each ward.

Further, the County Management had not established County Health Management Team, Health Quality and Assurance Unit, Health Facility Improvement Board and policy on transfer of unutilized pharmaceutical and non–pharmaceuticals from one health facility to another to ensure efficient stock management. This was contrary to the requirements of Sections 31, 35 and 45 of the Embu County Health Services Act, 2024.

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

353. Stalled Construction of Gategi Health Centre

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

Physical inspection conducted on the project revealed that the project had stalled and the contractor was not on site despite a substantial amount of the contract sum having been paid, and the completion date having expired on12 June, 2025.

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

354. Unutilized Health Facilities

Review of payment records and supporting documents in respect of construction and civil works revealed that the County Executive incurred expenditure amounting to Kshs.11,474,068 in respect of construction of Kiangungi Dispensary, Kangethia Dispensary, Gichera Dispensary, an ablution block at Gicheche Dispensary, and renovation of an Isolation Ward at Kianjokoma Level 3 Hospital. Physical inspection carried out on the projects revealed that although final payments had been made, the buildings had not been put to use.

Further, at Gichera Dispensary, the land was not fenced hence the risk of encroachment, the buildings and toilets had been vandalized, and the compound had overgrown thickets and bushes. In addition, at Kiangungi dispensary, there was substandard fence, paving of the compound was not done, the buildings and toilets had been vandalized also the compound had overgrown trees and bushes.

In the circumstances, value for money on the expenditure totalling Kshs.11,474,068 on the three (3) projects could not be confirmed.

355. Stalled Twin Workshop at Siakago Vocational Training Centre

Construction of a twin workshop at Siakago Vocational Training Centre, initiated by the National Government in the financial year 2012 had stalled and remained incomplete as at 30 June, 2025. Following devolution, no further works were undertaken, and there was

no documentation indicating whether the project was to be completed by the National Government or handed over to the County Government. Physical inspection confirmed that the contractor was not on site. Further, the female students occupied a dilapidated wooden/prefab dormitory that was poorly ventilated, lacked natural light during the day and was on the verge of collapsing, thereby posing risk of loss of life.

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

356. Stalled Projects at Karaba and Kamweli Dispensaries

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

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

357. Stalled Construction of Governor's Official Residence

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

In the circumstances, Management was in breach of the SRC circular of 20 May, 2019 and value for money from the stalled project could not be confirmed.

358. Failure to Establish the County Alcoholic Drinks Board

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

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

359. Failure to Surrender Imprests

Review of the imprest register revealed overdue outstanding imprest balance of Kshs.21,768,240 issued between July, 2023 and 30 June, 2025 which had not been surrendered or accounted for. This was contrary to Regulation 93 (5) of the Public Finance Management (County Governments) Regulations, 2015, which stipulates that a holder of a temporary imprest shall account or surrender the Imprest within seven (7) working days after returning to the duty station. Further, some officers held multiple imprests contrary to Regulation 93(4)(b) of the Public Finance Management (County Governments) Regulations, 2015.

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

360. Irregular Engagement of Casual Employees

The review of the County Executive recruited four hundred and forty-two (442) casual employees for more than one month during the financial year under review. This was contrary to Paragraph (v) on the Basic Guidelines on Hiring of casual workers in the Embu County Public Service of March, 2024 which states that casual workers will not be engaged for more than one (1) month on a continuous basis. Further, there was no evidence of recruitment of the casual workers and the posting list of the casuals with the respective responsibilities in each duty station provided for audit review.

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

361. Irregular Engagement of Staff Above Mandatory Retirement Age

Review of payroll data revealed that seventy-six (76) officers who had attained the mandatory retirement age of sixty (60) years were still in service as at 30 May, 2025. This was contrary to Regulation 70(1)(a) and (b) of the Public Service Commission Regulations, 2020 which states that the mandatory retirement age in the Public Sector shall be sixty (60) years and sixty-five (65) for persons with disabilities.

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

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

Review of Payroll data for the financial year under review revealed that the County Executive had one thousand three hundred and seventy-four (1,374) employees whose net pay was below a 1/3 of their basic pay. This was contrary to Section 19(3) of the Employment Act, 2007 which require that deductions made by an employer shall not exceed two thirds of such wages.

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

363. Non-Compliance with Law on Staff Ethnic Composition

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

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

364. Failure to Collect Revenue from Social Halls

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

Further, physical inspection conducted on one of the social halls revealed that, it was constructed on a road reserve. However, there were no approvals from both the National and County Government for the construction. In addition, Management of the hall was under the community and revenue was channeled to a private bank account. Management did not provide information on the other three (3) halls whose revenue collection was neither disclosed nor accounted for.

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

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

365. Irregular Payment to Subscriptions

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects an amount of Kshs.468,516,798 in respect of the use of goods and services, which includes an amount of Kshs.90,698,285 in respect of other operating expenses. Included in the expenditure is an amount of Kshs.3,000,000 paid to the Council of Governors. 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 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.

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

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

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

367. Lack of Annual Development Plan

The County Executive did not provide evidence that the Annual Development Plan for the financial year 2024-2025 was submitted to the County Assembly. This was contrary to Section 126(3) of the Public Finance Management Act, 2012 which requires the County Executive Committee member responsible for planning to submit the county's development plan to the county assembly for approval and also send copies to the Commission on Revenue Allocation and The National Treasury.

In the circumstances, Management was in breach of law.

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

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

In the circumstances, Management was in breach of law.

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

Basis for Conclusion

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

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

In the circumstances, the effectiveness of internal controls, risk management and governance in respect of complete accountability modules in IFMIS could not be confirmed.

370. Lack of Annual Recruitment Plan

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

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

371. Weaknesses in Information and Communication Technology Governance and Controls

Audit of the County Executive's Information and Communication Technology (ICT) environment revealed several critical weaknesses indicating inadequate ICT governance, data protection, and systems control as detailed below;

(i) There was no formally approved ICT policy to guide the development, deployment, use, and management of ICT resources within the County Executive;

(ii) Staff were using personal email addresses for official communication, which undermines data security and organizational accountability;

(iii) The County Executive lacked a documented policy to ensure the collection, handling, storage, and sharing of data that complied with legal and regulatory data protection requirements;

(iv) Core operational systems including the Bursary Management System, Hospital Management System, Finance System, and HR System were not integrated, resulting in data silos, inefficiencies, and duplication of efforts;

(v) There were no centralized and updated ICT assets register to track, manage, or safeguard ICT infrastructure and equipment;

(vi) ICT functions were fragmented across departments, with no centralized oversight or coordination, limiting strategic ICT planning and control;

(vii) The County Executive had not developed a risk assessment framework to identify, assess, and mitigate ICT-related risks;

(viii) There was no formalized data backup process, exposing the County Executive to risk of data loss in the event of system failure, cyberattack, or accidental deletion;

(ix) There was no disaster recovery plan, hence the County Executive lacked the capacity to restore operations promptly following system disruptions or disasters;

(x) There was no ICT steering committee to provide oversight, strategic guidance, and decision-making on ICT investments and priorities.

In the circumstances, the effectiveness of ICT governance and system controls could not be confirmed.

372. Lack of Updated Fixed Assets Register

During the year under review, Management did not maintain an updated fixed assets register which could have provided critical information including location of the assets, description, respective cost and serial numbers. Further, the assets register did not disclose values of various assets acquired by the County Executive such as land, construction and refurbishment of buildings, motor vehicles and other assorted assets.

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

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

373. Lack of Valuation Reports and Ownership Documents

Review of records of twenty-six (26) Vocational Training Centres (VTC) revealed that, five (5) of the centres did not have title deeds for the parcels of land they occupied, and no valuation reports were provided for the assets.

Further, physical inspection carried out revealed that land of unknown size at Kanja and Tenri VTCs had been encroached. A parcel of land at Kanorori VTC hosts two (2) National

Government entities' residential houses and offices, despite the Institution lacking playing grounds and adequate buildings for lecture halls and students' hostels.

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

In the circumstances, the existence of effective internal controls for safeguarding the property, plant and equipment could not be confirmed.

374. Failure to Tag Fixed and Movable Assets

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

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

375. Failure to Insure County Executive's Buildings

Review of the County Executive expenditure revealed that an amount of Kshs.189,117,557 was incurred in insurance costs. However, review of the insurance contracts revealed that the buildings did not have insurance cover. As a result, a section of the County Governor's building remained unused in poor state following extensive damage caused by riots in year 2024. The lack of insurance cover hindered timely repairs and refurbishments due to high associated costs, resulting in the County Executive incuring additional expenditure on leased premises to sustain operations.

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

List of Unresolved Prior Year Matters

S/No	Audited Issues for 2023/2024
1	Unreconciled Kenya Power Debt
2	Unreconciled LAPFUND Balance
3	Incomplete Asset Register
4	Unconfirmed Leasing of Medical Equipment Amount
5	Long Outstanding Accounts Payables
6	Payments to Council of Governors
7	Stalled Project - Governor's Official Residence
8	Non - Adherence to One-Third Basic Salary Requirement
9	Failure to Remit Payroll Deductions
10	Unbalanced Staff Ethnic Composition
11	Unsupported Recruitment
12	Outstanding Imprest
13	Construction of Milk Cooler Shed
14	Lack of Ownership Documents
15	Irregularities in Fleet Management
16	The Compensation of Employees to Revenue Ratio Exceeded the Set Threshold
17	Budget Vote Heads in the Payroll Systems were not Aligned with those in the Approved Budgets
18	Lack of Approved Staff Establishment
19	Designations in Payroll Systems not Aligned with Approved Staff Establishment of July 2023
20	Lack of Annual Recruitment Plans Unprocedural Establishment of Office
21	Irregular Recruitment of Staff
22	Integrity of Dates of Birth Records in the Integrated Payroll and Personnel Database System
23	Failure of Chief Officers to Account for Human Resources in their Departments
24	Charging of Compensation of Employees to the Wrong Budget Vote
25	Irregular Payment of Commuter Allowance
26	Irregular Payment of Consolidated Gross Pay
27	Irregular Payment of Extraneous Allowance
28	Circumventing Payroll Controls to Pay Irregular Salary Arrears
29	Overpayment of Casual Wages
30	Use of Manual Payrolls
31	Late Payment of Increments Due on Promotion
32	Active Staff Above 60 Years
33	Non-Compliance with Requirement on Ethnic Diversity
34	Penalties and Pending Bills Relating to Statutory Deductions
35	Migration from Integrated Personnel and Payroll Database System to Human Resource Information System-Kenya

COUNTY EXECUTIVE OF KITUI – NO.15

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

376. Variances in Trade and Other Payables

The statement of financial position and as disclosed in Note 32 to the financial statements reflect trade and other payables comparative balance of Kshs.546,435,251 which differs with the prior year audited financial statements balance of Kshs.835,868,265, resulting in a unexplained variance of Kshs.289,433,014.

Further, the trade and other payables balance of Kshs.626,406,908 includes payables amounting to Kshs.89,848,440 which have been outstanding for more than two (2) years with some dating back to the year 2015. Management has not put in place measures to settle the debts.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.626,406,908 could not be confirmed.

Other Matter

377. 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. Review of the status during audit of the County Executive in 2024/2025 revealed that fourteen (14) matters detailed below remained unresolved as at 30 June, 2025.

No.	Audit Issues for 2023/2024
1	Storeyed Maternity Ward at Kitui County Referral Hospital
2	Kabati Slaughterhouse
3	Proposed Completion of X-ray Building at Kauwi Hospital
4	Oxygen Plant Machine - Kitui County Referral Hospital
5	Construction of Livestock Office Block
6	Construction of a Snake Pit at Mutomo Reptile Park
7	Tyaa Sumpwell and Civil Works at Tyaa River
8	Water Projects- Construction of sump well and pump house at Nzeeu river and rehabilitation of Mukameni pipeline
9	Water Projects- construction of elevated steel water tank at Muuani,
10	Department of Health- projects funded at approximately Kshs.573,553,514 were incomplete.
11	Kitui Municipality (Kithomboani Modern Market)
12	Land Infrastructure and Urban Development (LIUD) Headquarters

No.	Audit Issues for 2023/2024
13	Vandalized Completed Projects and Failure to Erect Signages
14	Non-Collection of Revenue Arrears- property rates

Other Information

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

379. Failure to Disclose Provisions for Contingent Liabilities

The statement of financial performance reflects use of goods and services amount of Kshs.2,228,609,526 as disclosed in Note 10 to the financial statements which includes other operating expenses amount of Kshs.343,543,923. Included in the expenditure is an amount Kshs.14,369,803 in respect of legal expenses. Review of legal records revealed that the County Executive had seventy-eight (78) ongoing legal cases. However, Management did not make provisions for contingent liabilities in the financial statements. This was contrary to Paragraph 22 of the International Public Sector Accounting Standards 19 which stipulates that a provision should be recognized when: (a) an entity has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation.

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

380. Implementation of Projects

380.1. Failure to Operationalize Completed Projects

The County Executive awarded a contract for procurement and installation of equipment for amenity ward at Mwingi Sub-County Hospital on 20 January, 2025 at a contract sum of Kshs.2,497,395 for a contract period of one hundred and twenty (120) days. However, physical inspection revealed that the amenity ward was yet to be operationalized and the procured equipment were lying idle in the store.

Further, review of the Project Implementation Status Report (PIS) under the Department for Health and Sanitation and verification of sampled completed projects during the financial years 2023/2024 and 2024/2025 revealed that completed projects funded at a cost of Kshs.51,019,671 were yet to be operationalized.

380.2. Vandalization of Works at Ithookwe Showground

The County Executive awarded a contract on 23 July, 2024 for electrical repairs and renovation works at Ithookwe Showground at a contract sum of Kshs.2,991,205. The payment was made on 15 January, 2025. However, physical inspection and verification of completed works revealed that underground cables, power sub-mains, light fittings,

switches, bulbs, circuit breakers and other electrical works had been vandalized and stolen. The County Executive failed to take the necessary security measures to safe-guard the electrical works, builders' works and all other works that had been carried out as the place had been left unmanned and unsecure, exposing the premises to theft and damage.

380.3. Unsatisfactory Implementation of Projects

The County Executive awarded contracts for the proposed construction of Sump Wells and associated civil works which included piping and water distribution through kiosks. However, documents provided for audit review and audit inspections conducted revealed that the two (2) projects were implemented, in accordance with the agreed scope and contract specifications as detailed below:

380.4. Ngomano - Mwitika Market Sumpwell Water Supply

The County Executive awarded a contract for the construction of a solar pumping unit, a guard house with a pit latrine, a rising mainline and an elevated steel tank at Ngomano - Mwitika Market in Zombe/Mwitika at a contract sum of Kshs.43,038,259. Physical verification conducted in May, 2025, revealed that the trenching deviated from the specifications outlined in the Bill of Quantities (BQ) as sections of the pipelines were observed to be shallowly installed, not reaching the stipulated depth of 2 feet (60 cm). The inadequate depth significantly exposes the water pipes to potential vandalism and breakages.

Further the project did not have Environmental Impact Assessment license and the water permit from the Water Resources Authority (WRA) which are required to conduct the water works. This was contrary to Section 58 of the Environmental Management and Coordination Act, 1999 which stipulates that the proponent of any project specified in the Second Schedule shall undertake a full environmental impact assessment study and submit the report to the Authority prior to being issued with any license by the Authority. Further, Section 36 of the Water Act, 2016, stipulates that a permit is required for any use of water from a water resource. In addition, land ownership documents were not provided for audit review.

380.5. Muvuko - Kyanyaa - Mwanianga Sumpwell Water Supply

The County Executive awarded a contract for the construction of a sump well, solar pumping unit, guard house with pit latrine, rising mainline, bulk storage tank, distribution lines, and water kiosks at a contract sum of Kshs.17,922,488. Physical inspection conducted in May, 2025, revealed that the trenching deviated from the specifications outlined in the Bill of Quantities (BQ) as sections of the pipelines were observed to be shallowly installed, not reaching the required depth of 2 feet (60 cm). The inadequate depth significantly exposes the water pipes to potential vandalism and breakages of the water pipes. In addition, land ownership documents were not provided for audit review.

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

381. Irregular Procurement of Water Projects

The County Executive awarded three (3) contracts for the construction of sump wells and associated civil works which included piping and water distribution through kiosks at Tiva - Kilawani, Tyaa - Wimbondo - Wikithuki and Tiva – Kalala at a total contract sum of Kshs.50,390,369. However, the projects lacked both the Environmental Impact Assessment (EIA) license from the National Environment Management Authority (NEMA) and the water permit from the Water Resources Authority (WRA) which are required to conduct the water works. This was contrary to Section 58 of the Environmental Management and Coordination Act, 1999 which stipulates that the proponent of any project specified in the Second Schedule shall undertake a full environmental impact assessment study and submit report to the Authority prior to being issued with any license by the Authority. Further, Section 36 of the Water Act, 2016, stipulates that a permit is required for any use of water from a water resource.

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

382. Irregular Funding of National Government Functions

The County Executive spent an amount of Kshs.76,727,758 in the award of bursaries to students in secondary schools, universities, tertiary schools and special education institutions under the pro-poor program. This was contrary to the requirements of the Fourth Schedule of the Constitution of Kenya, 2010, which assigns the functions of the National Government to include universities, tertiary educational institutions, other institutions of research and higher learning and primary, secondary and special education institutions.

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

383. Late Remittance of Statutory Deductions

Review of payment records revealed late remittances of statutory deductions totalling Kshs.168,176,458 which were due to Kenya Revenue Authority (KRA), National Social Security Fund (NSSF) and the Housing Levy. The County Executive risks incurring additional costs in form of penalties and interest on accrued amounts. This was contrary to Section 19(4) of the Employment Act, 2007 which stipulates that an employer who deducts an amount from an employee's remuneration shall pay the amount so deducted in accordance with the time period and other requirements specified in law.

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

384. Non-Compliance with One-Third Rule on Basic Salary

Review of payroll data both in the Human Resources Integrated System (HRIS) and manual payroll revealed that sixty-six (66) employees earned net salary of less than one-third of their basic salary. This was contrary to Section 19(3) of the Employment Act, 2007 which require 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.

385. Non-Compliance with Law on Staff Ethnic Composition

Review of the County Executive's master roll and other staff records indicated that out of five thousand five hundred and forty-nine (5,549) employees, five thousand and thirty-seven (5,037) or approximately 91% of the employees 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 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.

Further, review of personal files and recruitment documents revealed that during the year under review, forty-three (43) employees were recruited out of which thirty-eight (38) or approximately 88% belonged to the dominant ethnic community in the County. This was contrary to Section 65(1)(e) of the County Governments Act, 2012 which requires that in selecting candidates for appointment, the County Public Service Board shall ensure that at least thirty percent (30%) of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County. Although Management indicated that majority of the County employees were inherited from the National Government and the defunct Local Authorities who were mainly from the dominant ethnic community, no corrective measures have been put in place to address the issue.

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

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

The statements of financial performance and as disclosed in Note 9 to the financial statements reflect employees' costs mounting to Kshs.5,536,786,270, representing approximately 48% of the total receipts of Kshs.11,607,623,868. This was contrary to the provisions of Regulation 25(1) (a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which require 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 which, shall not exceed thirty-five percent (35%) of the County Executive's total revenue. Although Management formed a taskforce which presented their findings and recommendations in February, 2023, as at time of the audit in October, 2025 the recommendations had not been implemented.

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

387. Irregular Payments to Council of Governors

As previously reported, the statement of financial performance reflects use of goods and services amount of Kshs.2,228,609,526 which, as disclosed in Note 10 to the financial statements, includes an amount of Kshs.343,543,923 in respect of other operating expenses. Included in the operating expenses is an amount is Kshs.2,000,000, which was paid to the Council of Governors. The payment was made contrary to Section 37 of

the Inter-Governmental Relations Act, 2012, which states that the operational costs of the Council shall be funded from the allocation of the National Government.

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

388. Failure to Submit Financial Statements for Kitui and Mwingi Municipalities

As previously reported, the County Executive of Kitui established Kitui and Mwingi Municipalities through Charters approved on 29 June, 2018 and 9 June, 2020 respectively. However, both Municipalities failed to submit financial statements for six financial years from 2019/2020 to 2024/2025 for audit. This was contrary to provisions of Sections 46(1) and (2) of the Urban Areas and Cities (Amendment) Act, 2019, which require the Board or Town Committee to cause to be kept all proper books and records of accounts of its income, expenditure, assets and liabilities and to submit the financial statements to the County Executive Committee Member for onward transmission to the Auditor-General.

Further, Kitui and Mwingi Municipalities had total approved budget of Kshs.259,152,321 with expenditure totalling Kshs.218,755,330 reported under the County Executive.

In addition, the Municipalities did not prepare and submit their quarterly financial reports to the County Treasury with a copy to the Office of the Auditor-General contrary to Regulation 64(1) and (3) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that the Accounting Officer or Receiver of Revenue or Collector of Revenue shall prepare a quarterly report not later than the 15 day after the end of the quarter and submit them to the County Treasury, with a copy to the Auditor-General and to County Assembly.

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

389. Failure to Dispose Unserviceable Assets

The statement of financial position reflects property, plant and equipment balance of Kshs.3,413,957,120 as disclosed in Note 26 to the financial statements. However, physical inspection in October, 2025 revealed thirty-six (36) unserviceable vehicles had not been disposed and remain unutilized. This was contrary to Section 164(1) of the Public Procurement and Asset Disposal Act, 2015 which stipulates that the employee in-charge of unserviceable, obsolete or surplus assets shall bring the matter to the attention of the Disposal Committee through the Head of the Procurement Function.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

390. Lack of Updated Fixed Assets Register

The statement of financial position reflects property, plant and equipment balance of Kshs.3,413,957,120 as disclosed in Note 26 to the financial statements. However,

Management did not maintain a fixed assets register in the prescribed format. The register in place lacked key details such as identification serial numbers, acquisition date, description of asset, location, class and cost of acquisition. 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 on management of fixed assets could not be confirmed.

391. Use of Manual Payroll

The statement of financial performance reflects employees' costs amount of Kshs.5,536,786,270. Included in the expenditure is an amount of Kshs.4,599,266 which was reported through manual payroll system. Review of records revealed that Management operated three (3) payroll systems namely; Manual (Excel format) Payroll System, Integrated Payroll and Personnel Database (IPPD) System and Human Resource Integrated System (HRIS-Ke). The use of the manual payroll system requires manual calculations of deductions to arrive at a net monthly pay, and frequent updates which makes it prone to human error and misuse leading to weak internal controls on management of personnel emoluments.

In the circumstances, the effectiveness of internal controls in management of payroll system could not be confirmed.

COUNTY EXECUTIVE OF MACHAKOS – NO.16

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

392. Unsupported Accumulated Surplus

The statement of changes in net assets reflects negative balance of Kshs.4,058,810,631 in respect of accumulated surplus after adjusting for retention of Kshs.185,714,920, opening accounts payables – salaries of Kshs.529,911,032, payments for prior year budgets of Kshs.762,336,337, accounts trade payables of Kshs.2,809,360,187 and for increase in accounts payables of Kshs.1,207,474,034. However, the supporting schedules were not provided for audit.

In the circumstances, the accuracy and completeness of negative accumulated surplus balance of Kshs.4,058,810,631 could not be confirmed.

393. Unsupported Intangible Assets

The statement of financial position and as disclosed in Note 27 of the financial statements reflects intangible assets and goodwill balance of Kshs.93,279,600. However, the balance was not supported by a list of software systems operated by the County Executive with their corresponding costs.

In the circumstances, the accuracy and completeness of the intangible assets and goodwill balance of Kshs.93,279,600 could not be confirmed.

Emphasis of Matter

394. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis balances of Kshs.15,622,164,354 and Kshs.13,340,945,013 respectively resulting in under-funding of Kshs.2,281,219,341 or 15% of the approved budget. Similarly, the County Executive spent an amount of Kshs.10,617,940,332 against actual receipts amount of Kshs.13,340,945,013 resulting in under-utilization of Kshs.2,723,004,681 or 20% 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.

395. Long Outstanding Refundable Deposits and Prepayments

The statement of financial position and as disclosed in Note 33 to the financial statements reflects refundable deposits and prepayments balance of Kshs.176,662,065. However, review of the deposits register, cashbook, and bank statements revealed long outstanding refundable deposits and prepayments totalling Kshs.74,557,957 dating back to March, 2015 and which had not been claimed as at 30 June, 2025.

My opinion is not modified in respect of these matters.

Other Matter

396. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. Review of the status during the audit of financial year 2024/2025 revealed that the following eleven (11) matters remained unresolved as at 30 June, 2025:

No.	Audit Issues for 2023/2024
1	Variances between Financial Statements and IFMIS Payment details
2	Other Grants and Transfers
3	Transfer to Other Government Units
4	Acquisition of Assets
5	Legal Expenses
6	Non-Compliance with Law on Ethnicity
7	Lack of Approved Staff Establishment
8	Non-Compliance with the Law on Fiscal Responsibility
9	Payment of Salaries Outside the Integrated Payroll
10	Recruitment of Staff
11	Lack of Audit Committee

Other Information

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

398. Non-Compliance with Fiscal Responsibility Principles on Wages

The statement of financial performance reflects employee costs amount of Kshs.6,494,700,107 which is approximately 60% of the County Executive's total receipts amount of Kshs.10,804,046,991 thus exceeding the set limit of thirty-five percent (35%) by 25%. This was contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which limits County Government spending on personnel emoluments at not more than 35% of the County Government's total revenue.

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

399. Non-Compliance with Fiscal Responsibility Principles on Development Expenditure

The statement of comparison of budget and actual amounts reflects total actual expenditure of Kshs.10,617,940,332. The County Executive spent on development

expenditure an amount of Kshs.893,793,148 or approximately 8% of the total expenditure. This was contrary to Regulation 25(1)(g) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the County Governments actual expenditure on development shall be at least thirty percent (30%) in conformity with the requirement under Section 107(2)(a) of the Act.

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

400. Outstanding Payment of Medical Insurance Cover

As previously reported, review of medical insurance cover revealed that as at 30 June, 2025, the County Executive had an outstanding amount of Kshs.64,978,836 owed to an insurance company. This was contrary to Section 156(1) of the Insurance Act, 2023 which provides that no insurer shall assume risk in Kenya in respect of insurance business unless and until the premium payable thereon is received by the insurer.

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

401. Weaknesses in the Management of Imprests

Review of imprest records revealed that imprest amounting to Kshs.104,685,474 were issued to staff. However, overdue imprests balance of Kshs.3,587,127 had not been surrendered as at 30 June, 2025. This was contrary to Regulation 93(5) of the Public Finance Management (County Governments) Regulations, 2015 which provides that a holder of a temporary imprest shall account or surrender the imprest within seven (7) working days after returning to duty station.

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

402. Irregular Operation of a Commercial Bank Account

The statement of financial position and as disclosed in Note 21 to the financial statements, reflects cash and cash equivalents balance of Kshs.334,439,455. Review of bank documents revealed that the County Executive operated a commercial bank account under the name of Machakos County National Agri Value Chain which had a balance of Kshs.77,687,164. However, payments from this account were not processed through Integrated Financial Management Information System (IFMIS) contrary to the donor's requirement that all payments must be processed through IFMIS.

In the circumstances, Management was in breach of the donor requirements.

403. Completion of Early Childhood Development Education Centres

The contract for construction of Kitooni, Nguluni AIC and Kangundo Early Childhood Development Education Centres (ECDE) classes Lot 1 was awarded at a contract sum of Kshs.4,405,819. However, the contract was terminated after issuance of certificate number 1 valued at Kshs.2,633,831. The amount was paid and another firm was awarded the contract to complete the ECDE classrooms at a contract sum of Kshs.3,047,459 which increased the total cost of the project from the initial amount of Kshs.4,405,819 to Kshs.5,681,290. However, the valuation report of the remaining works after termination

of the first contract and engineers estimates for the new Bill of Quantities were not provided for audit review. Although Management explained that the increase was due to inclusion of floor tiles which were not in the first contract and due to fluctuation of prices, no documents were provided for audit in support of this explanation.

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

404. Stalled Construction of Twin Workshops at Matuu Vocational Training Centre

The contract for construction of two (2) twin workshops at Matuu Vocational Training Centre (VTC) was awarded at a contract sum of Kshs.17,393,550. However, the contract agreement signed on 26 June, 2023 did not indicate the contract period. Further, although the first valuation certificate was raised on 6 March, 2024 for payment of Kshs.6,506,239, no payment had been made as at the time of audit in June, 2025 and the contractor was not on site.

In the circumstances, value for money on the project amounting to Kshs.17,393,550 could not be confirmed.

405. Non-Operationalization of a Twin Workshop at Kamwanyani Vocational Training Centre

The contract for the proposed construction of a twin workshop at Kamwanyani Vocational Training Centre was awarded at a contract sum of Kshs.12,556,200. However, the workshop was completed but lacked adequate equipment and essential tools required for effective delivery of tertiary courses offered which included carpentry, tailoring and hair dressing among others.

In the circumstances, value for money on the project amounting to Kshs.12,556,200 could not be confirmed.

406. Irregular Supply and Delivery of Milk for Early Childhood Development and Education Centers

The contract for supply and delivery of 629,000 (200ml) packets of milk was awarded at a contract sum of Kshs.38 per packet as per evaluation report dated 28 December, 2023 with implementation period of ninety (90) days under framework agreement which involved seven (7) suppliers. However, the firm signed a contract of one year dated 12 January, 2024 despite the tender document stating ninety (90) days implementation period. During the year under review, the firm was paid an amount of Kshs.51,769,612 for supply and delivery of 1,362,346 (200ml) packets of milk for ECDE Centers. Further, the firm continued to supply milk to the County Executive even after supplying the total of 629,000 packets of milk stated in the tender documents. Although Management explained that the contract was extended for one (1) year, there were no call-off orders, or any other mini competition done to give chance to the other six (6) firms having framework agreements with the County Executive.

In the circumstances, the regularity and value for money on the expenditure incurred on the programme could not be confirmed.

407. Non- Renewal of Performance Bond and Insurance

The contract for construction of phased development of ultra-modern-multi-purpose and discipline sports complex in Machakos New City was awarded at a contract sum of Kshs.1,107,250,003. As at the time of audit the performance bond and insurance for material damage and third-party liability had expired on 10 May, 2025 and 9 July, 2025 respectively. However, no renewal had been done. Further, valuation certificate number 2 valued the swimming pool works at an amount of Kshs.21,052,820. However, the amount did not have a detailed breakdown of specific works which were done by the contractor.

In the circumstances, assurance and continued performance by the contractor and eventual completion of the project could not be confirmed.

408. Failure to Retain Facilities Improvement Funds at the Hospitals

Review of revenue records obtained from Level 4 and Level 5 health facilities in Machakos County revealed that eleven (11) health facilities collected a total Kshs.605,516,224 towards the Health Facilities Improvement. Out of this amount, a total of Kshs.192,379,722 was transferred to County Revenue Fund. However, the County Treasury reimbursed a total of Kshs.100,618,500 to the health facilities resulting in a deficit of Kshs.91,761,222. This was contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that all monies raised or received by or on behalf of all Public Health Facilities be retained in the Hospital Facilities Improvement Financing Account. In addition, failure to reimburse the total amount transferred by the facilities impacted negatively 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

Conclusion

409. There were no material issues relating to effectiveness of internal controls, risk management and governance.

COUNTY EXECUTIVE OF MAKUENI – NO.17

REPORT ON THE FINANCIAL STATEMENTS

Unmodified Opinion

410. There were no material issues noted during the audit of the financial statements of the County.

Emphasis of Matter

411. 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.10,742,471,512 and Kshs.8,872,507,510 respectively resulting in under-funding of Kshs.1,869,964,002 or 17% of the budget. However, the County Executive spent an amount of Kshs.8,710,124,639 against the actual receipts of Kshs. 8,872,507,510 resulting in a underspending of Kshs.162,382,871 or 2% of the actual receipts.

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

412. 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.773,724,216 which includes balances of Kshs.265,420,905, Kshs.374,948,836 and Kshs.133,354,475 in respect of trade payables, employee payables and deposits and retentions respectively. Review of the supporting documents and ageing analysis revealed that trade and other payables amounting to Kshs.138,604,174 have been outstanding for a period of more than one (1) year. Management did not provide measures put in place to settle the long outstanding trade and other payables.

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 year as they form the first charge.

My opinion is not modified in respect of these matters.

Other Information

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

414. Non-Compliance with Fiscal Responsibility Principles on Wages

As previously reported, the statement of financial performance and as disclosed in Note 9 to the financial statements reflects employees' costs totalling Kshs.4,426,652,436 which represents approximately 51% of the total revenue amount of Kshs.8,674,598,107. This was contrary to Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 and Section 107(2)(c) of the Public Finance Management Act, 2012 which require 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.

Although Management indicated that the increase in wage bill was as a result of various policies and legal requirements such as mandatory wage increase as per the Salaries and Remuneration Commission (SRC) circulars and implementation of the Health Workers' Collective Bargaining Agreement (CBA), no measures have been put in place to address the matter.

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

415. Non-Compliance with Law on Staff Ethnic Composition

As previously reported, review of master roll and other staff records revealed that the County Executive had three thousand eight hundred and sixty-three (3,863) employees out of which three thousand five hundred and eighty-five (3,585) or approximately 93% of the total workforce 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 states that, all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public Institution shall have more than one-third of its staff establishment from the same ethnic community.

Further, one hundred and six (106) employees were recruited during the year under review out of which ninety-four (94) or approximately 89% of the newly recruited staff were 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 of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County. Although Management indicated that they made deliberate effort to have a wider circulation of the advertisements for the posts and encouraged other community members to apply, the outcome was not positive.

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

416. Non-Compliance with Persons with Disabilities Act, 2025

As previously reported, during the year under review, the County Executive recruited a total of one hundred and six (106) employees, out of which three (3) were persons with disabilities, which translates to approximately 3% of the new staff. No explanation was provided for failure to meet the threshold of 5% as stipulated in 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.

Further, among the one hundred and twenty-three (123) employees in senior management positions, only two (2) are persons with disabilities. This indicates under-representation of persons with disabilities in both general workforce and in governance and leadership roles within the County Executive.

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

417. Failure to Operationalize Completed Projects

417.1. Kathambalani Drift and Sump

The County Executive through the Department for Agriculture, Livestock, Fisheries and Cooperative Development entered into a contract for the construction of Kathambalani Irrigation Project on 30 May, 2024 at a contract sum of Kshs.6,390,017. The project was inspected on 4 September, 2024 and full payment was made on 27 January, 2025. However, physical verification revealed that the Project had not been fully operationalized, despite the County Executive having paid the entire contract sum of Kshs.6,390,017.

417.2. Makueni Child Protection and Development Center

The County Executive through the Department of Gender, Children, Youth, Sports and Social services entered into a contract for the construction of a manager's house at Makueni Child Protection and Development Center (MCCPDC) (Phase V) on 17 April, 2024 at a contract sum of Kshs.2,913,165 and was completed on 10 February, 2025.

Further, the Department awarded a contract on 14 March, 2025 for the installation of Solar System for the operationalization of the Center at a contract sum of Kshs.2,782,010. The project was completed on 7 April, 2025. Project inspection revealed that the two (2) projects were complete. However, despite having in place a committee composed of members from the State Department for Social Protection and the County Government of Makueni to fast-track operationalization process, the center had not been operationalized.

In the circumstances, the value for money from the above non-operational projects completed could not be confirmed.

418. Delay in Completion of Project - Mulima Earth Dam Project

The County Executive entered into a contract for the construction of Mulima Water project Phase II on 9 January, 2025 at a contract sum of Kshs.34,470,879 for a period of five (5) months with expected completion date of 30 June, 2025. Review of minutes of site visit revealed that the project was ongoing and the pump house was approximately 60% complete while the stilling well and chemical dosing channel was at approximately 70% complete.

Further, review of the project file revealed that there was a land dispute at the dam construction site. In addition, the County Executive had not obtained the necessary permits from the Kenya Forest Service for the use of the forest land prior to project implementation.

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

419. Non-Implementation of Approved Projects

The County Executive planned to implement seven hundred and sixty-one (761) projects with a budgeted expenditure totalling Kshs.3,438,686,936 for the year ended 30 June, 2025. Review of the County's Annual Progress Report revealed that one hundred and two (102) projects with a budgeted cost of Kshs.865,777,653 were ongoing, twenty-four (24) projects budgeted at Kshs.82,066,179 had not started, while one (1) project costing Kshs.500,000 had stalled. Management did not provide measures put in place to complete the projects as listed at the end of this report.

In the circumstances, the public did not get value for money in respect of stalled or projects not started.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

420. Under-Staffing of Internal Audit Unit

As previously reported, the approved County Executive staff establishment provides for the Internal Audit Department headed by a director. The Directorate has two (2) divisions, including Internal Audit and Internal Control, Policies and Systems Divisions, each headed by a Deputy Director. However, review of the staff establishment revealed that the Directorate had an approved staff establishment of twenty-eight (28) employees whereas the actual number in position is six (6), resulting in under-staffing by twenty-two (22) officers.

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

COUNTY EXECUTIVE OF NYANDARUA – NO.18

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

421. Unexplained Voided Transactions

Review of the financial records revealed that one thousand nine hundred and ninety- eight (1998) transactions amounting to Kshs.1,191,206,248 were voided during the financial year under review. However, supporting documents such as voided payment vouchers, requests to void payments, The National Treasury approval and Exchequer requisitions from the Controller of Budget were not provided for audit review. Further, the voided payments were not disclosed as pending accounts payables and the utilization of funds meant for voided transactions was not confirmed.

In the circumstances, the accuracy, completeness and regularity of voided transactions amounting to Kshs.1,191,206,248 could not be confirmed.

422. Unreconciled Receivables from Non-Exchange Transactions

The statement of financial position and as disclosed in Note 23 to financial statements reflects receivables from non-exchange transactions balance of Kshs.1,627,082,389 which relates to receipts that were due from County Revenue Fund. However, the balance differs with the corresponding payables balance from County Revenue Fund financial statements amounting to Kshs.1,646,579,968, resulting in an un-reconciled variance of Kshs.19,497,579.

In the circumstances, the accuracy and completeness of the receivables from non-exchange transactions balance of Kshs.1,627,082,389 could not be confirmed.

Emphasis of Matter

423. 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 amounts of Kshs.8,779,773,471 and Kshs.4,790,756,342 respectively, resulting in an under-funding of Kshs.3,989,017,129 or 45% of the budget. However, the County Executive spent an amount of Kshs.4,592,860,887 against the actual receipts of Kshs.4,790,756,342 resulting in a underspending of Kshs.197,895,455 or 4% of the actual receipts.

The under-funding of the budget may have impacted negatively on the delivery of goods and services to the public.

424. Late Exchequer Releases

The statement of financial performance and as disclosed in Note 6 to the financial statements reflects transfers from County Revenue Fund amounting to Kshs.6,297,330,369. Included in the balance is an amount of Kshs.1,527,255,673 that was received in July after the end of the financial year.

Late disbursement of Exchequer releases to the County Revenue Fund may have impacted negatively on implementation of County Executive's programmes for the year under review.

425. Long Outstanding Payables

The statement of financial position and as disclosed Note 32 to financial statements reflect trade and other payables balance of Kshs.5,024,674,774. Included in the balance is an outstanding amount of Kshs.2,746,515,943 that remained unsettled for over a year comprising payables balance of Kshs.77,727,236 aged 1-2 years, Kshs.35,046,274 aged 2-3 years and Kshs.2,633,742,433 aged over three (3) years.

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

My opinion is not modified in respect of these matters.

Other Matter

426. Unresolved Prior Year Matters

In the prior year audit report, several issues were raised under the Report on Financial Statements and Lawfulness and Effectiveness in Use of Public Resources. Review of the status during audit of the County Executive in 2024/2025 revealed that twenty-three (23) matters as listed at the end of this report remained unresolved as at 30 June, 2025.

Other Information

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

428. Payment of Salary Outside Integrated Payroll and Personnel Database and Human Resource Integrated System

The statement of financial performance and as disclosed in Note 9 to the financial statements reflect employee costs amount of Kshs.2,486,839,933 which includes an amount of Kshs.2,483.292,033 paid as basic salaries of permanent employees. However,

an amount of Kshs.93,005,874 was paid outside the Integrated Payroll and Personnel Database (IPPD) system and the Human Resource Integrated System (HRIS) through manual payrolls. This was contrary to The National Treasury Circular No.16/2020 which requires personnel emoluments to be controlled in the public personnel database and supported by IPPD. Management did not demonstrate efforts undertaken to rectify this anomaly.

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

429. Non-Compliance with Law on Staff Ethnic Diversity

Review of human resource records revealed that the County Executive had two thousand four hundred and twenty-nine (2,429) staff on contractual and permanent and pensionable terms. However, out of this number, two thousand three hundred and twenty-two (2,322) members of staff, which translates to 96%, were from the dominant ethnic community in the County. Further, officers in Job Group P and above were a total of one hundred and twenty- three (123) employees out of which one hundred and ten (110) which translate to 89%, were from the dominant ethnic community.

This was contrary to provisions of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states 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.

430. Non-Compliance with One-Third Rule on Basic Salary

The payroll for the year under audit revealed that four hundred and fourteen (414) staff members earned net pay less than a third (1/3) of their basic salary. This was contrary to Section 19 (3) of the Employment Act, 2007 which states that the total amount of 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.

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

Out of two thousand four hundred and twenty-nine (2,429) employees of the County Executive only twenty-two (22) are persons with disabilities, representing 1% of the workforce which was below the 5% threshold recommended by Section 5(1)(e) of the Persons with Disabilities Act, 2025. The law 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. Furthermore, among the one hundred and twenty-three (123) employees in senior management positions, only two (2) are persons with disabilities.

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

432. Irregular Staff Recruitment

The County Executive recruited forty three (43) officers in various positions. However, there was no approved staff establishment as prescribed by Section B.2(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which requires every public entity to prepare Human Resource Plans based on comprehensive job analysis to support achievement of goals and objectives in their Strategic Plans. The hiring of the officers was also contrary to Section B.3 (1) of the Public Service Commission Human Resource Policy, 2016 which states that an Authorized Officer shall declare all vacant posts to the Public Service Commission in accordance with the procedures set out in the Commission's regulations.

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

433. Casuals Engaged Beyond Stipulated Period

The County Executive engaged twenty (20) casual workers continuously for periods exceeding three (3) consecutive months incurring an amount of Kshs.1,792,800. This was contrary to Section 37 of the Employment Act, 2007 which requires the employer to formalize the employment relationship and extend all the rights and benefits due under the law, including leave entitlements, notice period, and statutory deductions.

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

434. Non-Compliance with Law on Fiscal Responsibility Principles on Wages

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects employee costs amount of Kshs.2,486,839,933 equivalent to 39% of the total revenue of Kshs.6,297,330,369. The amount exceeded the statutory limit of 35% set out under Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015.

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

435. Procurement from Non-Prequalified Suppliers

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects use of goods and services amount of Kshs.1,689,204,344 which includes office general supplies amount of Kshs.32,804,015. Included in the expenditure is an amount of Kshs.7,685,896 procured from suppliers who were not included in the approved framework agreement list of suppliers. This was contrary to Regulation 106 (1) of the Public Procurement and Asset Disposal Regulations, 2020 which states that a procuring entity is not required to advertise or invite quotations from persons not shortlisted under the framework agreement where a framework agreement has been entered into by the procuring entity.

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

436. Failure to Retain Facilities Improvement Funds at the Hospitals

Review of revenue records obtained from Level 4 and Level 5 health facilities in the County revealed that two (2) health facilities collected a total Kshs.236,054,105 towards the health improvement Funds (FIF) which was transferred to the County Revenue Fund. However, the Fund reimbursed a total of Kshs.234,811,127 to the health facilities resulting in a deficit of Kshs.1,242,978. Further, the County Executive owes the two (2) health facilities a cumulative amount of Kshs.111,299,334 from prior years. 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. Failure to reimburse the total amount transferred by the facilities impacted negatively on service delivery to the public.

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

437. Irregular Insurance Premium Paid for Undelivered Motor Vehicles

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects use of goods and services amount of Kshs.1,689,204,344 which includes insurance cost of Kshs.157,554,605. Included in the expenditure is an amount of Kshs.437,406 paid as insurance premium for two (2) vehicles purchased in February, 2025 which had not been delivered to the County Executive. Further, the logbooks had not been processed at the time of audit.

In the circumstances, value for money on expenditure amounting to Kshs.437,406 paid as insurance premium for the two (2) vehicles could not be confirmed.

438. Irregular Limits of Liability and Premiums Payments in Group Medical Scheme

Review of the County Executive Group Medical Scheme revealed that staff in Job group G to J were offered an inpatient cover limit of Kshs.1,750,000 instead of the approved limit of Kshs.1,000,000 set by Salaries and Renumeration Commission. Further, the County Executive provided optical cover for staff in Job Group K to P of Kshs.30,000 instead of Kshs.25,000 and optical cover of Kshs.30,000 for officers in Job Group R to T instead of the prescribed limit of Kshs.35,000 set by SRC. This contravenes the Salaries and Remuneration Commission Circular No. SRC/TS/CGOVT/3/61 dated19 December, 2014 which requires all public entities to adhere to renumeration and benefit rates set by the Commission.

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

439. Irregular Payment of Subscription

The statement financial performance and as disclosed in Note 10 to the financial statements reflects use of goods and services amount of Kshs.1,689,204,344 which includes other operating expenses amount of Kshs.454,853,639 which further includes an amount of Kshs.2,000,000 paid to the Council of Governors. This was contrary to Section 37(b) of the Intergovernmental Relations Act, 2012 which provides that the operational expenses in respect of the Council of Governors should be provided for in the annual estimates of the revenue and expenditure of the National Government.

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

440. Delays in Project Implementation

440.1. Proposed Construction of Medical Complex at JM Memorial County Referral Hospital

The construction of the Medical Complex at JM Memorial County Referral Hospital project was awarded to a contractor at a contract sum of Kshs.1,468,740,156 for a contract period of one hundred and fifty-six (156) weeks commencing 7 July, 2021. The estimated completion date was 7 July, 2024 which was later revised to 1 July, 2026 while the contract price was varied to Kshs.1,597,161,937 or 8% of the initial contract sum. Although the County Executive entered into a termination agreement with the contractor on 4 August, 2025 to pave way for completion of the project through the Department for Defense following a Presidential directive, physical inspection revealed that minimal work was ongoing at the construction site.

440.2. Delayed Construction of Nyandarua County Headquarters at Ol Kalou

As previously reported, the construction of Nyandarua County Headquarters was awarded at a contract sum of Kshs.617,644,564 for a period of one hundred and four (104) weeks commencing16 March, 2017 with an estimated completion date of 15 March, 2019. The completion date was revised to 30 June, 2019 and again to 30 June, 2021 and later to 31 December, 2022. In the Memorandum of Understanding (MOU) entered into with the State Department for Public Works in January, 2021, the County Executive was to fund 30% of the cost of the project and National Government was to provide the balance of 70%. According to payment records, the County Executive had made payments amounting to Kshs.60,617,658 while the National Government had paid an amount of Kshs.279,218,554 which contract translates to total payments of Kshs.339,836,212 or 45% of the contract sum. Available information provided indicates that there was a variation order of Kshs.142,293,606 to the contract sum resulting in a revised contract sum of Kshs.756,938,171. However, the contract was mutually terminated on 14 October, 2022.

Further, the County Executive awarded the contract to another contractor on 29 May, 2023 for a contract sum of Kshs.449,097,570 for a period of one hundred and two (102) weeks commencing 9 June, 2023 and estimated completion date on 23 May, 2025. The contract was extended for a further fifty-two (52) weeks with a new completion date of 22 May, 2026. Project brief dated 2 September, 2025 and physical inspection conducted in October, 2025 revealed slowdown in progress of works during the period under review. As a result, the likelihood of achieving the expected completion date is doubtful.

440.3. Stalled Construction of County Aggregation and Industrial Park

As previously reported, Management awarded a contract for construction of the County Aggregation and Industrial Park (CAIP) at Njabini Agricultural Training College (ATC) on 4 October, 2023 at a contract sum of Kshs.464,360,410 with a contract period of twenty-eight (28) weeks commencing on 29 January, 2024 and ending on 11 August, 2024.

The County Executive was to fund 50% of the cost of the project and National Government was to provide the balance of 50%. The County Executive had so far made payments amounting to Kshs.47,026,100 whereas the National Government did not release any payments. This translates to total payments of Kshs.47,026,100 or 10% of the contract sum, for 17% of the work completed and time elapsed was seventy (70) weeks or 250% of the completion period.

Physical inspection of the project revealed that the project stalled at substructure works level (back filling and making up, hardcore filling and compaction, anti-termite treatment and reinforcement work level) at aggregation warehouses and cold storage level and substructure works level (blinding, reinforcement, form-work fixing and concerting to foundation footing and column base level) at value addition warehouses level. Further, the contractor was not on site and there was no evidence of project extension after the previous thirteen (13) extensions.

440.4. Stalled Construction of Pharmacy and Laboratory at Manunga Health Centre

Management entered into a contract for the proposed construction and completion of a pharmacy and laboratory unit at Manunga health center at a contract sum of Kshs.8,074,615. The project commenced on 6 May, 2024 with a scheduled contract period of fifty-three (53) weeks, ending on 6 May, 2025.

However, as at the time of audit in June, 2025, after the agreed project completion date, only the first interim payment of Kshs.2,007,000 dated 31 January, 2025 had been made. The project remained incomplete and had stalled at the foundation level. No revised completion date and approval for project extension was provided for audit review.

440.5. Stalled Construction of a Radiology Unit at Bamboo Health Centre

Management entered into a contract for the proposed construction and completion of radiology unit at Bamboo Health Center at a contract sum of Kshs.11,496,972. The project commenced on 6 May, 2024 with a contract period of fifty-three (53) weeks scheduled to be completed on 6 May, 2025.

As at the time of audit in May, 2025, after the lapse of the project completion deadline had lapsed, only the first interim payment of Kshs.2,395,215 dated 31 January, 2025 had been made. Physical inspection further revealed that the project was incomplete and stalled at the foundation level and the contractor was not on site.

No revised completion date or approval for project extension was provided for audit review. Further, the performance security for the project expired on 15 May, 2025 and no evidence was provided for the renewal.

440.6. Stalled Construction of Chamuka Dispensary

Management entered into a contract for the proposed construction and completion of Chamuka Dispensary on 15 May, 2024 for a contract sum of Kshs.28,342,801. The

project commenced on 29 May, 2024 with a contract period of fifty-two (52) weeks, scheduled to be completed on 27 May, 2025.

As at the time of audit in June, 2025 after the project completion deadline, two (2) payment certificates totalling Kshs.15,000,000 had been made. However, the project was incomplete with finishing works yet to be done.

However, revised completion date and approval for project extension as well as the performance security were not provided for audit review. In addition, physical inspection done in the month of June, 2025 revealed that the project had stalled and the contractor was not on site.

440.7. Construction of Governor's Official Residence

Contract for construction of the Governor's residence at a contract sum of Kshs.43,415,636 was awarded on 18 April, 2024. The contract period was thirty-two (32) weeks with expected completion date of 24 December, 2024. Physical inspection revealed that the project had stalled and the contractor was not on site. No revised completion date or approval for project extension was provided for audit review.

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

441. Outstanding Legal Fees

The statement of financial performance reflects use of goods and services amount of Kshs.1,689,204,344 which as disclosed in Note 10 to financial statements includes other operating expenses amount of Kshs.454,853,639. The operating expenses includes an amount of Kshs.15,861,118 owed to various law firms for services rendered and not paid. The County Executive may incur expenditure which could have been avoided if the County Executive had honoured its financial obligations promptly.

In the circumstances, delay in settlement of the fee notes exposed the County Executive to the risks of fines, penalties, interest and further legal suits and value for money on the expenditure could not be confirmed.

442. Failure to Pay Court Awards

The Employment and Labour Relations Court of Kenya at Nakuru ordered the County Executive to pay a total of Kshs.25,286,532 to three (3) petitioners as compensation and damages for unlawful termination on 26 October, 2021. However, as at the time of audit, the County Executive had not complied with the court order. Failure to comply with the court order exposes the County Executive to additional costs in form of fines and penalties as well as the risk of further litigation.

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

443. Irregularities in Planning and Budgeting

443.1. Lack of Effective Citizen Participation in Planning and Budgeting

Review of the budget-making process revealed that the County Executive did not comply with Articles 201 and 232(1)(d) of the Constitution of Kenya, 2010, due to failure to adhere to the prescribed guidelines for effective public participation. Further, Management did not develop criteria for identifying the stakeholders to participate in the budget process.

443.2. Non-Compliance with Budgetary Limits and Reporting Requirements

The approved revenue budget for the Nyandarua County Government (County Executive and Assembly) amounted to Kshs.9,652,691,719, which includes an amount of Kshs.872,918,248 allocated to the County Assembly. The approved budget for the County Assembly translates to 9% of the total County Government revenue exceeding the fiscal limit by 2% set under Regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015.

Further, the County Executive Committee Member for Finance did not submit a responsibility statement to the County Assembly explaining the reasons for the deviation and outlining a plan to ensure annual actual expenditure out turns as well as medium term allocations comply with the provisions of Section 107(2)(a) of the Public Finance Management Act, 2012 and the regulations in the subsequent years as required by Regulation 25(1)(h) of the Public Finance Management (County Governments) Regulations, 2015.

443.3. Non-Compliance with Debt-to-Revenue Ratio Limits

The approved revenue budget for the County Executive for the year under review amounted to Kshs.8,779,773,471 against certified pending accounts payables of Kshs.2,965,410,323. This resulted in thirty-four percent (34%) of the County Government's total revenue. The amount exceeds the required set limit of twenty percent (20%) stipulated under Regulation 25(1)(d) of the Public Finance Management (County Governments) Regulations, 2015.

443.4. Delay in Insurance Compensation

The County Executive lost twenty-six (26) motor vehicles to fire during the Gen-Z demonstrations on 25 June, 2025 at the Ol Kalou Sub-County yard and at the District Officer's office. The motor vehicles were insured and the matter was reported to the insurance company. However, from review of correspondence between Management and the insurance companies, it was not clear how or when the County Executive would be compensated for the loss.

In the circumstances, the delay in insurance claims, financial strain and loss of compensation for the loss of twenty-six (26) motor vehicles could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

444. Ineffective Management of Property, Plant and Equipment

The statement of financial position and as disclosed in Note 26 to financial statements reflects a balance of Kshs.1,560,955,311 relating to property, plant and equipment. However, during the audit the following issues were noted;

444.1. Lack of Logbooks

Review of assets records revealed that the County Executive owns two hundred and twelve (212) motor vehicles and one hundred and sixty-two (162) motorcycles. However, only ninety-three (93) motor vehicle logbooks and forty (40) motorcycles logbooks were provided for audit review. The remaining one hundred and nineteen (119) motor vehicle logbooks and one hundred and twenty-two (122) motorcycle logbooks were not provided for audit review.

444.2. Grounded Motor Vehicles

Out of the total fleet of two hundred and twelve (212), the County Executive has eighty (80) grounded motor vehicles out of the total fleet of two hundred and twelve vehicles, and seventy-eight (78) grounded motorcycles out of one hundred and sixty-two (162) motorcycles. However, motor vehicle records provided did not indicate the duration these vehicles and motorcycles have been grounded nor did they provide any maintenance, disposal, or reactivation plans, to ensure effective asset management.

444.3. Lack of Updated Assets Register

The County Executive did not maintain an updated fixed assets register for its assets and assets procured during the year were neither recorded nor tagged for ease of identification and verification.

In the circumstances, the existence of effective assets management mechanisms could not be confirmed.

445. Lack of an Off-site Data Recovery Centre

Review of the County Executive's ICT disaster preparedness and business continuity arrangements revealed that the County Executive had not established an off-site data recovery centre. As a result, critical systems and data are not securely backed up or protected against loss in the event of unforeseen occurrences such as system failures, cyber-attacks or fires.

In the circumstances, existence of effective mechanisms to safeguard the County Executive's ICT systems and information could not be confirmed.

List of Unresolved Prior Years Matters

No.	Audit Issues for 2023/2024
1	Variances in the Statement of Comparison of Budget and Actual Amounts – Recurrent and Development Combined
2	Variances Between Financial Statements Balances and Integrated Financial Management System (IFMIS)
3	Variance Between Appropriation Account and Payment Details,
4	Unreconciled Pending Bills
5	Unexplained Voided Transactions,
6	Budgetary Control and Performance
7	Non-Compliance with Law on Ethnic Composition,
8	Non-Compliance with the Law on Fiscal Responsibility-Wage Bill,
9	Payment of Salary Outside IPPD System,
10	Irregular Engagement of Consultants for Legal Services,
11	Irregular Payments of Subscription to the Council of Governors,
12	Non-Compliance with the Law on Pending Bills,
13	Irregular Expenditure on Designated Departments,
14	Incomplete and Low Absorption in Projects Implementation Status Report,
15	Stalled Construction of the Nyandarua County Headquarters at Ol - Kalou,
16	Proposed Construction of County Aggregation and Industrial Parks,
17	Proposed Construction of Medical Complex at JM Memorial County Referral Hospital,
18	Governor's Official Residence,
19	Lack of Risk Management Policy,
20	Weaknesses in the Legal Department,
21	Lack of Logbooks and Vehicle Status
22	Failure to Adhere to Vote Control Guidelines on Subsistence Allowance and
23	Summary of Non-Current Assets Register.

COUNTY EXECUTIVE OF NYERI – NO.19

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

446. Lack of Land Ownership Documents

446.1. Official Residence of the Governor

The statement of financial position and as disclosed in Note 26 to the financial statements reflects property, plant and equipment balance of Kshs.506,369,499. Included in the amount are additions of work-in-progress (WIP) balance of Kshs.47,465,613, out of which, Kshs.42,449,829 is in respect of the construction of official residence for the Governor. However, no land ownership documents in the form of title deed, certificate of title or certificate of lease for the parcel of land measuring 1.8 acres on which the residence is being constructed were provided for audit review.

446.2. Undisclosed Property, Plant and Equipment

The statement of financial performance reflects other grants and subsides amount of Kshs.687,166,800 as disclosed in Note 13 to the financial statements. The amount includes other capital grants and transfers amount of Kshs.666,786,484 out of which an amount of Kshs.42,224,555 was in respect of Nyeri County Aggregated and Industrial Park project. However, the amount of Kshs.93,164,980 was not included in the property, plant and equipment balance of Kshs.506,369,499 as Work-in progress and the project was started without a certificate of lease or title deed.

In the circumstances, the ownership, accuracy and completeness of property, plant and equipment balance of Kshs.506,369,499 could not be confirmed.

447. Unsupported Voided Payments

Analysis of the Integrated Financial Management System (IFMIS) payments indicated that two hundred and eighty-three (283) transactions totalling Kshs.230,423,834 were voided during the year under review. However, no evidence was provided to confirm that the Controller of Budget was notified of the voiding of the payments to make necessary adjustments and approval.

In the circumstances, the accuracy and regularity of the voided transactions amounting to Kshs.230,423,834 could not be confirmed.

Other Matter

448. Unresolved Prior Year Audit Issues

In the prior 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 the seventeen (17) matters as listed at the end of this report remained unresolved as at 30 June, 2025 report.

Other Information

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

450. Long Outstanding Employee Payables

The statement of financial position reflects trade and other payables balance of Kshs.342,359,626 and as disclosed in Note 32 to the financial statements. The balance incudes employee payables amounting to Kshs.110,483,849. Review of the payable's ledger revealed that public officers at the County Executive undertook official activities using private funds and later claimed the same. This was contrary to Regulation 93(4)(d) of the Public Finance Management (County Governments) Regulations, 2015 which requires that before making official journey the Accounting Officer should ensure adequate funds are available against the relevant items of expenditure to meet the proposed expenditure. Further, some employee payables date back to the financial year 2019/2020, Management did not explain why they were not cleared as the first charge in the subsequent financial year.

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

451. Irregularities in Human Resource Management Practices

451.1. Lack of Annual Recruitment Plans

Review of positions filled during the year under review revealed that two hundred and fifty-six (256) persons were recruited for various positions. However, the corresponding annual recruitment plans were not provided for audit. Management did not also provide evidence on implementation of internal controls with reference to the provision of approved annual recruitment plans in accordance with Public Service Commission requirements.

Although Management explained that all County Departments had been directed to submit their Human Resource Plans by 30 June of each financial year to allow timely preparation and approval of the consolidated Annual Recruitment Plan, there was no evidence provided for audit to indicate that this was followed in the year under review.

In the circumstances, compliance with annual recruitment planning could not be confirmed.

451.2. Salaries Paid Outside Integrated Personnel and Payroll Database System

Analysis of sampled payroll data between July, 2024 and December, 2024 revealed that two hundred and ninety-six (296) persons in the Finance and Health Departments were paid an amount of Kshs.19,213,386 through manual payment vouchers outside the Government recommended Integrated Personnel and Payroll Database (IPPD) Management System. This was contrary to The National Treasury Circular No.16/2020

which requires personnel emoluments to be controlled in the Public Personnel Database and supported by IPPD. Management did not illustrate efforts undertaken to regularize this anomaly during the six-month period.

451.3. Retention of Employees Beyond Retirement Age

Analysis of Integrated Payroll and Personnel Database (IPPD) payroll data as at 30 June, 2025 revealed that there were fifteen (15) employees who had attained the retirement age of 60 years, but were still in the payroll. This was contrary to Regulation 70(1)(a), (b), (c) of the Public Service Commission Regulation, 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.

451.4. Non-Alignment of Integrated Personnel and Payroll Database System to Approved Staff Establishment

Review of the Integrated Personnel and Payroll Database (IPPD) system revealed that four hundred and two (402) designations were configured as at 30 June, 2025. However, out of the four hundred and two (402) configured designations, three hundred and twenty-three (323) were not aligned with the designations in the approved staff establishment. Further, two thousand nine hundred and eighty-seven (2,987) employees were placed in these three hundred and twenty-three (323) designations; thus there was no alignment of IPPD system to the approved establishment.

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

452. Non-Compliance with Persons with Disabilities Act, 2025

The County Public Service Board recruited ninety (90) employees during the year under review. However, no persons living with disabilities were recruited contrary to Section 5(e) of 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 position are filled by persons with disabilities.

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

453. Non-Compliance with Law on Staff Ethnic Composition

Review of employee records for the County Executive provided for audit revealed that, the dominant ethnic community in the County constituted 94% or three thousand, four hundred and forty-three (3,443) out of the total population of three thousand six hundred and seventy-five (3,675) employees. 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.

Further, review of payroll records and a list of new recruitments conducted in the year under review, revealed that the County Public Service Board recruited ninety (90) employees. However, eighty-five (85) or 94% were from the dominant ethnic community. That was contrary to Section 65(1)(e) of the County Governments Act, 2012, which

requires at least thirty percent (30%) of the vacant posts at entry level to be filled by candidates who are not from the dominant ethnic community in the County.

In the circumstances, Management was in breach of law.

454. Non-Compliance with Fiscal Responsibilities Principles on Wages

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects employee cost amount of Kshs.4,493,693,474 out of the budgeted revenue amount of Kshs.9,004,034,684 translating to 50% of the revenues. This was contrary to Regulation 25(1)(a) and (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 thirty-five percent (35%) of the County Government's total revenue.

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

455. Excessive Budget Allocation

The approved budget for the County Executive for the financial year 2024/2025 was Kshs.8,750,998,795 while the County Assembly's budget was Kshs.796,625,715 translating to 9% of the total County revenue. As a result, the approved budget allocated exceeded the allowable amount by Kshs.184,055,800. This was contrary to Regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the approved expenditures of a County Assembly shall not exceed seven percent (7%) of the total revenues 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.

456. Failure to Retain Facilities Improvement Funds at the Hospitals

Review of revenue records obtained from Level 4 and Level 5 health facilities in the County revealed that seven (7) health facilities collected a total amount of Kshs.722,201,876 towards the Health Facilities Improvement which was transferred to Nyeri County Health Services Fund. However, the Fund reimbursed a total of Kshs.572,160,313 to the health facilities resulting in a deficit of Kshs.150,041,563. 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. Further, failure to reimburse the total amount transferred by the facilities impacted negatively on service delivery by the health facilities.

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

457. Stalled Nyeri County Aggregation and Industrial Park

The statement of financial performance reflects other grants and subsidies balance of Kshs.687,166,890 which as further disclosed in Note 13 to the financial statements includes other capital grants and transfers amount of Kshs.656,756,484 out of which an amount of Kshs.42,224,555 was in respect of Nyeri County Aggregated and Industrial

Park project. A contractor was awarded a contract for the project at cost of Kshs.589,292,137. As at the time of audit in September, 2025, an amount of Kshs.93,164,980 had been incurred on the project. Further, physical inspection conducted in May and September, 2025 revealed that the construction stalled in May, 2025, at lintel and walling levels with warehouse structures having no roof.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

458. There were no material issues relating to effectiveness of internal controls, risk management and governance.

Unresolved Prior Year Issued

No.	Audit Issue for 2023/2024
1.	Budgetary Control and Performance
2.	Delayed Exchequer Disbursements
3.	Pending Bills
4.	Regularity of Human Resource Management Practices
5.	Failure to Adhere to the Effectiveness of Implementation of Audit Recommendations
6.	Non-Compliance with the Law on Development Expenditure
7.	High Cost of Electricity for Street Lights
8.	Use of Asbestos for Roofing of the County Rental Houses
9.	Irregular Payments to the Council of Governors
10.	Motor Vehicle Assessment Reports for Insurance
11.	Debt Management Statement Timelines
12.	Performance of County Budget and Economic Forum (CBEF)
13.	Lack of Approved Building Plans
14.	Idle Medical Equipment at Narumoru Level 4 Hospital
15.	Failure to Submit Financial Statements for Donor Funded Projects
16.	Failure to Maintain an Updated Fixed Assets Register
17.	Failure to Implement Risk Management Policy

COUNTY EXECUTIVE OF KIRINYAGA – NO.20

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

459. Inaccuracies in Transfers to Other Government Entities

The statement of financial performance and as disclosed in Note 11 to financial statements reflects an amount of Kshs.855,601,727 in respect of transfers to other Government entities which includes an amount of Kshs.99,775,086 transferred to Kirinyaga County Climate Change Fund. However, review of the Fund's financial statements revealed that only an amount of Kshs.64,667,859 was received resulting in an unexplained variance of Kshs.35,107,227.

In the circumstances, the accuracy and completeness of transfers to other Government entities amount of Kshs.99,775,086 could not be confirmed.

460. Inaccuracies in Cash and Cash Equivalents

The statement of financial position and as disclosed in Note 21 to the financial statements reflects a balance of Kshs.149,920,543 in respect of cash and cash equivalents. However, review of bank accounts revealed that an amount of Kshs.101,969,935 in one bank account was not disclosed in the financial statements.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.149,920,543 could not be confirmed.

461. Unsupported Refundable Deposits and Prepayments

The statement of financial position and as disclosed in Note 33 to the financial statements reflects a balance of Kshs.70,296,409 in respect of refundable deposits. However, Management did not provide relevant supporting documents including invoices and schedules showing amount retained from payments to various suppliers to support the balance.

In the circumstances, the accuracy and completeness of refundable deposits and prepayments balance of Kshs.70,296,409 could not be confirmed.

462. Lack of Land Ownership Documents

The statement of financial position and as disclosed in Note 26 to the financial statements reflects a balance of Kshs.879,898,225 in respect of property, plant and equipment. The balance includes addition to assets amounting to Kshs.548,017,450 out of which an amount of Kshs.28,400,000 relates to additions to land during the year under review. However, Management did not provide land ownership documents in respect of the land acquired.

In the circumstances, the ownership, existence and completeness of property, plant and equipment balance of Kshs.28,400,000 could not be confirmed.

463. Overstatements of Property, Plant and Equipment

The statement of financial position and as disclosed in Note 26 to the financial statements reflects a balance of Kshs.879,898,225 in respect of property, plant and equipment. The balance includes additions to assets amount of Kshs.548,017,450 out of which an amount of Kshs.246,156,189 relates to additions for infrastructure assets which further includes an amount of Kshs.14,543,835 paid to a firm in respect of construction of a fire station whose contract price was Kshs.50,663,036. However, the amount of Kshs.50,663,036 was also recognized in the financial statements of Kerugoya-Kutus Municipality where the entire cost of the fire station was disclosed as the Municipality's asset under property, plant and equipment. Management did not provide explanation why the asset was recognized by the two (2) entities in their respective financial statements.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.50,663,036 could not be confirmed.

464. Non-Compliance with the International Public Sector Accounting Standards Reporting Requirements

During the year under review, the County Executive prepared its financial statements in accordance with accrual basis of accounting under the International Public Sector Accounting Standards (IPSAS). This was a shift from cash basis of accounting. As disclosed in Note 2 to the financial statements, Management indicated that the entity had taken advantage of the transition provisions under IPSAS 33 for a three-year transition period. IPSAS 33 explicitly requires an entity that utilizes any transition exemptions to clearly disclose the transition provisions that it has applied. However, the County Executive did not disclose the specific transitional provisions and measures being taken towards full compliance with IPSAS Accrual.

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

Emphasis of Matter

465. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total final revenue budget and actual on comparable basis amounts of Kshs.7,118,221,601 and Kshs.5,873,579,553 respectively, resulting in under-funding of Kshs.1,244,642,048 or 17% of the budget. Similarly, the County Executive spent an amount of Kshs.5,793,955,419 out of the actual receipts amount of Kshs.5,873,579,553 resulting in under-expenditure amount of Kshs.79,624,134 or 1% 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

466. Unresolved Prior Year Audit Issues

In the prior year audit report, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during the audit of the County Executive in 2024/2025 revealed that the following matters remained unresolved as at 30 June, 2025.

No.	Audit Issues for 2023/2024
1	Variances Between Financial Statements Balances and Integrated Financial Management Information System (IFMIS) Report.
2	Long Outstanding Pending Bills
3	Non-Adherence to Fiscal Responsibility Principle on Wage Bill.
4	Non-Compliance with the Law on Staff Ethnic Diversity
5	Lack of Internal Audit Reports
6	Lack of Valuation Report and Ownership Documents

Other Information

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

468. Non-Compliance with Fiscal Responsibility Principles on County Assemblies' Allocation

Review of the County Executive budget for the financial year 2024-2025 revealed that an amount of Kshs.807,492,795 was allocated to County Assembly of Kirinyaga. The allocation was equivalent to 10% of the total County's revenue budget for the year of Kshs.7,925,714,395. This was contrary to Regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the approved expenditures of a County Assembly shall not exceed seven percent (7%) of the total revenues 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.

469. Incomplete Construction of Mathia Dispensary

The construction of Mathia Dispensary had a total project cost amount of Kshs.8,871,455. During the year under review, an amount of Kshs.5,262,250, was paid to the contractor. However, physical inspection conducted in September, 2025 revealed that the dispensary was incomplete. There was no budgetary estimates provision for the balance in the FY

2025/2026 County Executive Budget. Without this allocation, the project risks stalling indefinitely.

In the circumstances, value for money from the incomplete project could not confirmed.

470. Non-Compliant with Fiscal Responsibility Principles on Wages

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects an amount of Kshs.2,506,567,818 in respect of employee costs which translates to forty-three percent (43%) of the total revenue of Kshs.5,873,579,553. This was contrary to Regulation 25(1)(a) and (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 thirty-five percent (35%) of the County Government's total revenue.

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

471. Non-Compliance with Law on Staff Ethnic Composition

Review of human resource records revealed that ninety-two percent (92%) of the County Executive employees were from the dominant ethnic community in the County 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. Further, out of ninety-seven (97) staff members recruited during the year under review, eighty-five (85) or eighty-seven percent (87%) were from the dominant ethnic community. This was contrary to Section 65(1) of the County Governments Act, 2012 which provides that the County Public Service Board is required to consider, in selecting candidates for appointment, the need to ensure that at least thirty percent (30%) 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.

472. Non-Compliance with Persons with Disabilities Act, 2025

Further, Management did not provide evidence that persons with disabilities were given employment opportunities contrary to Section 5(e) of the Persons with Disabilities Act, 2025 which requires that every county government shall provide the inclusion of persons with disabilities in the county public service by putting in place measures to ensure at least five per centum of the employment position are filled by persons with disabilities.

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

473. Unutilized Gender-Based Violence Rehabilitation Center at Kirinyaga

A firm was awarded a tender to convert two (2) residential houses at Kerugoya Referral Houses to a Gender-Based Violence Rehabilitation (GBVR) Center-Kirinyaga. However, physical inspection conducted in September, 2025 revealed that the houses were

renovated but not labelled and were abandoned with notable broken windows and neglected background.

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

474. Non-Remittance of Capacity Building Levy

Procurement records provided for audit revealed that in the period between 1 September, 2024 and 30 June, 2025, the County Executive awarded tenders totalling Kshs.613,055,017. However, Management did not provide evidence that capacity building levy was deducted and the amount remitted to the Authority as per the Public Procurement Regulatory Authority Circular number 01/2024 (Ref: PPRA/6/5 VOL 11 (224) dated 30 August, 2024. The circular provides that procuring entities are expected to collect the capacity building levy at the rate of 0.03% of the contract sum from suppliers on all procurement contracts signed between the suppliers and procuring entity and remit to the authority through the e-citizen platform.

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

475. Long Outstanding Trade and Other Payables

The statement of financial position and as disclosed in Note 32 to the financial statements reflects a total balance of Kshs.589,845,766 in respect of trade and other payables which includes an amount of Kshs.286,650,940 which has been outstanding from financial year 2013/2014. It was not clear why Management did not prioritize paying prior pending payables on first come first paid basis. This was contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 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 obligations.

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

476. Irregular Engagement of Casual Workers

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects an amount of Kshs.2,506,567,818 in respect of employee costs which includes an amount of Kshs.80,399,461 in respect of basic wages of temporary employees paid as casual workers. Employees records revealed that during the year under review, the County Executive engaged nine hundred and twenty-eight (928) casual workers. However, requisition from respective departments to the County Public Service Board indicating the number of casuals and duration required were not provided for audit review contrary to Section 63 of the County Governments Act, 2012 which provides exclusive powers to the County Public Service Board to make appointments, promotions, and re-appointments within the County Public Service.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

477. Lack of an Approved Staff Establishment

Review of the human resource documents revealed that the County Executive did not have an approved staff establishment in the year under review. This was contrary to Section B.2(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which requires every public entity to prepare Human Resource Plans based on comprehensive job analysis to support achievement of goals and objectives in their strategic plans. Further, the County Executive may not operate at optimum staffing level which may impact negatively on service delivery to the public.

In the circumstances, existence of an effective human resource tool to prevent against understaffing or overstaffing to ensure optimum staff levels could not be confirmed.

478. Weakness in the Internal Audit Unit

During the year under review, the Internal Audit Unit had four (4) staff members. However, the internal audit department did not produce any report to confirm that the Unit was functional. Further, there was no approved internal audit workplan for the year under review. In addition, there was no evidence that the audit committee met during the year.

In the circumstances, the assurance to Management on the systems of internal controls, risk management and governance could not be confirmed.

479. Weaknesses in Asset Management

479.1. Failure to Tag Assets

During the year under review, the County Executive acquired furniture and Information Communication and Technology (ICT) equipment valued at Kshs.28,366,140 and Kshs.68,198,500, respectively. However, at the time of audit, these assets had not been tagged for ease of tracing as required under Regulation 132 of the Public Finance Management (County Governments) Regulations, 2015.

479.2. Failure to Board and Dispose Grounded Unserviceable Motor Vehicles

Review of a list of motor vehicles provided for audit revealed that a total of one hundred and eight (108) motor vehicles and motor cycles were classified as grounded and unserviceable. However, Management did not provide a disposal plan as required under Section 53(4) of the Public Procurement and Asset Disposal Act, 2015.

Further, there were no mechanical reports to justify classification of the grounded units as obsolete or unserviceable.

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

480. Lack of a Risk Management Policy

The County Executive did not have in place a Risk Management Policy to provide a framework for detecting and preventing fraud during the year under review. Further, there was no formal documented process to guide in timely detection and prevention of fraud contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, risk management and the internal controls built within the financial and operational systems could not be confirmed.

COUNTY EXECUTIVE OF MURANG'A – NO.21

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

481. Non-Compliance with the Reporting Requirements

Review of the financial statements revealed that, the Statement of Management Responsibilities and Note 2 to the financial statement under the statement of compliance and basis of preparation did not indicate that these were transitional financial statements. Further, Management did not disclose the elements in the financial statements not recognized due to transitional reporting.

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

482. Trade and Other Payables

482.1. Unreconciled Trade and Other Payables

The statement of financial position and as disclosed in Note 32 to the financial statements reflects a balance of Kshs.3,228,256,308 in respect of trade and other payables, out of which, a balance of Kshs.695,112,289 is in respect of trade payables. However, the Office of the Controller of Budget (COB) – County Governments budget implementation review report showed that as at 30 June, 2025, the County Executive of Murang'a had pending bills balance of Kshs.1,834,879,792 resulting in an unexplained and unreconciled variance of Kshs.1,139,767,503.

482.2. Failure to Reconciled Account Payables on Utilities

Further, creditors' circularization made to service providers revealed that The Kenya Power and Lighting Company (KPLC) is owed by the County Executive a total of Kshs.74,941,039 on electricity supply while records submitted by the County Executive indicated that the Company's payables balance of Kshs.38,878,148 resulting in an unreconciled and unexplained variance of Kshs.36,062,891.

In the circumstances, the accuracy, existence and completeness of outstanding utilities payables balance of Kshs.38,878,148 could not be confirmed.

483. Misstatement of Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs.248,892,510, as disclosed in Note 21 to the financial statements. However, the amount included a balance of Kshs.8,505,361 relating to Murang'a County Climate Change Fund as disclosed in the Murang'a County Climate Change Fund financial

statements for the year ended 30 June, 2025. The Fund is self-reporting entity, and its transactions and balances should therefore be accounted for separately from those of the County Executive.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.248,892,510 could not be confirmed.

484. Unreconciled Receivables from Non-Exchange Transactions

The statement of financial position and as disclosed in Note 23 to the financial statements reflects a balance of Kshs.1,310,755,577 in respect of other debtors in respect of transfers from the County Revenue Fund. However, the County Revenue Fund financial statements reflects a balance of Kshs.1,306,767,577 as outstanding payables to the County Executive resulting in an unexplained and unreconciled variance of Kshs.3,988,000.

In the circumstances, the accuracy and completeness of receivables from non-exchange transactions balance of Kshs.1,310,755,577 could not be confirmed.

Emphasis of Matter

485. 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.9,877,836,251 and Kshs.8,494,766,810 respectively, resulting in under- funding of Kshs.1,383,069,441 or 14% of the budget. Similarly, the County Executive spent an amount of Kshs.8,243,969,936 against actual receipts amount of Kshs.8,494,766,810 resulting in under-expenditure amount of Kshs.250,796,874 or 3% 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

486. Unresolved Prior Year Audit Issues

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 audit of the County Executive in 2024/2025 revealed that sixteen (16) matters remained unresolved as at 30 June, 2025 as listed at the end of this report.

Other Information

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

488. Delay in Adoption of the County Fiscal Strategy Paper

Review of adoption of motion by the County Assembly reference number MCA/SPK/08/VOL.XIII/06 dated 3 April, 2024, showed that the County Assembly adopted the report of the Budget and Appropriations Committee on the County Fiscal Strategy Paper (CFSP) for the financial year 2024/2025 on 3 April, 2024. This was contrary to Section 117(6) of the Public Finance Management Act, 2012, which set statutory deadline for adopting the County Fiscal Strategy Paper not later than fourteen days after submitting the Paper to the County Assembly by the 28th February of each year which should have been not later than 13 March, 2024.

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

489. Failure to Prepare Memorandum for Supplementary Budget by Accounting Officers

The County Executive had an approved original budget amount of Kshs.9,619,521,511 which was later adjusted by an amount Kshs.258,314,740 through a supplementary budget to a final budget amount of Kshs.9,877,836,251. However, adjustments made in the supplementary budget were not supported with memoranda from the Accounting Officers confirming that the changes had been requested and explanations provided for either scaling down or stopping of planned development programmes. This was contrary to Regulations 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 shall submit a memorandum to the County Treasury, on a date determined by the County Treasury.

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

490. Non-Pronouncement on Revenue Raising Measures

Review of financing records indicated that CEC-Member for Finance did not make pronouncement on revenue-raising measures and no policy statement was submitted to the County Assembly to accompany the County Finance Bill. This was contrary to Section 132(2) of the Public Finance Management Act, 2012. Further, there was no evidence that the County Assembly considered and approved the Finance Bill with or without amendments not later than ninety days after passing the Appropriation Bill, contrary to Section 133 of the Public Finance Management Act, 2012.

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

491. Non-Compliance with Law on Staff Ethnic Composition

Review of employee records for the County Executive revealed that the dominant ethnic community had four thousand, six hundred and seventy-nine (4,679) or 94% out of the total workforce of four thousand nine hundred and fifty-four (4,994) employees. This was contrary to Section 7(1) and (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.

Further, review of master data and payroll records and list of recruits for the year under review revealed that the County Executive recruited eighty-six (86) new staff members. However, majority of the new recruits totalling eighty (80) out of eighty-six (86) or 93% belonged to the dominant ethnic community in the County. This was contrary to Section 65(1) of the County Governments Act, 2012, which provides that in selecting candidates for appointment, the County Public Service Board shall consider the need to ensure that at least thirty percent (30%) 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.

492. Non-Compliance with One-Third Rule on Basic Salary

Review of payroll data for the County Executive revealed that a total of one hundred and fifteen (115) employees were paid net salary less than a third (1/3) of their basic salaries in the month of March, 2025. The excessive deductions resulted from Management allowing the staff to incur loans and other liabilities whose repayment deduction put the officers at the risk of pecuniary embarrassment. Further, one (1) staff member had total deductions that were more than the gross pay thus having a negative-net pay which puts the County Executive's resources at risk of pecuniary embarrassment by staff with negative net pay. This was contrary to Section 19(3) of the Employment Act, 2007 which provides 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.

493. Unremitted Statutory and Pension Deductions

The statement of financial position and as disclosed in Note 32 to the financial statements reflects a balance of Kshs.3,228,256,308 in respect of trade and other payables, out of which a balance of Kshs.695,112,289 was in respect of trade payables. Review of the universal pending bills report as at 30 June, 2025 revealed that the County Executive had total pending accounts payable of balance of Kshs.1,921,488,731, out of which an amount of Kshs.1,195,580,964 comprised recurrent pending bills relating to salary arrears and statutory deductions.

Further, included in this balance were unremitted statutory deductions of NSSF contributions amount of Kshs.39,250,914, due by the 9th of the subsequent month, and subject to a 5% penalty for each month or part of a month that the amount remains unpaid, as per Section 27(1) of the National Social Security Fund Act, 2013. Further, pension

contributions of Kshs.187,903,354 Kshs.201,815,770 and Kshs.37,380,238 payable to LAPFUND, LAPTRUST and the Public Service Superannuation Scheme respectively had not been remitted.

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

494. Irregular Payments of Subscriptions

The statement of financial performance reflects use of good and services amount of Kshs.2,349,640,475 as disclosed in Note 10 to the financial statements which includes hospitality, supplies and services amount of Kshs.57,081,056. Review of payments relating to hospitality, supplies and services indicates that an amount of Kshs.1,000,000 was irregularly paid to the Council of Governors for devolution conference registration expenses. This was contrary to Section 37 of the Intergovernmental Relations Act, 2012 which provides that the operational expenses in respect of the structures and institutions established in this Act shall be provided for in the annual estimates of the revenue and expenditure of the National Government.

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

495. Long Outstanding Accounts Payables

Review of the universal pending bills' report as at 30 June, 2025 revealed that as at 30 June, 2025, the County Executive had outstanding trade and other payables from prior years totalling Kshs.11,342,502,609. Review of payments made during the year under review indicated that an amount of Kshs.757,326,472 related to bills incurred in the year 2023/2024. Although the County Executive made efforts to settle pending bills during the year, historical pending bills dating back to the year 2015 amounting to Kshs.448,144,407 remained unpaid and were not treated as a first charge on the budget. This was contrary to the provisions of Section 94(1) of the Public Finance Management (County Governments) Regulations, 2015. No justification was provided for failure by Management to prioritize the settlement of these long-outstanding obligations.

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

496. Non-Compliance with Capacity Building Levy Requirements

The statement of comparison of budget and actual amounts reflects an amount of Kshs.8,243,969,936 in respect of actual total payments. However, no evidence was provided to confirm that Management deducted Capacity Building Levy at the rate of 0.03% on all signed contracts and remitted it to the Public Procurement Regulatory Authority (PPRA) through the eCitizen platform.

Further, there was no evidence to confirm whether Management filed monthly returns to the Authority on all levy amounts deducted and remitted, by the 20th day of the subsequent month, as required.

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

497. Non-Compliance with Law on Fiscal Responsibility Principles on Wages

The statement of financial performance reflects employee costs amount of Kshs.4,216,302,622 as disclosed in Note 9 to the financial statements. The amount translates to 51% of the County Executive's total revenue amount of Kshs.8,269,978,762, thereby exceeding the prescribed limit of 35% set out under Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015.

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

498. Delayed Exchequer Disbursements

The statement of financial performance reflects transfers from County Revenue Fund (CRF) amounting to Kshs.8,269,978,762 as disclosed in Note 6 to the financial statements. However, during the year under review, Exchequer disbursements amounting to Kshs.8,109,770,075 were not received on time.

The Exchequer disbursements for the first quarter were done eleven (11) days after the deadline for disbursement. Further, the last Exchequer disbursement for second quarter and fourth quarter was done two (2) months after the disbursement deadline. Further, the last Exchequer disbursement for second quarter was done one (1) month after the disbursement deadline.

This was contrary to Section 17(6) of the Public Finance Management Act, 2012, which provides that The National Treasury shall, at the beginning of every quarter, and in any event not later than the fifteenth day from the commencement of the quarter, disburse monies to county governments. Further, Section 17(7) of the Act states that the disbursement referred to in subsection (6) shall be done in accordance with a schedule prepared by The National Treasury in consultation with the Intergovernmental Budget and Economic Council, with the approval of the Senate, and published in the Gazette, as approved, not later than the 30 May in every year.

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

499. Pending Bills

Review of the universal pending bills' report as at 30 June, 2025 revealed that the County Executive had trade payables amounting to Kshs.1,921,488,730, out of which a balance of Kshs.262,454,004 related to payables outstanding for 1–2 years, Kshs.53,925,158 for 2-3 years, and Kshs.434,902,965 had remained unpaid for over 3 years. It was not clear why Management did not adhere to the approved payment plan for clearing pending bills developed at the start of the financial year, and why these long-outstanding bills were not settled as the first charge in the subsequent financial year as required by Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

500. Non-Alignment of Training Needs Assessment

The statement of financial performance reflects an amount of Kshs.2,349,640,475 in respects of use of goods and services as disclosed in Note 10 to the financial statements. The amount includes training expenses totalling Kshs.53,681,693. Review of training expenditure revealed that significant portion of the training conducted was not aligned with the approved Training Needs Assessment (TNA). Several trainings attended by staff did not correspond to the critical skill gaps identified in the approved TNA for the year.

In the circumstances, the effectiveness of capacity building towards achieving service delivery goals could not be confirmed.

501. Ineffective Internal Audit Function

Review of the Internal Audit function revealed that the Internal Audit Department is understaffed and inadequately resourced. Out of the approved establishment of twenty (20) audit positions, only eight (8) positions were filled, and a number of the serving staff do not possess the requisite professional qualifications or competencies in audit and risk management. This undermines the independence and effectiveness of the internal audit function. Further, during the year under review, the internal audit function conducted only two (2) audit assignments.

In addition, the Department did not have budget allocation. This was contrary to Standard 2030 of International Standards for the Professional Practice of Internal Auditing that requires that the Chief Audit Executive Officers must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

In the circumstances, the effectiveness of the internal audit function and its capacity to strengthen the system of internal controls could not be confirmed.

502. Unserviceable Motor Vehicles and Equipment

Review of the fleet of motor vehicles and motor cycle register, revealed that the County Executive had a total of two hundred and seventy-eight (278) motor vehicles, out of which one hundred and thirty-seven (137) were grounded, unserviceable or non-functional. However, Management did not demonstrate measures put in place to dispose the assets to prevent further loss. Further, Management did not prepare an Annual Disposal Plan contrary to Regulation 176(1) of the Public Procurement and Asset Disposal Regulations, 2020 which requires an Accounting Officer of a procuring entity to ensure that an annual assets disposal plan is prepared of items declared as unserviceable, surplus or obsolete, stores, asset or equipment.

In the circumstances, the existence of effective assets management mechanism could not be confirmed.

503. Lack of Risk Management Policy

Review of risk management records revealed that the County Executive did not have an approved Risk Management Policy. Further, key risk management processes such as the development of a risk register have not been implemented. In the absence of a risk register Management's ability to identify, assess, and prioritize risks, as well as to document mitigation strategies and assign responsibility for managing those risks was impaired. This was contrary to good governance and public sector risk management practices.

In the circumstances, financial losses due to unforeseen events such as fraud, loss of information or data and theft could not be confirmed.

504. Inadequate Access Controls and Segregation of Duties

Review of ICT system records provided for audit revealed that the County Executive operates critical application systems, including Unstructured Supplementary Service Data (USSD) for Mobile Communications, Revenue Management System, Digital Health Platform (Afya KE) and the Land Management System. These systems fall under the operational mandate of the County Executive ICT Department. However, it was noted that system backups are hosted on a cloud computing platform, with access being maintained by a single individual. Further, the existence of formally documented access controls or an approved ICT organizational structure clearly defining the roles and responsibilities of key personnel, such as network administrators, information security analysts, database managers, system programmers, system administrators and backup/disaster recovery officers with access rights to the cloud environment could not be confirmed.

In the circumstances, the existence of an elaborate mechanism to mitigate against ICT risks and other vulnerabilities could not be confirmed.

Unresolved Prior Years' Matters

No	Audit Issues for 2023/2024
1	Variance Between the Statement of Receipts and Payments and Integrated Financial Management Information System (IFMIS) Vote Book
2	Unreconciled Pending Bills Records
3	Unsupported Expenditure on Hospitality, Supplies and Services
4	Budgetary Control and Performance
5	Pending Bills
6	Compensation of Employees
7	Failure to Comply with Staff Establishment
8	Non-Adherence to the Law on Staff Ethnic Diversity
9	Non-Adherence to the One-Third Basic Salary Rule
10	Failure to Comply with Fiscal Responsibility Principles on Wage Bill
11	Failure to Adhere to Fiscal Responsibility Principles in Budget Allocation to the County Assembly
12	Construction of a Septic Tank at Maragua Level 4 Hospital
13	Project Complete but Not in Use - Mabae Dispensary
14	Failure to Remit Balances from ASDSP II Accounts to National Programme Account
15	Effectiveness in Implementation of Audit Recommendation
16	Lack of Asset Disposal Plan

COUNTY EXECUTIVE OF KIAMBU – NO.22

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

505. Unconfirmed Employees Costs

The statement of financial performance and as disclosed in Note 9 the financial statements, reflects employee costs amount of Kshs.7,993,839,174. Included in the amount is Kshs.13,247,907 in respect of outstanding Public Service Superannuation Fund. However, the supporting schedule indicating details of employee contributions was not provided for audit.

In the circumstances, the accuracy and completeness of the employee costs amounting to Kshs.13,247,907 could not be confirmed.

506. Cash and Cash Equivalents

The statement of financial position and as disclosed in Note 21 to the financial statements reflects cash and cash equivalents balance of Kshs.595,554,259. Review of records provided revealed the following;

506.1. Inaccuracies in Cash and Cash Equivalents

The cash and cash equivalents balance of Kshs.595,554,259 includes County Agriculture Sector Development Support Programme II Account with Nil balance. However, the trial balance reflects a balance of Kshs.15,936,995 resulting in an unexplained and unreconciled variance amounting to Kshs.15,936,995. Further, the cash and cash equivalents balance includes Kiambu County Climate Change SPA account balance of Kshs.158,632,515 which differs with the balance reflected in the Kiambu County Climate Change Fund financial statements balance of Kshs.139,070,473 resulting in an unexplained an unreconciled variance of Kshs.19,562,042.

In addition, the statement of cash flows reflects cash and cash equivalents balance of Kshs.596,064,527 which differs with the balance of Kshs.595,554,259 disclosed in the statement of financial position resulting in an unexplained and unreconciled variance of Kshs.510,268.

506.2. Irregular Operation of Commercial Bank Accounts

Review of the bank accounts register revealed that the County Executive operated two hundred and eighty-eight (288) bank accounts with various commercial banks. This was contrary to Regulation 82(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which require only imprest bank accounts for petty cash and revenue collection bank accounts to be maintained in commercial banks.

506.3. Unsupported Account Balances

Included in Note 21 to the financial statements are three (3) bank accounts namely; CBK Kiambu County Special Purpose Agriculture, Grant Deposit account and County

Agriculture Sector Development Support Programme II with Nil balances. However, the three (3) bank account with Nil balances were not supported with cashbooks, bank reconciliation statements, bank statements and certificate of bank balances.

In the circumstances, the accuracy, existence and completeness of cash and cash equivalents balance of Kshs.595,554,259 could not be confirmed.

507. Misclassification of Expenditure

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects employee costs amount of Kshs.7,993,839,174 which includes basic salaries of permanent employees amounting to Kshs.6,833,199,629. However, the supporting ledger revealed that an amount of Kshs.20,460,631 in respect of payment of gratuity, bank commission to a local bank and insurance was incorrectly charged to basic salaries of permanent employees.

Further, balance includes employer contribution to compulsory National Social Security Scheme amount of Kshs.418,842,287. However, the supporting ledger revealed that an amount of Kshs.33,986,864 relating to net pay, deductions, gratuity to contracted employees, Pay-As-You-Earn income tax and taxes on gratuity was incorrectly charged to employer contribution to compulsory national social security schemes item.

In the circumstances, the accuracy, completeness presentation and disclosure of the employee costs amounting to Kshs.7,993,839,174 could not be confirmed.

508. Trade and Other Payables

The statement of financial position and as disclosed in Note 32(a) to the financial statements reflects trade and other payables balance of Kshs.7,619,065,692. However, the following anomalies were noted;

508.1. Failure to Reconcile Related Entities Balances

Included in the balance are payables balance of Kshs.7,278,814 owed to The Kenya Power and Lighting Company. However, records from the Company reflects receivables balance of Kshs.81,034,362 as at 30 June, 2025 resulting in an unreconciled and unexplained variance of Kshs.73,755,548.

Further, the trade and other payables balance reflects Nil balance payable to Kenya Medical Supplies Authority (KEMSA). However, records at KEMSA reflect receivables balance of Kshs.9,358,061 as at 30 June, 2025 resulting in an unreconciled and unexplained variance ledger of Kshs.9,358,061.

508.2. Unsupported Trade and Other Payables

The supporting schedule provided for audit excluded supporting details such as contract numbers, local purchase orders (LPOs), local service orders (LSOs) or invoice numbers for trade and other payables totalling Kshs.351,101,026 and Kshs.682,277,894 under recurrent and development expenditure respectively. Further, an amount of Kshs.161,121,125 relating to legal fees was not supported by case numbers, advocate names, payment voucher numbers and invoice numbers.

In the circumstances, the existence, accuracy, completeness and occurrence of trade and other payables balance of Kshs.7,619,065,692 could not be confirmed.

509. Unsupported Use of Goods and Services

The statement of financial performance reflects use of goods and services expenditure of Kshs.2,854,011,777. Review of records revealed the following unsatisfactory issues:

509.1. Unsupported Expenditure on Fuel, Oil and Lubricants

The balance includes an amount of Kshs.342,504,719 spent on fuel, oil and lubricants as disclosed in Note 10 to the financial statements. However, the following issues were noted;

(i) Analysis of fuel records provided for audit revealed that general card 1 and card 2 were used for emergency fueling, provision of lubricants and minor vehicle service. During the year under review, an amount of Kshs.27,759,767 was incurred as fuel and lubricants cost while using the general cards. However, the cards were not assigned to specific vehicles while, fuel statements provided did not specify the vehicle registration number. Further, the County Executive maintained generators in various departments which drew fuel amounting to Kshs.20,160,982 during the year. However, the specific generators could not be traced in the fuel cards statement as they lacked identification. In addition, the list of generators and their capacity and records of fuel consumption were not provided for audit.

(ii) Analysis of the fuel statement and the County Executive's motor vehicles assets register revealed that thirty-two (32) operational motor vehicles were not in the fuel statement but were in the County Executive's asset register of motor vehicles, casting doubt on whether they were operational or may be idle assets.

(iii) Analysis of the fuel statement and the County Executive's asset register revealed that fifty-eight (58) vehicles with a status 'not operational' drew fuel amounting to Kshs.67,530,512.

(iv) Analysis of the County Executive's asset register revealed that two hundred and forty (240) vehicles did not have County Executive registration numbers and identification.

(v) Analysis of the County Executive's assets register revealed that seventy-five (75) motor vehicles and generators did not have their status updated in the asset register. Therefore, it was not possible to confirm whether they were operational or not.

(vi) Review of County Executive's assets and log books provided for audit revealed that twenty-five (25) generators did not have ownership documents and were not tagged. Further, logbooks for two hundred and twenty-five (225) motor vehicles were not provided for audit.

(vii) Analysis of sampled work tickets and fuel statements provided revealed varying fuel records. Further, the work tickets were not duly filled with fuel, oil and lubricants details.

(viii) Analysis of the County Executive's fuel card transactions for two (2) consecutive months, revealed anomalies in Average Fuel Consumption (AFC). In particular, ten (10) cards indicated positive AFC variance values exceeding +0.45, indicating that fuel consumption was at least 45% or more above expected efficiency levels based on mileage reported. Management did not provide justification for the excessive fuel usage.

(ix) Review of fuel records revealed that a total of three hundred and two (302) fuel cards were used to draw fuel from service stations without the corresponding odometer readings being captured at the point of fuelling. The value of fuel drawn under these transactions amounted to Kshs.147,182,570. The lack of odometer data limits the County Executive's ability to monitor fuel consumption, assess efficiency or verify vehicle usage, thereby weakening internal controls over fuel management. Further, review of the fuel statement for the period 1 July, 2024 to 31 May, 2025 provided for audit revealed that two hundred and sixty-three (263) motor vehicles whose odometer readings were zero drew fuel amounting to Ksh.98,623,348.

In the circumstances, the occurrence, accuracy and completeness of the fuel, oil and lubricants expenditure totalling Kshs.361,257,179 could not be confirmed.

509.2. Unsupported Domestic Travel and Subsistence Payments

Included in use of goods and services expenditure is an amount of Kshs.114,669,898 spent on domestic travel and subsistence as disclosed in Note 10 to the financial statements. the expenditure includes domestic travel and subsistence allowances for implementation of various Financing Locally-Led Climate Action (FLLoCA) programmes across different departments. However, review of sampled payment vouchers totalling Kshs.3,971,920 revealed that the vouchers were not supported with vehicle work tickets or evidence of travel, invitation letters and programme of activities. This was contrary to Regulation 104(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires all receipts and payments vouchers of public moneys to be properly supported with pre-numbered receipts, payment vouchers and appropriate authority and documentation.

509.3. Unsupported Insurance Costs - Payment of Staff Medical Insurance

The County Executive entered into a contract with an Insurance Company for the provision of Group Medical Insurance cover for four thousand four hundred and ninety-six (4,496) staff for a duration of one (1) year starting 9 February, 2025 to 9 February, 2026 at a premium amount of Kshs.375,497,753. The County Executive made payment of Kshs.282,302,579. However, review of the records revealed the following anomalies;

(i) Clause 3 of the renewal contract signed on 9 February, 2025 between the County Executive and the Insurance Company indicated that the scheme was intended to cover four thousand four hundred and ninety-six (4,496) members of staff and their dependents. However, Management did not provide a detailed list of the beneficiaries or staff covered by the medical insurance plan, indicating their full names, personal numbers, job groups and names of eligible dependents. This was contrary to Regulations 104(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires all receipts and payment vouchers of public monies to be properly supported with pre numbered receipts and payment vouchers and be supported with appropriate authority and documentation.

(ii) Management paid a premium amount of Kshs.282,302,579 or 75% of contract sum instead of the contractual premium amount of Kshs.375,497,753 payable in advance. This was contrary to provision of Clause 3.2 of the signed contract. Further, Section 156(1) of the Insurance Act, 2020 requires that no insurer shall assume a risk unless and until the premium payable thereon is received by the insurer. In addition, records indicated that renewal of the medical cover for the County Executive was signed on 9 February, 2025 by the insurance company, there was no prior notice in writing seeking for renewal of insurance cover before contract agreement was entered into and signed.

(iii) Review of the County Executive's Integrated Payroll and Personnel Database (IPPD) revealed that the total staff were six thousand, seven hundred and thirty-two (6,732) employees, however, four thousand four hundred and ninety-six (4,496) or 67% were covered. Management did not provide evidence on how the four thousand four hundred and ninety-six (4,496) staff were identified for medical insurance.

(iv) Clause 3 of the contract further states that, any additional employees will attract additional premium as per the schedule of rates in the final renewal proposal and the invoice provided in pro-rata basis settled in advance prior to on boarding of the new entrants. However, there was no evidence that three hundred and twenty-five (325) newly recruited staff were insured or included in the premium payments.

(v) Review of medical insurance records revealed that the County Executive paid insurance premium of Kshs.8,685,023 for part payment for provision of group medical insurance cover for newly recruited nurses. However, the expenditure was not supported with documents which include appointment letters and human resources recruitment records for the newly recruited nurses. Further, a detailed schedule showing how the part payment amount was arrived at was not provided for audit review.

509.4. Unsupported Motor Vehicle Insurance Costs

509.4.1. Unsupported Motor Vehicle Insurance Payment

Review of payment records revealed that an insurance company was paid a premium totalling Kshs.132,877,237 during the year under review for provision of comprehensive insurance cover for the County Executive's motor vehicles. However, Management did not provide supporting documents in respect of inspection and valuation reports for all the County Executive's vehicles and mechanical assessment report for vehicles over fifteen (15) years.

509.4.2. Irregular Contract Variation for Motor Vehicle Insurance Cover

Review of contract renewals for provision of comprehensive motor vehicle insurance cover revealed an increase in the premium paid by the County Executive. For the contract period from 12 March, 2024 to 11 March, 2025, the County Executive paid a premium amount of Kshs.32,258,018. The subsequent renewal for the period 12 March, 2025 to 11 March, 2026 reflected a premium amount of Kshs.50,177,300, representing 56% increase in the contract price. However, the number of vehicles covered under both contracts were not specified in the agreements and the justification for the increased cost. Further, the significant variation in contract value was not subjected to a separate tendering process as required under Section 139(6) of the Public Procurement and Asset Disposal Act, 2015, which mandates fresh procurement for contract variations exceeding 25% of the original contract value.

509.4.3. Comprehensive Motor Vehicle Insurance Payments for Non-Operational Vehicles

Review of motor vehicle insurance records revealed that the County Executive insured eleven (11) motor vehicles at cost of Kshs.34,870,000, the vehicles which had not been in operation for an unspecified period. This was contrary to Section 149(1) of the Public Finance Management Act, 2012, which requires an Accounting Officer to be 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, effective, efficient, economical and transparent.

509.4.4. Comprehensive Insurance Cover Paid for Motor Vehicles Without County Executive Registration

The County Executive signed a contract for the provision of motor vehicles, plant and equipment insurance services on 12 March, 2025 between the County Executive and an insurance company at a total premium amounting to Kshs.50,177,300, covering the period from 12 March, 2025 to 11 March, 2026. However, twenty-three (23) motor vehicles, that did not bear the County Executive registration, were included in the insurance cover under the same contract. The total insurance premium incurred for these vehicles amounted to Kshs.114,910,000. Value for money on the expenditure could not be verified. In addition, out of the twenty-three (23) vehicles, only twelve (12) vehicles' logbooks were provided for audit review. As a result, the ownership of the remaining

eleven (11) vehicles could not be confirmed. Management did not explain why the vehicles had not been registered under the County Executive.

509.4.5. Insurance Payments for Motor Vehicles with Unverified Status

Review of insurance records revealed that twenty-five (25) motor vehicles were insured at a total cost of Kshs.202,950,000, as confirmed from the County Executive's motor vehicle list and corresponding insurance certificates. However, scrutiny of the list of vehicles revealed that the vehicles were insured without any indication of their current operational status.

509.4.6. Duplicate Payments for Motor Vehicle Insurance Cover

Review of certificate of insurance provided for audit revealed that among the insured motor vehicles, there were seventeen (17) motor vehicles bearing duplicate registration numbers which were insured as separate assets, resulting in an irregular double insurance premium paid of Kshs.113,230,000.

509.5. Unsupported Renewal of Personal Accidents and Insurance Contracts

Review of insurance expenditure incurred under the Personal Accident and Work Injury Benefits Act (WIBA), revealed that the County Executive paid a premium amount of Kshs.51,149,478 for renewal of insurance coverage for six thousand seven hundred and thirty-four (6,734) staff for the period 12 March, 2025 to 11 March, 2026. However, the expenditure was not supported with detailed list of covered employees, including their personal numbers, accident notifications sent to the Director of Occupational Safety and Health Services (DOSHS), notices of accidents submitted by the affected employees, medical reports of injured staff, completed claim forms for all the affected employees, acknowledgment letters and reference numbers issued by the insurance provider for each claim, correspondence with DOSHS/WIBA Director and the insurance company, including WIBA files and a list of unresolved or pending claims yet to be resolved or settled.

509.6. Insurance Premium Payment for Non-Existing Staff

The County Executive paid an insurance premium amount of Kshs.51,149,478 under policy number 745/23/11/HO to cover six thousand seven hundred and thirty-four (6,734) staff for the period from12 March, 2025 to 11 March, 2026. However, review of the official staff registers as at June, 2025 revealed that only six thousand, four hundred and forty-two (6,442) employees were actively on the County Executive's payroll resulting in an unexplained variance of two hundred and ninety-two (292) staff. This indicates that the County Executive may have paid insurance premium for individuals who are not bona fide employees.

In the circumstances, the occurrence, accuracy and completeness of the insurance costs could not be confirmed.

510. Unsupported Authority to Incur Expenditure

The County Executive incurred an expenditure totalling Kshs.20,049,772 in respect of Authority to Incur Expenditures (AIEs) issued to Sub-County offices for facilitation of revenue enhancement activities, Huduma Mashinani and quarterly operating expenditure. However, supporting documents such as expenditure returns from the Sub-Counties indicating the AIEs issued and whether they were spent as per the approved budget were not provided for audit.

In the circumstances, the accuracy, completeness of the AIEs amounting to Kshs.20,049,772 could not be confirmed.

Emphasis of Matter

511. 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.22,111,444,560 and Kshs.17,586,323,328 respectively, resulting in an under-funding amount of Kshs.4,525,121,232 or approximately 20% of the budget. Similarly, the County Executive spent an amount of Kshs.17,410,829,925 against actual receipts of Kshs.17,586,323,328 resulting in under-expenditure amount of Kshs.175,493,403 of the actual receipts.

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

512. Contingent Liabilities

Note 44 to the financial statements reflects contingent liabilities relating to Court cases against the County Executive totalling Kshs.1,657,375,047. However, the balance includes contingent liability relating to Civil Suit No.785 of 2017 between the Postal Corporation of Kenya (PCK) and County Executive in respect to a Court order issued on 13 July, 2018 directing the County Executive to remove the alleged bus stage on the Corporation suit property and to desist from charging the Matatu operators who are using the property as a bus stage or terminus until the suit is heard and determined. Subsequently, on 7 October, 2025, the Court issued a further order directing the County Executive to pay the Corporation all monies arising from the operation of the bus stage and any other development erected by the County Executive on the property.

The County Executive may be exposed to huge cash outflow which may affect its ability to meet its obligations as and when they fall due, thus impacting on service delivery in the event that those contingent liabilities crystalizing.

513. Long Outstanding Refundable Deposits and Prepayments

The statement of financial position and as disclosed in Note 33 to the financial statements reflects refundable deposits and prepayments balance of Kshs.434,129,226. Included in the balance is an amount of Kshs.144,337,720 in respect of retention money held by the County Executive for a period of more than three (3) years. However, no justification for failure to repay the amount was provided for audit.

The County Executive may be exposed to escalation of cost in form of interest and penaltion should the creditors move to court to recover their dues.

My opinion is not modified in respect of these matters

Other Matter

514. Unresolved Prior Year Matters

In the prior 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 the twenty-five (25) matters as listed at the end of the report remained unresolved as at 30 June, 2025.

Other Information

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

516. Irregularities in Procurement for Construction of Projects

516.1. Failure to Report Reserved Procurements to the Public Procurement Regularity Authority

Review of the status report for Early Childhood Development and Education (ECDE) Centres projects revealed that the Department for Education procured contractors for construction works of two hundred and eleven (211) ECDE classrooms and centres at a total contract sum of Kshs.722,272,380. Analysis of the categories of contract award revealed that forty-eight (48) contracts for construction of the ECDE classrooms and centres works at a total contract sum of Kshs.106,903,269 were awarded to categories of youth, women and persons with disabilities. However, the contracts were not reported to Public Procurement Regulatory Authority as required by Section 158(3) of the Public Procurement and Asset Disposal Act, 2015 which requires all procurement awards by procuring entities where a preference or reservation scheme was applied to be reported with disaggregated data to the Authority on a quarterly basis.

516.2. Anomalies in Construction of Early Childhood Development and Education Centres

Review of payments and procurement records in respect to construction of seven (7) Early Childhood Development and Education (ECDE) centres with an office and ablution block at a total cost of Kshs.29,018,313 revealed that the inspection minutes prepared by the Inspection and Acceptance Committee did not provide specific details regarding compliance with the terms and specifications of the contract and whether the works met the technical standards defined in the contract.

Further, certificates of completion for contracts awarded were issued, however, progress reports and minutes by the Inspection and Acceptance Committee were not provided for audit. Therefore, it was not possible to confirm whether the works done met the required specifications.

In addition, the tender evaluation report revealed that the successful bidder did not provide evidence of financial capability but was recommended for award on the basis of financial evaluation as the lowest evaluated bidder. Therefore, the bidder did not meet the evaluation criteria. This was contrary to Section 80(2) of the Public Procurement and Asset Disposal Act, 2015 which requires the evaluation and comparison to be done using the procedures and criteria set out in the tender documents.

516.3. Irregularities in Implementation of Proposed Construction of Model Early Childhood Development and Education Centres

Physical inspection of the ECDE projects revealed the following anomalies;

(i) The construction of Kianjau ECDE Centre in Thika Town Ward with offices and ablution block at a contract sum of Kshs.2,228,212 was complete but not in use despite the project being officially launched on 25 April, 2025.

(ii) Physical inspection of ECDE Centre with offices and an ablution block at Limuru Mission Primary school constructed at a contract sum of Kshs.3,670,360 revealed that the corridor ceiling board was deteriorating due to water leakage from the gutters. The contractor dug a pit latrine instead of an Asian step toilet complete with wall hang cistern including flush pipe and a pan connector as specified in the Bill of Quantities. Further, 1,000 litres plastic storage tank was not installed and the ceiling board finishes were not done.

(iii) The construction of ECDE Centre at Kawaida in Cianda Ward was completed, however, the contractor dug a pit latrine instead of an Asian step toilet complete with wall hang cistern including flush pipe and a pan connector as specified in the Bill of Quantities. Further, 1,000 litres plastic storage tank was not installed and ceiling board finishes were done.

(iv) Physical inspection of Model ECDE Centre with offices and toilet block at Athena in Thika Town Ward revealed leaking roof inside the classroom and the veranda, the walls had visible cracks, an indication of poor workmanship. Further, the hand wash area had no delay press action pillar taps as specified in the Bill of Quantities. In addition, although the ECDE Center was officially commissioned on 25 April, 2025, as at the time of audit, the Center was not in use.

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

517. Irregularities in Procurement for Construction of Stadiums

517.1. Implementation for the Phase II Construction of Thika Stadium

The County Executive awarded construction of phase II of Thika Stadium consisting of a basketball pitch, stalls, swimming pool, changing rooms, steel bleachers and borehole on 21 June, 2024 at a contract sum of Kshs.165,669,432 for a period of twenty-four (24) months. However, review of the procurement records revealed the following anomalies;

(i) Budget allocation for sports during the financial year 2023/2024 amounted to Kshs.140,000,000 while the procurement plan allocation for stadium construction works was Kshs.136,071,184 against the contract sum of Kshs.165,669,432. Management explained that the project was multi-year. Although a breakdown of expected payments relating to the annual portion of the multi-year contract and delivery schedule was not provided for review. This was contrary to Regulation 50(4) of the Public Finance Management (County Governments) Regulations, 2015 which requires the procurement plan to include proper descriptions of the procuring items, unit cost, the estimated contract value and the procurement method relating to the annual portion of a multi-year contract and delivery schedule.

(ii) Review of bid document for evaluation of experience in similar works revealed that the bidder, was awarded the contract for renovation and alterations at Thika Stadium on 7 June, 2023 had not been completed the works as at the time of audit. However, the same contractor was awarded another contract for the same stadium.

(iii) Site handing over report and minutes were not provided for audit despite the progress report of 5 December, 2024 indicating that the works commenced on 12 August, 2024 while review of the progress report of the contract implementation team of 17 May, 2024 revealed that works started on 12 August, 2024 while the contract was executed on 21 June, 2024.

(iv) Review of the latest progress report by the contract implementation team dated 5 December, 2024 revealed that 29% of works had been done while payment amounting to Kshs.52,689,237 or approximately 32% of the contract price was made instead of an amount of Kshs.48,044,135 resulting in an overpayment of Kshs.4,645,102 for Certificate Number 1.

(v) Review of the statement for payment on account for certificate number 1 revealed that the basketball pitch had a cost of Kshs.3,982,280 while the Bill of Quantities reflected a cost of Kshs.2,193,600 resulting in overpayment amounting to Kshs.1,788,680.

517.2. Implementation of Chain-Link Fence and Finishing of Football Pitch at Thigio Primary School

The County Executive awarded a contract for erection of a chain-link fence and finishing of the football pitch at Thigio Primary School on 24 April, 2024 at a contract sum of Kshs.26,785,500 for a period of six (6) months. However, the procurement records revealed the following anomalies;

(i) The County Executive implemented works in the primary school which is a National Government entity, therefore carrying out the function of the National Government.

(ii) Review of the bid document of the successful bidder in respect of work experience of the project manager, foreman, site agent, surveyor and mason revealed that appointment letters for the company staff were not attached as required under the technical evaluation criteria.

(iii) Review of the report of contract implementation committee dated 5 March, 2025 in respect of approval for payment certificate number 2 revealed that the works were incomplete. This was ten (10) months from the contract execution date of 24 April, 2024 and the contract duration had lapsed in September, 2024. Further, there was no evidence of request for extension by the contractor for approval.

517.3. Implementation of Upgrading of Kanjeru Stadium

The County Executive awarded a contract for upgrading of Kanjeru Stadium on 20 February, 2024 for a period of two (2) years at a contract sum of Kshs.163,875,850. However, review of the procurement records revealed the following anomalies;

(i) Budget allocation for sports during the financial year ended 30 June, 2024 amounted to Kshs.136,071,184 against contract sum of Kshs.163,875,850. Management explained that the project was multi-year, however the explanation was not supported with a breakdown of expected payments relating to the annual portion of the multi-year contract and delivery schedule. This was contrary to Regulation 50(4) of the Public Finance Management (County Governments) Regulations, 2015 which requires the procurement plan to include proper descriptions of the procuring items, unit cost, the estimated contract value and the procurement method relating to the annual portion of a multi-year contract and delivery schedule.

(ii) Review of the tender opening committee minutes revealed that four (4) bids were received and opened by the committee, however, only three (3) bids were subjected to evaluation without explanation for dropping one bid.

(iii) Progress report by the implementation committee was not provided despite approval for payment of Kshs.37,081,475 for certificate No. 1 while works were estimated to be only 23% complete despite time lapse of fifteen (15) months casting doubt on whether the works would be completed within the contract period.

517.4. Proposed Fencing of Githunguri Stadium

Review of contract records in respect of proposed fencing of Githunguri Stadium at a contract sum of Kshs.5,935,450 revealed that minutes of the contract implementation team meeting held on 16 May, 2024 at Githunguri Stadium site indicated that the project was completed as per the Bill of Quantities and proposed payment for the works. According to the minutes, the first month of the contract period had already lapsed. However, the implementation team was appointed on 16 May, 2024. Therefore, it was not possible to confirm how the team executed its functions within the same day of appointment.

Further, minutes of the contract implementation team did not specify whether the materials used met the required standards and whether the works included fencing and chain link. In addition, there was no evidence of a completion certificate issued to the contractor.

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

518. Irregularities in Repair and Maintenance of Motor Vehicles

518.1. Use of Imprest for Procurement of Services

Review of payment records revealed that an amount of Kshs.4,901,785 was paid to various officers as standing imprest for procurement of repair and maintenance services instead of using other appropriate procurement methods to acquire the services. This was contrary to the requirements of Section 107(a) of the Public Procurement and Asset Disposal Act, 2015 on use of low-value procurement procedure which provides up to a maximum level of Kshs.50,000 and Kshs.100,000 to procure goods and services respectively per financial year.

518.2. Irregular Procurement of Repair and Maintenance of Motor Vehicles Services

Review of payment vouchers totalling Kshs.4,855,158 and procurement records for award of contracts for routine maintenance of motor vehicles revealed that, whereas the post inspection reports of various motor vehicles were provided, the reports did not clearly indicate the works done as per the pre-inspection report, quoted prices and assessment of whether the repairs done met the expected standards. This was contrary to Section 48(1) of the Public Procurement and Asset Disposal Act, 2015 which requires the inspection and acceptance committee to 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 services in order to ensure compliance with the terms and specifications of the contract and accept or reject on behalf of the procuring entity, the delivered goods, works or services.

Further, a firm was awarded a contract of Kshs.2,720,000 for the supply and delivery of tyres for Fire Engines and Grader. The quotations were issued on 31 December, 2024 to various suppliers. However, bid document for the winning bidder was not provided for audit review.

518.3. Lack of Equitable Rotation of Suppliers

Review of payments for the year revealed that a total amount of Kshs.166,723,123 was incurred as expenditure on routine maintenance of vehicles and other transport equipment. The County Executive had a pre-qualified list of suppliers under the category of provision of motor vehicle garages and suppliers of spare parts for vehicles, plant and machinery, however, However, sampled payment vouchers revealed that Management did not ensure fair and equitable rotation of suppliers. It was not explained why only few suppliers were awarded most of works and quotations. This was contrary to Regulation 91(5) of the Public Procurement and Asset Disposal Regulations, 2020 which requires an Accounting Officer to ensure fair and equitable rotation among the persons on the list under Sections 57, 71 and 106 of the Act and Regulations.

In the circumstances, value for money on the repair and maintenance of motor vehicles expenditure could not be confirmed and Management was in breach of the law.

519. Human Resource Management

519.1. Irregular Expenses for Hire of Security Officers

The County Executive incurred an amount of Kshs.5,688,561 on security officers attached to the County Executive offices. However, the payments were irregular as the Administration Police are already compensated by the Ministry of Interior Services, and their allowances were inappropriately directed to their personal accounts rather than The National Treasury as provided in Section 104(3) of the National Police Service Act, 2011 which stipulates that the monies paid for the private use of the police as specified in subsection (1) shall be paid to the Treasury.

Further, the police officers were paid monthly, casting doubt on the regularity of the monthly payment, as the officers are considered full time employees and are therefore paid their full salaries by the National Police Service Commission.

519.2. Irregular Payment of Wages

Review of memos and supporting documents for payment three (3) vouchers amounting to Kshs.714,000 in respect of reimbursement of standing imprest revealed that the standing imprest was used to pay security officers guarding the dumpsites. However, Management did not explain how the security officers were engaged, including approvals to engage them.

519.3. Failure to Recognise Agreement with Workers Union

The County Executive failed to formulate and sign recognition agreement with Kenya National Union of Medical Laboratory Workers (KNUMLW) despite being granted 30 days by the Conciliator on 29 September, 2024 to review the proposed recognition agreement, propose amendments and finalize the signing process. As at the time of audit, no agreement had been executed, leading to unresolved labor relations issues.

519.4. Lack of a Substantive County Secretary

The County Executive appointed the County Secretary on acting capacity with effect from 2023 for a period of six (6) months. Upon expiry of the six (6) months, the Officer's acting capacity was extended. However, review of documents and personal files revealed that at the time of audit, the County Secretary's office was still vacant without a substantive office holder.

519.5. Irregular Engagement of Casual Workers

During the year under review, County Executive engaged one thousand, one hundred and eighty (1,180) casual workers for period exceeding more than three (3) months. The total amount paid to the workers amounted to Kshs.335,704,654. However, the County Executive did not ensure that casual workers who served continuously for two (2) months or more from the date of employment as a casual employee enjoyed the terms and condition of services as full employees of the County Executive.

This was contrary to Section 37(1)(b) of the Employment Act, 2017 which states that, an employee who works continuously for two (2) months or more from the date of employment as a casual employee shall be entitled to such terms and conditions of service as he would have been entitled to under this Act had he not initially been employed as a casual employee.

Further, the Human Resource Directorate did not maintain personal records for the casual workers including documentation on their recruitment and onboarding processes. This was contrary to Section 66, 67 and 68 of the County Governments Act, 2012 which requires all appointment or assignment of any duty in a County Public Service to be in writing and the County Public Service Board to maintain a record of all applications received in response to advertisements inviting applications. Further, competitive engagement of casuals by the Departments could not be confirmed as the recruitment process documents were not provided for audit.

519.6. Failure to Align Human Resource Policy Instruments to County Staff Establishment

Review of the County Executive's Scheme of Service revealed that the scheme was prepared and developed by the National Government for use by its officers long before the County Governments were established. Therefore, the scheme of service, in its current state, does not include all the cadres of staff employed by the County Executive

or incorporate the changes that have occurred within the County Executive's staff establishment over the years. It was not possible to confirm whether the County Executive had an optimal staffing level.

Further, the County Executive did not provide an annual recruitment plan as required in Paragraph C.1.0 (2) of the County Human Resource Policy and Manual, 2019 which requires all Departments to develop a recruitment plan and forward to the County Public Service Board at the beginning of each financial year.

519.7. Irregularities in Disciplinary Process

Review of human resource documents revealed the following anomalies;

(i) Five (5) officers were interdicted in 2019 for gross misconduct. It was not clear why their disciplinary cases remained unresolved for more than five (5) years while the staff affected continued to receive half (½) salary plus house allowance and enjoyed medical insurance cover, This was contrary to Paragraph 7 of the Public Service Commission Human Resources and Procedures Manual, 2016 which states that except for disciplinary cases that are subject to Court proceedings, all other disciplinary cases should be dealt with promptly and finalized within a period of six (6) months and where it is found impracticable to do so, the Authorized Officer shall report individual cases to the Public Service Commission explaining the reason for the delay. Untimely resolution of administrative actions leads to unfair labour practices;

(ii) Further, the Board through minute dated 4 February, 2025 authorized summary dismissal from service for the (5) five officers recommending that the officers forfeit half of their salaries from the date of interdiction and the recovered amounts be used to offset the misappropriated funds. However, review of the February, March and April payroll revealed that four (4) officers were still in the payroll and earned salary, even after the Board recommended for summary dismissal. In addition, review of their personal files revealed that the Board had not communicated to the officers of their dismissal through a dismissal notice or letter;

The County Executive did not halt the salary of staff absent from duty within a period of ten (10) days contrary to the provision of County Executive Human Resource Policy, 2019 which required that where a public officer is absent from duty without leave or reasonable or lawful cause for a period exceeding twenty-four (24) hours, and is not traced within a period of ten (10) days from the commencement of such absence, the officer's salary shall be stopped and action to dismiss the officer initiated The County Executive paid two (2) staff a total amount of Kshs.349,455 after stoppage of salary and before the disciplinary process was completed;

(iii) Payment of salary for the month of January of Kshs.413,079 was made to a dismissed staff. It was established that the staff was dismissed with effect from 8 January, 2025. However, review of the payroll revealed that the officer was paid the full salary for the month of January, 2025. This was contrary to Section 18(4)

of Employment Act, 2007 which requires that, where an employee is summarily dismissed for lawful cause, the employee shall, on dismissal be paid all moneys, allowances and benefits due to him up to the date of his dismissal.

(iv) Review of human resource records revealed that there were unresolved cases for two (2) officers that resulted in unjust salary stoppages and prolonged staff grievances. The salary for one (1) officer was stopped in 2018 due to alleged non-compliance with headcount requirements. However, the officer's case remains pending without resolution, denying them rightful remuneration for years. In addition, the salary for another officer was stopped in December, 2015, and the case remained unresolved until the officer retired without redress, potentially depriving them of terminal benefits.

In the circumstances, value for money on salaries paid to interdicted and dismissed employees could not be confirmed and Management was in breach of the law.

519.8. Irregular Recruitment of Employees

Review of human resource documents on recruitment revealed the following anomalies;

(i) The recruitments for the year under review were not supported with an approved recruitment plan.

(ii) One officer was appointed as a Deputy Director but had not served for a minimum of eight (8) years with relevant experience.

(iii) Review of the recruitment documents and personal file at least revealed that the officer appointed as Deputy Director Litigation and Prosecution had not attached her current practicing certificates during the application yet, this was a mandatory requirement and the same was not in the personal file. Further, the officer lacked a strategic leadership development course not lasting at least six (6) weeks from a recognized institution. In addition, the personal file did not have evidence of post admission experiences of seven (7) years with minimum of five (5) years' experience in litigation as no recommendation or expense letters from the previous employers were provided. As at the time of audit, the officer had also not been assigned personal number.

(iv) Another officer appointed as Director for Legal Services lacked strategic leadership development course not lasting less than six (6) weeks from a recognized institution and a master's degree in law or any other relevant social science from a recognized university as required in the Scheme of Service.

(v) The officer appointed as Director for Legislative Drafting had not served in the grade of Chief Legal Officer (JG P) or in a comparable and relevant position in service for a minimum period of three (3) years. Rather the officer had served as a Legal Officer under job group I for only twenty (20) months. Further, the officer lacked a strategic leadership development course not lasting at least six (6) weeks from a recognized

institution and a master's degree in law or any other relevant social science from a recognized University.

(vi) The officer appointed as Director of Communication and Public Relations had not served in the grade of Assistant Director of Public Communication and above or its equivalent in the wider public service for a minimum period of three (3) years and had not been in continuous service for a period not less than ten (10) years. It was established that the officer had served as Deputy Director of Communication for one (1) year ten (10) months and had been in continuous service in public service for nine (9) years and four (4) months.

(vii) The staff appointed as Director of Veterinary Services lacked a master's degree in any of the relevant disciplines of Agricultural, Veterinary or Animal Science. Instead, her records indicated that she was still pursuing her master's degree at the time of appointment.

(viii) Another staff personal file had only a letter of appointment as the Acting County Chief Officer Public Health, without any evidence of academic credentials.

In the circumstances, the regularity of the recruitment process and promotions could not be confirmed.

519.9. Failure to Construct Governor and Deputy Governor's Residence

Review of fixed assets records revealed that the Governor and Deputy Governor's residence had not been constructed. This was contrary to the Salaries and Remuneration Commission (SRC) Circular dated 20 May, 2017 which gave guidelines on housing benefits for Governors, Deputy Governors and County Assembly Speakers. The Commission gave a deadline of 30 June, 2022 for the completion and commissioning of the Governor's and Speaker's residence.

In the circumstances, Management was in breach of the SRC's guidelines.

519.10. Long Outstanding Leave Days

Analysis of outstanding leave days for Department for Finance and Economic Planning revealed that some staff had accumulated more than one hundred and fifty (150) leave days despite the human resource polices directive of thirty (30) days leave to be utilized within a financial year and carrying forward of fifteen (15) days. This implies that the staff worked throughout the year on normal hours, which was contrary to Chief of Staff Circular which states that all staff with outstanding leave should ensure that all leave days are utilized. Further, the other County Executive Departments did not provide the leave roasters for audit.

519.11. Irregular Engagement of Community Health Workers

The County Executive engaged the services of three thousand and sixty-eight (3068) community health promoters each earning a monthly stipend of Kshs.2,500. However, review of human resources records and data provided revealed the following anomalies;

(i) Community Health Policy (CHP) was not provided for audit and therefore, there was no evidence of the scope of duties and management controls of the activities of the CHPs hence the likelihood of not achieving the intended objective.

(ii) The Department of Health engaged one hundred and twenty-two (122) Community Health Promoters (CHP) out of the total community health promoters with effect from 1 January, 2025 for a period of one (1) year hence incurring an amount of Kshs.1,525,000 in the year under review. However, it was not clear how the CHP were engaged and whether the County Executive adhered to Section 9(1) and (2) of the Primary Health Care Act, 2023 on engagement. No support documents were provided for audit on the engagement of the Community Health Promoters. Review of the payment voucher revealed that the payment was not supported with reports from the field on achievements of the workers by the community health officer and therefore it was not clear whether the work was done as required. Further, Management explained that the County Executive pays Kshs.2,500 and the National Government pays the same amount, however, the signed service level agreement between the parties was also not provided for audit.

(iii) Review of the Community Health Promoter register provided revealed that four hundred and eight nine (489) CHP were above the mandatory retirement age, the oldest being eighty-six (86) years, contrary to Section 9(2) of the Primary Health Care Act, 2023 which states that a person qualifies for selection and appointment as a community health promoter under subsection (1) if the persons are not disqualified for appointment to office by the above criteria or by any other law.

In the circumstances, the regularity of the recruitment process and promotions could not be confirmed and Management was in breach of the law.

520. Anomalies in Payroll Management

520.1. Delay in Remittance of Statutory Deductions

Analysis of the manual payroll data revealed that the County Executive deducted and delayed in remitting PAYE, NSSF, housing levy and NHIF/SHIF statutory dues for the month of January, 2025 totalling Kshs.761,519. Delay in remitting statutory deductions contravenes Section 19(4) of the Employment Act, 2007 which stipulates that an employer who deducts an amount from an employee's remuneration shall pay the amount

so deducted in accordance with the time period and other requirements specified in the law.

520.2. Lack of Human Resource and Recruitment Plans

The County Executive recruited four hundred and six (406) officers, out of which sixty (60) officers were traced in the main IPPD/HRIS-Ke payroll, one hundred and sixty-one (161) in the manual payroll, and one hundred and eighty-five (185) in the casuals' payrolls. However, the human resource department did not prepare annual recruitment plans backed by evidence of budgetary allocation to guide the recruitments. Further, Management did not prepare human resource plan to support achievement of goals and objectives outlined in the Strategic Plan as required under Section C.1.0 of the County Human Resource Management Policy and Manual, 2019.

In addition, a total of forty-one (41) officers were identified in both the manual and IPPD/HRIS-Ke payroll systems as having joined and exited the County Executive during the year under review. Thirty-seven (37) officers, who were not engaged as casuals, remained in the payroll for less than two (2) months and were paid a cumulative amount of Kshs.3,470,625.

520.3. Weaknesses in Management of Casual Workers

Review of casual employees' records from the departments revealed non-adherence to labour laws on employee rest days. In the year ended 30 June, 2025, eight hundred and seventy-seven (877) casual employees were recorded as having worked every day for a cumulative period ranging between twenty-eight (28) to thirty-one (31) consecutive days without any rest days.

520.4. Processing of Salaries Outside the Integrated Payroll and Personnel Database (IPPD) System

Clause 6.3 of the Kiambu County Financial Accounting and Reporting Manual, requires salaries, allowances, and/or arrears of the County Executive staff to be paid through the IPPD/HRIS-Ke System. However, during the year under review, the County Executive paid a total amount of Kshs.283,609,248 to five thousand, eight hundred and ninety (5,890) staff through the manual payroll. The use of manual payroll systems for salary processing is susceptible to manipulation and fraud, potentially resulting to unauthorized payments.

520.5. Duplicate Payment to Casual Workers

Review of banking records revealed that in the month of April, 2025, a worker was paid an amount of Kshs.24,696 as a garbage collector in WENRECC Department and was also paid an amount of Kshs.27,783 as a caretaker assistant in the Administration Department. Further, the bank account received funds in May, 2025 of Kshs.46,617 as payment to administrator - liaison and an additional amount of Kshs.45,063 as payment to administrator - casual worker in the Administration Department, resulting in duplication of payments. In addition, review of the Manual payroll revealed that five (5) bank accounts, were shared by ten (10) different officers, who received a total of Kshs.1,633,184 during the year under review.

520.6. Overpayment of Allowances Above Rates in Manual Payroll

Review of manual payroll records revealed that forty-four (44) officers in the manual payroll were paid basic salaries above the approved rates, resulting to overpayment amounting to Kshs.2,484,816. Further, twenty-one (21) officers were paid house allowance totalling Kshs.328,397 above their entitlement in the respective job groups. while twenty-four (24) officers were paid commuter allowance totalling Kshs.265,491 above their approved job group rate. The overpayments were not supported with approvals and no recovery for the overpayment had been initiated by the County Executive.

520.7. Irregular Payment of Hardship Allowance

Three (3) officers were paid hardship allowance totalling Kshs.91,905, despite not being stationed in non-hardship areas contrary to Circular No. 7 of 2023 of the Salaries and Renumeration Commission, which outlines gazetted hardship zones. According to the circular, Kiambu County is not designated as a hardship area.

520.8. Irregular Payment of Both Rental and Special House Allowances

Review of payroll records revealed that one hundred and forty-seven (147) officers were paid both rental and special house allowances totalling Kshs.23,777,100 and Kshs.7,826,305 respectively. Further, one hundred and thirty-four (134) officers were paid above the approved rates, resulting in irregular expenditure amounting to Kshs.2,081,000.

520.9. Irregular Payment of Health Risk Allowances

Review of payroll records revealed that eighty-nine (89) officers were irregularly paid health risk allowances totalling Kshs.925,452, despite not meeting the eligibility criteria outlined in the SRC Circular dated 14 September, 2015, which stipulates and lists the health risk allowance payable to health workers and specifies health workers categories entitled to receive such allowances. Further, the manual payroll revealed that four (4) officers were paid health service allowance above the approved rates, resulting in overpayment amount of Kshs.91,617

520.10. Overpayment of Nursing Allowances

Review of the manual payroll revealed that two (2) officers on the manual payroll were paid nursing allowances amounting to Kshs.80,000 each while onaother one was paid Kshs.40,000, instead of the approved rate amount of Kshs.20,000 each resulting to overpayment amounting to Kshs.140,000 per month.

520.11. Irregular and Frequent Payment of Salary Arrears

Review of salary records revealed that forty-four (44) employees were paid salary arrears covering a period of between three (3) and seven (7) months, totalling Kshs.6,046,477

during the year under review. The County Executive made frequent arrears payments for the same officers within short intervals, indicating ineffective controls in in payroll adjustment. This was contrary to standard practice where arrears are expected to be computed and paid once upon issuance of a valid Pay Change Advice (PCA).

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

521. Non-Compliance with Law on Staff Ethnic Composition

Analysis of employees in the IPPD System revealed that 85% of the staff were from the dominant ethnic community in the County contrary to the requirements of Section 7(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 the 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

522. Non-Compliance with One-Third Rule on Basic Salary

Review of the staff payroll for the year under audit revealed that two hundred and eighty-seven (287) employees were paid net salaries that were less than one-third of their basic salaries 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 overtime shall not exceed two thirds of such wages.

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

523. Irregularities in Procurement for Construction of Hospitals

523.1. Delay in Completion of Thogoto Hospital

The County Executive awarded a contract for completion of Thogoto Hospital in Kikuyu on 31 August, 2023 at a contract sum of Kshs.157,304,215 for a period of eighteen (18) months. However, review of the contract implementation team minutes dated 19 February, 2025 revealed that a contract variation of Kshs.38,952,492 or approximately 25% was recommended for additional works and was approved by the Accounting Officer on 10 March, 2025. However, the variation was not supported with the Evaluation Committee appraisal report, recommendation from the procurement function and the bill of quantities for the variation.

Further, the works remained incomplete despite lapse of contract duration and there was no evidence of any request for or extension of contract period.

523.2. Delay in Construction of a Medical Ward Block at Karuri Level 4 Hospital

The County Executive awarded a contract for the construction of a medical ward block - ground, first and second floor at Karuri Level 4 Hospital on 8 September, 2023 at a contract sum of Kshs.180,734,625 for a period of eighteen (18) months. However, review

of minutes of the contract implementation team dated 4 February, 2025 indicated a time lapse of seventy (70) weeks translating to approximately 97% of the time allocated against works done measured at 69% and amount certified of Kshs.129,573,860 or approximately 72% resulting in pending works of 28% as at the time of audit, an indication that the project was behind schedule.

Further, review of contract minutes revealed that a contract sum variation of Kshs.43,917,340 or approximately 24% was recommended for additional works and approved by the Accounting Officer on 24 February, 2025. However, the variation was not supported with the user appraisal report, recommendation from the procurement function and the bill of quantities for the variation. This was contrary to Regulation 132(2) of the Public Procurement and Asset Disposal Regulations, 2020 which requires any variation request to be reviewed by the contract implementation or an Evaluation Committee, before they are submitted through the head of a procurement function to the Accounting Officer for approval.

In addition, approval for extension of contract duration period by twenty-six (26) weeks with effect from 4 April, 2025 was issued on 28 March, 2025 by the Chief Officer Health Services. However, the approval was not supported with recommendation from the evaluation committee before it was submitted through the head of a procurement function to the Accounting Officer for approval.

523.3. Irregular Procurement of Completion Works at Bibirioni Level 4 Hospital Block

The County Executive awarded a contract for completion works at Bibirioni Level 4 Hospital Block on 26 March, 2025 for a contract period of ninety-six (96) months and a contract sum of Kshs.224,608,050. However, review of procurement records revealed that the available funds in the Vote Book amounted to Kshs.17,773,755. Although management explained that the project was multi-year, the breakdown of expected payments relating to the annual portion of the multi-year contract and delivery schedule was not provided for audit. This was contrary to Regulation 50(4) of the Public Finance Management (County Governments) Regulations, 2015 which requires the procurement plan to include proper descriptions of the procuring items, unit cost, the estimated contract value and the procurement method relating to the annual portion of a multi-year contract and delivery schedule.

523.4. Delay in Construction of a Level 3 Health Facility at Wangunyu

The contract for construction of a Level 3 Health Facility at Wangunyu - Ruaka was awarded on 8 September, 2023 at a contract sum of Kshs.44,112,284 for a period of twelve (12) months. However, review of the contract implementation team minutes dated 21 January, 2025 revealed a contract period of fifty-four (54) weeks translating to approximately 112% of the time had lapsed while the works done was at approximately 90% despite lapse of contract duration period in September, 2024.

Further, the Committee report on progress reflected works done estimated at 90% against amount of works certified of Kshs.42,633,965 or approximately 97% resulting in an unexplained overpayment of works by Kshs.2,932,908.

In addition, variation of the contract sum by an amount of Kshs.10,490,112 or approximately 24% was approved by the Accounting Officer on 24 February, 2025 yet the contract period lapsed on 8 September, 2024. Therefore, the variation was done outside the contract period. In addition, no evidence was provided confirming that review of the variation was conducted by the procurement function and evaluation committee contrary to Regulation 132(2) of the Public Procurement and Asset Disposal Regulations, 2020 which requires any variation request to be reviewed by the contract implementation team or an evaluation committee before they are submitted through the head of a procurement function to the Accounting Officer for approval.

It was also noted that the contractor requested for extension of time for the execution of works on 02 December, 2024. This request was made after the lapse of contract period. The Accounting Officer approved time extension on 3 December, 2024 for a period of four (4) months without evidence of review by contract implementation team.

523.5. Irregular Implementation of Contract for Construction of Kiambu Level 3 Hospital at Ndumberi

The contract for the construction of Kiambu Level 3 Hospital at Ndumberi was awarded on 25 October, 2023 at a contract sum of Kshs.41,913,760 for a contract period of ninety-six (96) weeks. However, the performance guarantee expired on 9 May, 2025 and the contractor had not renewed the performance guarantee at the time of audit.

Further, Management paid an amount of Kshs.8,299,384 but that there was no evidence of any progress of works since 27 November, 2024. Management explained that the site was no longer active and the contractor had been served with notice of default due to non-performance. However, contract termination letter was not provided for audit. In the absence of a performance guarantee, the County Executive is not likely to receive any liquidated damages from the contractor. This was contrary to Regulation 133(1) of the Public Procurement and Asset Disposal Regulations, 2020 which requires that any ascertained liquidated damages shall be deducted from the amount of approved invoices due for payment or the performance security.

523.6. Irregular Implementation of Contract for Construction of Inpatient Wing at Ndeiya Health Facility

The contract for the construction of in-patient wing at Ndeiya Health Facility was awarded on 16 May, 2024 at a contract sum of Kshs.42,965,100 for a contract period of ninety-six (96) weeks. However, review of progress report dated 7 February, 2025 indicated works done equivaent to 78% against an amount of Kshs.37,526,150 paid for certified works, translating to 87% and resulting to an overpayment of Kshs.4,726,161. Therefore, the amount certified was not directly proportional with the works that had been completed.

523.7. Irregular Procurement of Construction of Level 3 Health Facility at Gitaru

The County Executive awarded a contract for construction of Level 3 Health Facility at Gitaru on 22 April, 2025 at a contract sum of Kshs.64,279,468 for a period of twelve (12) months. However, review of the vote book for availability of funds for the works revealed that only an amount of Kshs.17,773,755 was available at the time of requisition. Management explained that the project was multi-year, however, this was not supported with a breakdown of expected payments relating to the annual portion of the multi-year contract and delivery schedule.

This was contrary to Regulation 50(4) of the Public Finance Management (County Governments) Regulations, 2015 which requires the procurement plan to include proper descriptions of the procuring items, unit cost, the estimated contract value and the procurement method relating to the annual portion of a multi-year contract and delivery schedule.

Further, the CR12 records for the lowest evaluated bidder revealed encumbrances charge of Kshs.16,000,000 made on 20 April, 2022. Therefore, the successful bidder did not meet the mandatory and technical evaluation requirement under No.12 on financial capabilities that required the tenderer to demonstrate that they had unencumbered real assets despite having been evaluated as responsive.

523.8. Irregular Procurement for Construction of Ndururumo - Ndarasha Level 3 Hospital

The County Executive awarded a contract for construction of Ndururumo - Ndarasha Level 3 Hospital on 22 April, 2025 at a contract sum of Kshs.68,835,000 for a period of ninety-six (96) weeks. Confirmation of the vote book for availability of funds for the works revealed that only an amount Kshs.17,773,755 was available at the time of requisition. Management explained that the project was multi-year. However, this was not supported with a breakdown of expected payments relating to the annual portion of the multi-year contract and delivery schedule. This was contrary to Regulation 50(4) of the Public Finance Management (County Governments) Regulations, 2015 which requires the procurement plan to include proper descriptions of the procuring items, unit cost, the estimated contract value, and the procurement method relating to the annual portion of a multi-year contract and delivery schedule.

523.9. Irregular Implementation of Contract for Construction of Inpatient Wing at Uthiru Health Facility

The County Executive awarded a contract for the construction of a Level 3 Hospital in Uthiru on 19 April, 2024 for a contract period of twenty-four (24) months at a contract sum of Kshs.64,640,607. However, review of the progress report of the contract implementation team dated 12 November, 2024 revealed that site handing over was done on 22 July, 2024 while the contract agreement was signed on 19 April, 2024, three (3) months later with no explanation for the delay. Further, the progress report revealed that works were at approximately 5% against time lapse of three (3) months and payment of Kshs.19,087,064 made translating to approximately 29%, hence resulting in overpayment of Kshs.15,855,033.

In addition, Management did not provide progress report on works and certificate of completion or certified works since 12 November, 2024. Therefore, the audit could not establish the extent of works and whether the contract implementation team adequately monitoring the progress of works. This was contrary to Regulation 33(3)(u) of the Public Procurement and Asset Disposal Regulations, 2020 which requires the procurement function to monitor contract management to ensure implementation of contracts in accordance with the terms and conditions of the contracts and to report any significant departures from the terms and conditions of the contract to the head of the procuring entity or Accounting Officer.

523.10. Irregular Implementation of Construction of Level 3 Health Facility at Kahawa Sukari

The County Executive entered into a contract on 8 September, 2023 for the proposed construction of Level 3 Health Facility in Kahawa Sukari. However, the site was handed over on 17 November, 2023 seventy (70) days after signing of the contract. This was contrary to Article 4 of the contract which required the contract to commence upon execution of contract and not later than fourteen (14) days after handing over of the site for works to the contractor.

The contract duration was for eighteen (18) months from commencement of the contract. However, physical inspection carried out revealed that the works were not complete. This was one (1) year, eight (8) months (20 months) from commencement date of the contract. There was no evidence of project extension in place yet mechanical works, electricity connections and wiring, doors, windows, floor and painting in theatre had not been completed.

Further, physical inspection revealed that the contractor had not installed doors as per the specifications stipulated in the bill of quantities which required installation of cultured hardwood frames amounting to Kshs.2,203,700. Instead, the contractor installed light flash doors.

523.11. Delay in Handing Over the Gatundu Level 5 Funeral Home

The County Executive entered into a contract on 5 January, 2024 for the completion of works at Gatundu Level 5 Funeral Home in Gatundu South Sub Location at a contract sum of Kshs.57,327,900 for a period of twenty (20) weeks. According to the contract implementation meeting minutes dated 18 December, 2024 the project was completed on 9 June, 2024. However, physical inspection carried out in July, 2025 revealed that even a year later, the facility was still not in use and the County Executive had not handed over the project to Gatundu Level 5 Hospital.

523.12. Irregularities in the Renovation Works at Gachege Health Centre

The County Executive entered into a contract on 8 July, 2024 for the proposed renovation works at Gachege Health Centre in Gatundu North at a contract sum of Kshs.4,140,132 for a period of twelve (12) weeks. Review of documents and physical inspection

conducted in July, 2025 revealed that the proposed renovation works at the facility was certified as complete.

However, physical inspection revealed poor workmanship in the ceiling renovation, with some sections already falling off. Further, in some arears including the antenatal clinic, laboratory, store for non-drugs, registry and observation room, injection room, consultation room, and pharmacy, the old tiles were not replaced with new ones as stated in the bill of quantities.

In addition, despite the completion of renovations, the maternity wing remained unutilized. This was contrary to Section 160(1) of the Public Procurement and Asset Disposal Act, 2015 which requires an Accounting Officer of a procuring entity to manage its inventory, assets and stores for the purpose of preventing wastage and loss and continuing utilization of supplies.

The bill of quantities provided also included a sum of Kshs.100,000 for facelifting the service charter within the facility. However, the board was in place but did not display the standard services offered by the facility.

In the circumstances, regularity and value on money on the construction of hospitals could not be confirmed and Management was in breach of the law.

524. Construction and Civil Works

524.1. Irregular Implementation of Municipal Offices

Review of procurement records and award of contract for the construction of Municipal Offices at Red Nova revealed that the project was awarded to the Contractor on 29 May, 2024 at a contract sum of Kshs.51,670,660 for a period of twelve (12) months. The progress report of the Contract Implementation Committee dated 4 December, 2024 indicated commencement date of 13 June, 2024 and completion date of 13 June, 2025 for the works. However, physical inspection of the site revealed that the project had stalled and the contractor was not on site despite lapse of contract duration period.

Further, the performance security issued on 6 June, 2024 for an amount of Kshs.2,583,533 revealed that the validity period lapsed on 6 December, 2024 and had not been renewed, therefore casting doubt on performance of works to completion.

524.2. Irregular Implementation of Construction of Wendani Bridge

The County Executive awarded construction of Wendani Bridge on 25 September, 2023 at a contract sum of Kshs.17,094,468 and completion date of November, 2023. Review of the implementation records provided for the audit revealed that the expected completion date for the works was November, 2023. However, as at the time of audit certificate of completion had not been issued due to incomplete works, yet the contract duration period had already lapsed.

Further, the progress report of the contract implementation team dated 7 November, 2024 indicated that certified works done was approximately 93% complete. Subsequently, to this, the implementation team did not monitor the progress of the remaining works

contrary to Regulation 110(h) of the Public Procurement and Asset Disposal Regulations, 2020 which requires the team to monitor the implementation of the project and report to the Accounting Officer of the procuring entity.

524.3. Irregular Implementation of Construction of Mariguiti - Gituamba Single Cell Box Calvert

The County Executive awarded the construction of Mariguiti-Gituamba single cell box culvert on 23 May, 2024 at a contract sum of Kshs.6,348,390. However, review of the implementation report revealed that the validity of the performance security issued on 20 June, 2024 lapsed on 20 December, 2024 and had not been renewed, therefore casting doubt on performance of works to completion.

Further, the work delivery report by the contractor dated 13 February, 2025 revealed that 75% of work had been completed. However, as at the time of audit the works remained incomplete without a clear completion date.

524.4. Irregular Implementation of Upgrading of Bus Parks

Review of procurement records revealed the following anomalies;

(i) Contract for the construction and upgrading of the bus parks to cabro standard at Kwambira and Githiga was awarded on 5 April, 2024 at a contract sum of Kshs.51,229,384. Review of the implementation records revealed that the works were to be completed on 5 July, 2024, three (3) months after the contract signing date. However, as at the time of audit the project was not complete and no extension request had been lodged by the contractor. Further, site handing over minutes to the contractor were not provided for audit.

(ii) The County Executive entered into a contract on 28 February, 2024 for the proposed fabrication and installation of steel sheds and steel modern kiosks at Makongeni Bus Park at a contract sum of Kshs.4,968,136 for a period of one (1) month. Review of documents and physical inspection revealed that work was completed and the twelve (12) steel modern kiosks constructed were all occupied. Review of revenue records and interview with the tenants revealed that the County Executive was not charging any fee for the occupancy.

(iii) The County Executive entered into a contract on 14 May, 2025 for proposed construction of one hundred and six (106) modern kiosks in Kiambu Bus - Park at a contract sum of Kshs.24,367,800. However, review of documents and physical inspection conducted in July, 2025 revealed that the contract did not specify the contract period contrary to Section 129(2) of the Public Procurement and Asset Disposal Act, 2015 which requires the contract to be in writing and set out either the maximum amount of money that can be paid under the contract or the maximum amount of time that can be paid for under the contract. Physical inspection of the kiosks revealed that only twenty-eight (28) out of one hundred and six (106) kiosks or 26% were completed even though some had already been vandalized while four (4) kiosks were occupied and in use.

524.5. Irregular Procurement of Drilling Services for Gatuanabu Borehole at Muguga

The County Executive awarded a contract for drilling services for Gatuanabu borehole in Muguga Ward on 15 March, 2024 at a contract sum of Kshs.2,598,640. However, review of the evaluation committee minutes revealed that the winning bidder was evaluated as responsive under the technical evaluation criteria requiring demonstration of financial capacity and which required the bidder to have unencumbered real assets yet the CR12 of the winning bidder dated 1 September, 2023 reflected encumbrances of Kshs.132,000,000 for debt instrument dated 21 June, 2021. This was contrary to Regulation 30(a) of the Public Procurement and Asset Disposal Regulations, 2020 which stipulates that the evaluation committee shall conduct the technical and financial evaluation of the tenders in strict adherence to the compliance and evaluation criteria set out in the tender documents.

Further, the ownership documents, authority and license from the Water Resource Authority to drill the borehole was not provided for audit.

524.6. Irregular Procurement of Drilling Services for Njiku Borehole at Karuri

The County Executive awarded a contract for drilling of Njiku Borehole in Karuri Ward on 12 February, 2024 at a contract sum of Kshs.2,431,279. However, review of the evaluation committee minutes revealed that the winning bidder was evaluated as responsive under the technical evaluation criteria requiring demonstration of financial capacity and which required the bidder to have unencumbered real assets yet the CR12 of the winning bidder dated 1 September, 2023 reflected encumbrances amounting to Kshs.132,000,000 for debt instrument dated 21 June, 2021. This was contrary to Regulation 30(a) of the Public Procurement and Asset Disposal Regulations, 2020 which stipulates that the evaluation committee shall conduct the technical and financial evaluation of the tenders in strict adherence to the compliance and evaluation criteria set out in the tender documents

524.7. Irregular Requisition, Supply and Installation of Booster Pump, Steel Towers and Tanks at Marengeta Community Water Supply

The County Executive awarded a contract for the supply and installation of a booster pump, construction of 18M high elevated steel tower and installation of two (2) $10M^3$ plastic tanks and installation of assorted pipes at Marengeta Community Water Supplies in Nachu on 30 January, 2024 at a contract sum of Kshs.4,594,974. However, review of the requisition and implementation records revealed that the request for the works by Marengeta Community Water Supplies, who are the users as well as the needs assessment report was not provided for review.

Further, the Memorandum of Understanding between the Marengeta Community Water Supplies and County Executive regarding the land on which the construction and installation was to take place was not provided for audit.

524.8. Irregular Procurement of Construction of Tower and Installation of Plastic Tanks at Lari

The County Executive awarded a contract for construction of an 18M high steel tower and installation of four (4) 10 cubic metres plastic tanks at Lari DCC Borehole at a contract sum of Kshs.3,425,310 on 22 April, 2024. Confirmation of the vote book for the availability of funds revealed that only an amount of Kshs.687,194 was available at the time of requisition. However, Management awarded a tender amounting to Kshs.3,425,310 contrary to the provisions of Section 45(3)(a) of the Public Procurement and Asset Disposal Act, 2015 which requires that all procurement processes to be within the approved budget of the procuring entity and shall be planned by the procuring entity concerned through an annual procurement plan.

524.9. Delayed Completion of Construction of County Aggregation and Industrial Park

Review of supporting documents in respect of an award of contract for construction of County Aggregation and Industrial Park at Waruhiu Centre signed on 31 October, 2023 revealed that the initial completion period was 31 October, 2024. However, an application for extension was made on 3 April, 2025. This was five (5) months after the lapse of the contract period. The contractor cited increased scope of works and delayed approval. The project scope was revised to include additional excavation, extra warehouse roofing, side paneling sheets and enlarged design and quantities for ablution block.

Further, there was no evidence that the contract implementation team reviewed the request for extension of contract period. The project was ongoing and the contractor was still on site but no approval for the extension of the contract period from the head of procurement function was provided for audit. This was contrary to Section 139(2A) of the Public Procurement and Asset Disposal Act, 2015 which requires an Accounting Officer of a procuring entity, on the recommendation of an evaluation committee, to approve the request for the variations, which request shall be accompanied by a certificate from the tenderer making a justification for extension of contract period and reimbursable costs.

524.10. Irregular Procurement of Cabro-Making Machine

The County Executive procured two (2) cabro-making machines at a total cost of Kshs.13,110,000. The machines were delivered, inspected and accepted on 11 October, 2024. Physical inspection revealed that one (1) cabro machine was not in use and has been stationed in the Governor's headquarter office for the past eight (8) months.

Further, review of the procurement records revealed that the contract signed between the County Executive and the Contractor on 8 November, 2023 and provided for audit did not outline the terms, specific and general conditions including timelines.

In addition, the County Executive requested for a pre delivery inspection of two (2) cabro making machines on 8 November, 2023, from the Ministry of Transport and Infrastructure. The status inspection report was carried out by the Ministry on 10 and 17 November, 2023 while the delivery of the machines was done on 11 October, 2024, eleven (11)

months later, despite the machines having a twelve (12) months warranty and the inspection report confirming the machines were in good condition.

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

525. Irregularities in Construction of Markets

525.1. Irregular Procurement for Construction of Markets

Review of procurement records revealed the following anomalies;

(i) A contract was awarded on 28 June, 2024 for the proposed construction of Ndeiya Market Complex at a contract sum of Kshs.21,016,620 and a contract duration of fifty-two (52) weeks. Review of procurement documents revealed that, the requisition from the user department specified ground floor and first floor, modern ablution block, parking area, water tank tower or underground water tank and two rows of storeyed modern kiosks along the market boundary. However, the tender invitation specifications only considered the ground floor and preliminary scope of work. It was not clear how the other specifications requisitioned were to be delivered and whether the resulting complex would meet the needs of the users. Further, there was no evidence of completion of works despite lapse of contract duration period.

(ii) A contract was awarded on 10 May, 2024 for the proposed construction of Kinoo Market Complex at a contract sum of Kshs.48,098,013 and a contract duration of fifty-two (52) weeks. Review of procurement documents revealed that at the preliminary evaluation, the winning bidder did not fill the confidential business questionnaire form. The bidder was also required to give a list and type of relevant equipment owned or provide evidence of ownership by way of lease. However, the document was not traced in the bidder's documents, thereby casting doubt on the bidder's eligibility. This was contrary to Regulation 30(a) of the Public Procurement and Asset Disposal Regulations, 2020 which stipulates that the evaluation committee shall conduct the technical and financial evaluation of the tenders in strict adherence to the compliance and evaluation criteria set out in the tender documents.

(iii) Further, the validity of performance security amounting to Kshs.2,404,900 issued by the contractor and dated 7 June, 2024 had already lapsed at the time of audit and there was no evidence of renewal.

525.2. Initiation of Procurement for Construction of Markets without Sufficient Funds

Review of procurement and budget records revealed that the user-department initiated construction of Lusigetti Market, Kimbo Matangini Market Complex, Dagorreti Market and Kinoo Market during the financial year 2023/2024 at an estimated cost of Kshs.168,946,933. However, the available budget was amount of Kshs.92,926,122 under Vote D4081 could only have accommodated construction of two (2) markets, resulting in

an unbudgeted expenditure amount of Kshs.76,020,811. Management explained that the projects were multi-year, however, this was not supported with a breakdown of expected payments relating to the annual portion of the multi-year contracts and delivery schedule contrary to Regulation 50(4) of the Public Finance Management (County Governments) Regulations, 2015 which requires the procurement plan to include proper descriptions of the procuring items, unit cost, the estimated contract value and the procurement method relating to the annual portion of a multi-year contract and delivery schedule.

525.3. Irregular Procurement for Proposed Kiandutu Market

Review of procurement records provided for audit revealed that a contractor was paid an amount of Kshs.4,985,325 in respect of ground preparation and ablution block at Kiandutu market Thika Township Ward. Further, it was established that the County Executive awarded and paid another contractor an amount of Kshs.4,993,980 for construction of masonry perimeter wall for the proposed Kiandutu Market. Both contracts were signed on 22 March, 2024. However, no explanation was provided why the works were not tendered as a single tender, given that the County Executive had proposed to construct the market.

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

526. Anomalies in Procurement of Motor Vehicles

526.1. Irregular Procurement of Motor Vehicles

The County Executive through the State Department for Public Works – Supplies Branch, procured three (3) motor vehicle at a cost of Kshs.28,482,179 using a contract signed between the State Department for Public Works and a supplier dated 22 November, 2023. However, the following anomalies were observed:

(i) Requisition from the user department did not provide details regarding the specifications of the required motor vehicle and needs assessment report.

(ii) Pre-delivery inspection reports were not provided for audit to confirm compliance with required specifications.

(iii) There was no report from the Mechanical Engineer (Department of Roads, Public Works, and Infrastructure) to verify that the delivered vehicle conformed to the required specifications.

This was contrary to Regulation 104(1) of the Public Finance Management (County Governments) Regulation, 2015, which requires all receipts and payments vouchers of public moneys to be properly supported with pre-numbered receipts, payment vouchers and appropriate authority and documentation.

526.2. Lack of Ownership Documents of an Ambulance

Review of payment voucher in respect of payables for supply and delivery of a hospital ambulance amount of Kshs.9,778,001 revealed that the supplier wrote a demand letter for payment of the outstanding amount within fourteen (14) days on 2 May, 2019 and

subsequently withheld the original logbook for five (5) Hospital ambulances until the debt was cleared. This was contrary to Section 53(8) of the Public Procurement and Asset Disposal Act, 2015 which requires the Accounting Officer not to 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 County Executive is also exposed to loss of assets.

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

527. Irregular Supply and Delivery of Agricultural Products

527.1. Irregular Procurement of Certified Seeds

The County Executive directly procured certified maize seeds from Kenya National Trading Corporation in the year under review totalling Kshs.44,249,700. However, Management did not provide evidence of reporting the direct procurement to the Public Procurement Regulatory Authority within fourteen (14) days after notification of award of contract contrary to Regulation 90(1)(c) of the Public Procurement and Asset Disposal Regulations, 2020.

Further, the professional opinion by the head of supply chain management required a 5% performance guarantee of the value of total bid price to be submitted before signing the contract, however, there was no evidence to indicate that the supplier provided the same. In addition, one of the requirements under technical evaluation was a dealer's authorization from Kenya Plant Inspectorate Services (KEPHIS). The license provided by the supplier expired on 31 December, 2024, one and a half months before the closing date of the bid on 14 February, 2025. This was contrary to Section 18(5) of the Seeds and Plant Varieties Act, Revised 2012 which states that no person shall sell seeds unless he holds a valid license issued under the regulation. The supplier was therefore not legally allowed to supply the maize seeds which risks the impact on food security or farmers livelihoods.

527.2. Irregular Supply and Delivery of Two-Month-Old Piglets

The County Executive entered into a framework contract on 14 February, 2025 for supply and delivery of two (2) months old piglets at a total cost of Kshs.2,499,150. However, the County Executive issued three (3) local purchase orders on 23 March, 2025, however the piglets were delivered on 4 April, 2025 to various Wards. This was twelve (12) days from issuance of the Local Purchase Orders (LPO's) contrary to the contract agreement terms that required the supplier to supply and deliver the piglets within seven (7) days from the date of issuance of an LPO. Further, Paragraph 4.3 of the contract required that communication be done in writing in the event of any delays. There was no evidence that a request for extension was lodged by the supplier.

Further, requisition was raised from the user department, however, it was not supported with a sustainability report of the project prior to procuring of the piglets in order to determine whether farmers had the capacity to rear the piglets. Management explained that there was demand for breeding stock by the farmers during public participation for development of the current County Integrated Development Program.

527.3. Irregular Advance Payment for Supply and Delivery of Seedlings and Cuttings

The County Executive entered into a contract with JKUAT Enterprises Limited on 5 May, 2025 for supply and delivery of grafted has avocado, mangoes, oranges, pawpaw seedlings and cassava cuttings at a cost of Kshs.11,400,000. Review of the procurement file and payment voucher revealed that an advance payment was made on 27 May, 2025 equivalent to the full contract amount with no evidence of delivery. Management explained that the supplier stored the goods and delivered them on a need basis upon request from the County Executive. This was contrary to Article 5.2 of the contract signed on 5 May, 2025 between JKUAT Enterprise Ltd and the County Executive of Kiambu which required that the contract price, less any tax that may be required to be remitted through the County Executive shall be payable upon receipt of the seedlings, inspection and issuance of an acceptance certificate by the inspection and acceptance committee of the County Executive.

The County Executive was in breach of the contract terms and Regulation 98(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that no advance payment shall be paid to suppliers of goods and services unless provided for in the contractual terms and conditions contained in a valid contract signed between the procuring entity and the supplier.

Further, there was no evidence that Management reported to the Public Procurement Regulatory Authority (PPRA)the direct procurement within fourteen (14) days after the notification of the award of contracts exceeding Kshs.500,000 as prescribed in Regulation 90(1)(c) of the Public Procurement and Asset Disposal Regulations, 2020.

527.4. Supply and Delivery of One Month Old Local Chicks Using an Expired Contract

The County Executive entered into a framework contract on 24 October, 2023 for supply and delivery of one (1) month old improved Local Chicks. Review of the payment voucher and procurement records revealed that the supplier was paid an amount of Kshs.2,400,000 for supply and delivery of the chicks based on a contract that had expired on 24 October, 2024. The requisition from the user department was approved on 21 March, 2025, for procurement of eight thousand (8000) one month old chicks through the already expired framework contract. The County Executive paid for the goods using an expired contract.

527.5. Non-Rotation of Suppliers under Framework Contracting

During the year under review, the County Executive entered into a framework contract with four (4) suppliers for supply and delivery of two-months old piglets for two (2) years. However, review of payment documents provided by the Department for Agriculture amounting to Kshs.6,038,650 for supply and delivery of the piglets revealed the County Executive awarded the suppliers an order amounting to Kshs.3,901,350 which translates to 64% of the total expenditure, while one supplier in the framework contract was not engaged in any supply orders as at the time of audit. This was contrary to Regulation

91(5) of Public Procurement and Asset Disposal Regulations, 2020 that requires the Accounting Officer to ensure a fair and equitable rotation amongst the persons on the list under Sections 57, 71 and 106 of the Act and the Regulations.

527.6. Irregular Direct Procurement for Supply of Fertilizer

Review of payment records revealed that an amount of Kshs.100,000,000 was paid to National Cereals and Produce Board through five (5) payments vouchers amount of Kshs.20,000,000 dated 23 October, 2024, amount of Kshs.20,000,000 dated 18 December, 2024, amount of Kshs.20,000,000 dated 17 February, 2025, amount of Kshs.20,000,000 and Kshs.20,000,000 dated 5 May, 2025 respectively for supply of fertilizer. However, review of the procurement records revealed that the Accounting Officer did not issue tender documents to the supplier as a basis of negotiation, ad hoc evaluation committee minutes for evaluation of the tender and recommendation and contract agreement for the supply of fertilizers were not provided for audit.

Further, delivery and receipt of eight thousand (8,000) bags of fertilizer was done on 8 May, 2025 while payment was made on 29 April, 2025 without contract document to justify advance payment. This was contrary to Section 146 of the Public Procurement and Asset Disposal Act, 2015 which requires that no works, goods or services contract shall be paid for before they are executed or delivered and accepted by the Accounting Officer of a procuring entity except where so specified in the tender documents and contract agreement. Such an advance payment shall not be paid before the contract is signed.

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

528. Irregularities in Use of Goods and Services

528.1. Irregular Procurement for Printing, Advertisement and Information Supplies

Review of procurement processes and payment records revealed the following anomalies;

(i) The County Executive procured assorted accountable documents from the Government Printer at a total amount of Kshs.875,162. However, review of records revealed that the procured documents were not supported with delivery notes or taken on charge through S.13 forms. Further, inspection and acceptance certificates were not provided to confirm the items' suitability and conformity.

(ii) The County Executive procured services for printing and branding of billboards for waiver on land rates from two (2) firms at a total cost of Kshs.8,600,889. The billboards were to be erected in the twelve (12) Kiambu Sub-Counties. However, review of the documents revealed that the contracts between the suppliers and the County Executive did not include the dates of contract expiry or completion or how long the billboards were to remain displayed. Further, the reports of the inspection and acceptance committee provided did not provide proof of work done by both firms. In addition, the County Executive procured services for

printing and branding of billboards for change of USSD codes from two (2) firms at a total cost of Kshs.5,733,926, however, Management did not provide proof of work done by both companies.

(iii) The County Executive procured advertising, awareness and publicity services at total cost of Kshs.16,915,530 from various media entities. However, review of the procurement records revealed that the procurement processes were not initiated through user requisitions and the user needs of the procured services was not assessed. This was contrary to Regulation 71(1) of the Public Procurement and Asset Disposal Regulations, 2020 which states that needs of the user department shall include the procurement process through requisition as per the approved procurement plan.

528.2. Irregular Procurement of Supply and Delivery of Assorted Items

Review of payment voucher for supply and delivery of assorted items amounting to Kshs.1,081,200 revealed that two (2) local purchase orders were issued on 5 August, 2024. However, the following anomalies were observed;

(i) The County Executive issued Local Purchase Orders on 5 August, 2024 with validity period of thirty (30) days while the goods were delivered by the supplier on 12 September, 2024 which was thirty-six (36) days after local purchase order was issued contrary to Section 52(1) of the Public Finance Management (County Governments) Regulations, 2015 which directs that a local purchase order or local service order shall be valid for a period of thirty days from the date of issue.

(ii) There was no evidence of regret letters sent to unresponsive bidders citing reasons for not being awarded.

(iii) The professional opinion stated that the tender was advertised in the Public Procurement Information Portal (PPIP) on 8 May, 2024 and opened on 13 May, 2024. This period did not meet the minimum period of seven (7) days prescribed in Section 132(3) of the Public Procurement and Asset Disposal Act, 2015.

528.3. Direct Procurement Using Imprest

Review of sampled payment vouchers in respect of hospitality supplies and services expenditure revealed that Management issued standing imprests totalling Kshs.1,063,555 to officers in various departments for procurement of toners and printing materials.

Further, review of surrender documents revealed that the imprest holders did not maintain detailed memorandum cash book and the receipts were not supported with electronic tax register receipts. This was contrary to Regulation 93(2) of the Public Procurement and Asset Disposal Regulations, 2020 which requires any procurement under paragraph (1) to be supported by the original Kenya Revenue Authority Electronic Tax Receipt (KRA ETR Receipt) duly signed by the person undertaking the low value procurement of goods, works or services.

528.4. Irregular Claims under Domestic Travel and Subsistence

Review of payment records and surrender vouchers provided for audit revealed that the County Executive staff undertook activities through daily subsistence allowances totalling Kshs.3,997,800 while away from their duty stations which were later claimed for reimbursements. However, the claim forms were not supported with prior approvals or authority for staff to incur the expenses and to be reimbursed later, attendance registers and programme or itinerary for the conferences attended. This was contrary to Regulation 93(4) of the Public Finance Management (County Governments) Regulations, 2015 which requires that before issuing temporary imprests, the Accounting Officer shall ensure that the main objective of the journey cannot be achieved by other cheaper means and that adequate funds are available against the relevant items of expenditure to meet the proposed expenditure.

528.5. Irregular Payment of Overtime Allowance

Review of surrender vouchers revealed that overtime allowance totalling Kshs.2,910,700 was paid to drivers and other staff. However, the following anomalies were identified;

(i) Requests for overtime and approvals for drivers by the Head of Department was not provided for audit.

(ii) There were no records of the exact overtime hours covered by each driver.

(iii) Payments were not supported with daily duty roasters or approved timesheets indicating time in and out for the drivers. In addition, the nature of overtime work being paid for was not indicated. This was contrary to Section 149(1) of the Public Finance Management Act, 2012 which requires an Accounting Officer for a County Government entity to be accountable for ensuring that the resources of the entity for which he or she is the Accounting Officer are used in a way that is lawful and authorized, effective, efficient, economical and transparent.

528.6. Irregular Cash Purchases of Airtime

Review of surrender vouchers provided for audit revealed that the County Executive incurred an expenditure of Kshs.3,405,000 on purchase of airtime and data bundles for various departments. However, the purchases were not supported with electronic tax register receipts from the vendors, policy guiding provision of airtime and payment rate per job group. Further, the airtime purchased exceeded the threshold for cash purchases on low value procurement set at a maximum of Kshs.50,000. This was contrary to Section 107(a) of the Public Procurement and Asset Disposal Act, 2015 which states that a procuring entity may use a low-value procurement procedure if the entity is procuring low-value items which are not procured on a regular or frequent basis and are not covered in framework agreement. The Second Schedule to the Regulations also sets the maximum level of expenditure under this method at Kshs.50,000 and Kshs.100,000 for goods and services respectively per financial year.

528.7. Payments of Stationeries and Tonners without Electronic Tax Invoices

Review of supplier's invoices for supply of office stationeries and tonners totalling Kshs.1,330,106 paid by the County Executive were not supported with electronic tax invoices. This was contrary to Regulation 6(1) of Value Added Tax (Electronic Tax Invoices) Regulations, 2020 which requires each sale to be recorded with the use of the register and an electronic tax invoice is generated in respect of each sale.

528.8. Irregular Supply and Delivery of Motor Vehicle Tyres

Review of payment vouchers in respect of supply and delivery of motor vehicle tyres at a contract sum amounting to Kshs.2,980,000 and local purchase order revealed that the user department requisition dated 20 August, 2024 was issued in respect of request for tyres for nine (9) vehicles. The records included tyres size 265/70R16 for five (5) vehicles and size 245/70R16 for four (4) vehicles all totalling thirty-six (36) tyres. However, the sixty-four (64) tyres were received for different sizes specifications.

The procured items did not meet the requirements, number and specifications provided in the user requisition. Further, preliminary evaluation criteria required provision of a valid trading license/business permit. However, review of the bid document revealed that the awarded supplier's single business permit had expired on 26 November, 2024 before the opening of the tender on 19 December, 2024 and therefore should have been evaluated as non-responsive at the preliminary stage. This was contrary to Regulation 30(a) of the Public Procurement and Asset Disposal Regulations, 2020 which stipulates that the evaluation committee shall conduct the technical and financial evaluation of the tenders in strict adherence to the compliance and evaluation criteria set out in the tender documents.

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

529. Irregular Payments of Subscriptions

Review of payment records revealed payments for intergovernmental contributions and legal fees support to the Council of Governors totalling Kshs.3,000,000. However, Management did not provide an explanation for the payments made to the Council, which is an independent entity. This was contrary to Section 37 of the Intergovernmental Relations Act, 2012 which provides that operational expenses for the structures and institutions established under the Act shall be provided from the annual estimates of the revenue and expenditures of the National Government.

In the circumstances, Management was in breach of law

530. Irregular Procurement of Computers Equipment and Furniture and Fittings

Review of procurement and payment records revealed the following anomalies;

(i) Procurement records for supply and delivery of office stationeries, HP printers, scanner and all in one desktop amount of Kshs.2,484,195 revealed that the

goods were delivered after the expiry of validity period for local purchase orders. The records indicated that the goods were delivered on 22 November, 2024 as per two (2) delivery notes. This was more than thirty (30) days contrary to Regulation 52 of the Public Finance Management (County Governments) Regulations, 2015 which requires that a local purchase order or local service order shall be valid for a period of thirty days from the date of issue. Further, the user requisition did not include estimated value and specifications for the desktops, laptops and printers among other items to be procured. The review could not establish whether the items delivered met user department's needs.

(ii) Review of procurement records for supply and delivery of Governor's protocol security equipment at a cost of Kshs.2,077,560 revealed that the tender opening minutes were signed and dated 9 April, 2024. However, the minutes were not supported with a tender register for the received quotations.

(iii) Review of procurement records for supply and delivery of tonners at a total cost of Kshs.2,960,505 revealed that the user department requisitioned for items which differed with what was delivered as highlighted below;

User Department Requisition	**Units Required**	**Goods Delivered**	**Unit Delivered**
Hp Tonners (Black and White) 59A	40pcs	Kyocera 1k53507, 1k53507m, 1k53507c, 1k53507k	30pcs
Hp Tonners (Black, Magneta Cynan Yellow) 207A set	15 sets	Laser jet proM 404dn 59A	25sets

As a result, it was not possible to confirm whether the items delivered met the user's specifications and needs.

(iv) Review of payment vouchers in respect of supply and delivery of an audio-visual and production equipment at a total cost of Kshs.16,493,494 revealed that, according to IFMIS payment details, the contractor was paid an amount of Kshs.9,000,000 while the payment voucher reflected an amount of Kshs.16,493,494 resulting in an unexplained variance of Kshs.7,493,494. In addition, the market survey report was not provided for audit contrary to Regulation 33(3)(a) of the Public Procurement and Asset Disposal Regulations, 2020 which requires the procurement function to carry out market surveys to inform the placing of orders or adjudication by the relevant awarding authority.

(v) The County Executive awarded a contract for development of an Integrated Bursary Management System (IBS) meant to simplify students' bursary applications at a contract sum of Kshs.2,958,000. However, the contract signed did not clearly outline the obligations and responsibilities of both parties and

further, there was no evidence of a service level agreement between the supplier and the County Executive as a measure for contract monitoring. Further, the payment was not supported with any evidence of testing or commissioning of the system and inspection and acceptance by the inspection and acceptance committee to confirm that the system met the user requirements.

In addition, the supplier was paid in full on 2 September, 2024, however, as at the time of audit in July, 2025, the System was not in use. This was contrary to Section 149(1) of the Public Finance Management Act, 2012 which requires an Accounting Officer to be 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, effective, efficient, economical and transparent.

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

531. Irregular Splitting of Tender

The County Executive made seven (7) different requests for quotation for purchase of computers, printers and other IT equipment from different suppliers, incurring expenditure amounting to Kshs.19,184,784. However, review of procurement files revealed that the requests for quotations (RFQs) were issued within the same period for the same items, at varying prices. Management did not explain why the items were not procured through an open tender procurement method. Using several RFQs for similar items led the County Executive to incur more costs as a result of varying prices of similar items from suppliers. Therefore, the Management may have structured procurements for the purpose of avoiding use of open tender procurement method. This was contrary to Regulation 43(1) of the Public Procurement and Asset Disposal Regulations, 2020 which directs that a procuring entity shall not split or structure its contracts for the purpose of avoiding the use of a procurement procedure as provided for under Section 54(1) of the Act except where unbundling of categories is allowed under preference and reservation schemes in the Act and Regulation 154.

In the circumstances, value for money on the expenditure of Kshs.19,184,784 could not be confirmed and Management was in breach of the law.

532. Legal Costs

532.1. Unsupported Legal Payables

(i) Review of legal records revealed that the County Executive reported an amount of Kshs.9,818,587 as litigation services fee due to an Advocate. However, the payment voucher provided for audit was not examined and authorized by the Accounting Officer. Further, the supporting document attached to the voucher related to payment voucher of an amount of Kshs.14,016,000 in respect of legal services fee due to the Advocates that was stamped paid on 30 June, 2021 and all the supporting documents including the invoices and Court rulings and

petitions were all stamped paid. In addition, the amount was not traced in the schedule of accounts payables.

(ii) Review of legal records revealed that the County Executive reported an amount of Kshs.13,531,472 as legal services fee due to another Advocate for litigating Court case number Kiambu HCC No 18 of 2019 - Export Consolidated Services Vs Kiambu County Executive. However, the amount was not disclosed in the list of outstanding legal fee provided by the Office of the County Attorney.

(iii) Review of legal records revealed that the County Executive reported an amount of Kshs.7,788,259 as legal services fee due to an additional Advocate for ELRC Nairobi Case number 1068 of 2015. However, this amount was not disclosed in the list of outstanding legal fee provided by the Office of the County Attorney. Further, according to the status of the case, it was noted that on 30 October, 2024 the file was marked closed after the claimant's counsel confirmed to the Court that the respondent had paid up the decretal amount. In addition, the payment voucher was not examined, approved by AIE holder and authorized by the Accounting Officer.

(iv) An amount of Kshs.19,720,000 in respect of legal fees was paid in respect of case number Kiambu HCJR 007 of 2025 Sauti Business Community vs County Executive of Kiambu and 4 others and HCCHR PET 031 of 2025 & 18 others vs County Executive. The County Executive engaged the services of external advocates to represent the County Executive in the two legal matters despite the County Executive having a fully established Office of the County Attorney tasked with representing it in Court or in any legal proceedings.

(v) Further, no evidence of approval by the County Executive Committee to engage external advocates was provided for audit contrary to Section 16(1) of the Office of the County Attorney Act, 2020 which requires a department or public entity established within a County Executive not to engage the services of a consultant or render any legal services relating to the functions of the County Attorney without the approval of the County Executive Committee.

532.2. Avoidable Legal Expenses

Review of records from the County Executive Legal Department revealed that an amount of Kshs.403,437,444 was payables in respect of contempt of Court orders and failure to settle decretal sum on time leading to accrued interest payable to the advocates. The expenditure could have been avoided if the County Executive had honoured the claims in respect of the Court rulings.

In the circumstances, value for money on expenditure amounting to. Kshs.403,437,444, could not be confirmed.

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

During the year under review, the County Executive planned to procure goods, work and services as per the procurement plan. However, review of procurement contracts of goods, works and services revealed that Local Purchase Orders (LPOs) and Local Service Orders (LSOs) issued after 1 September, 2024 did not include the mandatory 0.03% Public Procurement Capacity Building Levy as a separate line item and therefore the levy was not deducted for all contract awards, contrary to Section 3(1) of the Public Procurement Capacity Building Levy Order, 2023, which requires 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 levy orders.

534. Failure to Report Termination of Procurement Proceedings

Review of procurement files revealed that the Accounting Officer terminated the procurement proceedings of eight (8) tenders namely tender number CGK/FWA/001/2024/2025 to CGK/FWA/008/2024/2025 due to lack of feasibility study. However, the termination of the procurement proceedings was not reported to the Public Procurement Regulatory Authority within 14 days stating the reason for termination contrary to Section 63(2) of the Public Procurement and Asset Disposal Act, 2015 which state that an accounting officer who terminates procurement or asset disposal proceedings shall give the Authority a written report on the termination within fourteen days.

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

535. Accounts Payables

535.1. Ineligible Pending Bills

Review of payables records revealed the following anomalies;

(i) Review of payment voucher for networking and installation of CCTVs for the new Kiambu Sub-County Offices at Red Nova at a total cost of Kshs.15,593,717 revealed that the payment voucher was not supported with the supplier invoice, delivery notes for the items delivered and requisite procurement documents which include tender opening minutes and register, tender evaluation committee reports, appointment letters for the opening, tender evaluation and inspection and acceptance committee and evidence of regret letters sent to unsuccessful bidders. This was contrary to Section 44(2)(d) of the Public Procurement and Assets Disposal Act, 2015 which stipulates that an accounting officer of a public entity shall ensure that proper documentation of procurement proceedings and safe custody of all procurement records.

(ii) The Payables balance of Kshs.14,574,056 in respect of payables for conversion of meeting hall to banking hall was not supported with requisite procurement

documents including tender opening minutes and register, tender evaluation committee reports, appointment letters for the opening, tender evaluation and inspection and acceptance committee and evidence of regret letters sent to unsuccessful bidders.

(iii) Review of payables balance of Kshs.10,783,000 in respect of payables for supply and delivery of uji flour (pure wimbi porridge) revealed that the notification of award to the supplier was issued on 24 June, 2020 and the contract entered into on the same day. This was contrary to Section 135(3) of the Public Procurement and Asset Disposal Act, 2015 which provides for fourteen (14) days window period after notification of award. Further, the goods were received under delivery notes dated 1 and 2 January, 2020 while the contract was signed on 24 June, 2020. In addition, the payment voucher was not supported with requisite procurement documents which includes tender opening minutes and register, tender evaluation committee reports, appointment letters for the opening, tender evaluation and inspection and acceptance committee and evidence of regret letters sent to unsuccessful bidders.

(iv) Review of payables balance of Kshs.8,150,000 for supply and delivery of one Ford Everest with a capacity of 2.2IXTL 4*4 revealed that the payment voucher was not supported with requisition from the user department giving the specification of the required vehicle, delivery note and inspection and acceptance reports.

(v) Review of payment voucher and supporting documents for an amount of Kshs.6,829,005 in respect of administrative costs for revenue collected between 1 January, 2020 to 31 March, 2020 revealed that the County Executive, a contractor and a local commercial bank entered into a contract on 7 November, 2014 for two (2) years with an expiry date of 6 November, 2017. Therefore, the administrative costs for revenue collected between 1 January, 2020 to 31 March, 2020 was irregular since the contract period had lapsed.

(vi) Review of payment voucher for an amount of Kshs.5,510,000 for provision of Office 365 and official emails revealed that the County Executive entered into a contract with a company for provision of Microsoft 365 on 15 June, 2016 for a period of fifteen (15) weeks at a contract price of Kshs.34,800,000. However, on 1 November, 2016 an addendum to the contract was entered into stating that due to the nature of implementation of the service, the contract be restructured and the payments to be aligned to the provision of the service level agreement signed and be part of the contract. The addendum varied the contract price to Kshs.24,000,000 and service level agreement expiry period to two (2) years. This variation was irregular since it was contrary to Section 139(3) of Public Procurement and Asset Disposal Act, 2015 which states that no contract price shall be varied within twelve (12) months from the date of the signing of the contract. Further, the contract indicated that payment would be made upon certification by the inspection and acceptance committee. However, there were no evidence of inspection and acceptance committee reports.

(vii) Review of payables balance of Kshs.4,636,950 in respect of construction of Karinde to Njiku Access Road in Kikuyu Sub-County revealed that the payment voucher was not examined or signed by the AIE holder or authorized by the Accounting Officer. Further, the professional opinion dated 11 December, 2020 was not approved by the Accounting Officer. In addition, appointment letters of inspection and acceptance committee were not provided for audit.

(viii) Review of payables balance of Kshs.180,000,000 due to a contractor for administrative costs of 7% for revenue collected revealed that the payment vouchers were not supported with requisite procurement documents which include tender opening minutes and register, tender evaluation committee reports, letters appointing opening, evaluation and inspection and acceptance committees and evidence of regret letters sent to the unsuccessful bidders. In addition, the signed contract was not provided for audit.

535.2. Accumulation of Pending Accounts Payables

The statement of financial position and as disclosed in Note 32 to the financial statements reflects trade and other payables balance of Kshs.7,619,065,692. The balance includes an amount of Kshs.3,887,624,177 representing 51% of the total trade payables that was outstanding for more than ten (10) years and which did not form a first charge on the County Revenue Fund. This was contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015 which requires debt service payments to be a first charge on the County Revenue Fund and that the Accounting Officer shall ensure this is done to the extent possible that the County Executive does not default on debt obligations.

The County Executive risks incurring additional losses in form of interest and penalties arising from continued delay in the settlement of the bills. In addition, failure to settle bills during the year in which they relate to distorts the financial statements and adversely affects the budgetary provisions for the subsequent year. Further, the payment plans, payables reports and detailed ageing analysis reports were not provided for audit.

535.3. Long Outstanding Staff Payables

The statement of financial position and as disclosed in Note 32 to the financial statements reflects trade and other payables balance of Kshs.7,619,065,692. Review of payables listing provided for audit revealed that a balance of Kshs.99,419,754 related to domestic and subsistence allowances and other allowances due to County staff which further included payables totalling Kshs.12,616,451 relating to domestic and subsistence allowances and other allowances that were outstanding for more than a year and did not form first charge. This was contrary to Regulation 93(4)(d) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that before issuing temporary imprests, the Accounting Officer shall ensure that adequate funds are available against the relevant items of expenditure to meet the proposed expenditure.

In addition, review of the staff payables list revealed that payables balance of Kshs.72,553,390 lacked staff details such as staff personal numbers, job group, date when the request was approved and reference number.

535.4. Non-Compliance with Debt Fiscal Responsibility Principles on Payables

The statement of financial position and as disclosed in Note 32 to the financial statements reflects trade and other payables balance of Kshs.7,619,065,692. The balance represents 43% of the total receipts of Kshs.17,916,386,160 which is 23% over and above the maximum allowed limit. This was contrary to Regulation 25(1)(d) of Public Finance Management (County Governments) Regulations, 2015 which requires that the County public debt shall never exceed twenty (20%) percent of the County Government total revenue at any one time. In addition, the County Executive did not have a debt management policy.

535.5. Failure to Circularize Accounts Payables

The statement of financial position and as disclosed in Note 32 to the financial statements reflects trade and other payables balance of Kshs.7,619,065,692. However, the County Executive did not undertake supplier circularization and reconciliation exercise as directed by The National Treasury. In the absence of supplier confirmations, reconciliations, and supporting documentation, the opening and closing balances could not be confirmed.

In the circumstances, the regularity of the trade and other payables balance of Kshs.7,619,065,692 could not be confirmed and the Management was in breach of the law.

536. Lack of an Annual Assets Disposal Plan

The County Executive did not prepare an annual disposal plan for items declared obsolete. Further, the Accounting Officer did not establish a disposal committee. This was contrary to Regulation 176(1) of the Public Procurement and Asset Disposal Regulations, 2020 which requires an Accounting Officer of a procuring entity to ensure that an annual assets disposal plan is prepared of items declared as unserviceable or obsolete stores, asset or equipment as set out under Section 53(4) of the Act.

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

537. Irregular Hire of Heavy Equipment, Plant and Machinery at Kang'oki Dumpsite

An expenditure of Kshs.4,500,000 was incurred in respect of provision of clearing of garbage at tipping sites at Kang'oki dump site. However, the following anomalies were noted:

(i) Records of trips provided for audit revealed that the billing was based on daily hour readings of the machines for sixty-three (63) days with daily shifts of eight hours each. From the records or trips made it was established that these

machines worked non-stop per shift, casting doubt on the validity of the records, given that there were no downtimes recorded for fueling or even the drivers taking a break at any point.

(ii) There was no evidence of needs assessment done at the Kang'oki Dumpsite to determine the number of heavy machineries needed daily at the site to supplement those already running and owned by the County Executive. This would inform the additional number of heavy equipment required at any point in order to meet the existing gap. In addition, there was no record of quantity of garbage dumped daily to justify the need for the hire of the machines.

(iii) There was no corroborative evidence provided to indicate that the machines worked for the hours paid. The start time and finish time measurement and records were susceptible to manipulation. Therefore, the County Executive should have included records of fuel consumption per day per machine.

(iv) The supporting schedule and time sheet lacked crucial information such as registration number for the plant/machinery equipment, clock in time, odometer reading, fuel consumed and any downtime duration casting doubt on the authenticity of the time sheets provided.

(v) Call order for tender number KCG/WEENR/005/2019/2020(29-07) required the supplier to provide evidence of plant, machinery, equipment registration numbers and credentials of the supervisor of the fleet and plant operator. However, there was no evidence that the documents were prepared.

This was contrary to Regulation 100 of the Public Finance Management (County Governments) Regulations, 2015 which requires Accounting Officers to maintain such books and registers as may be necessary for the proper maintenance and production of the accounts of the Vote for which he or she is responsible.

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

538. Irregular Supply and Delivery of Integrated Solar Street Lighting

The County Executive awarded a contract for supply and delivery of four thousand (4000) integrated solar street lighting under negotiation number 1465808-2023-2024 on 17 April, 2024 at a contract price of Kshs.337,650,253. However, review of the procurement records provided revealed that Part K of the price schedule indicated that the supplier should allow for prior inspection before and during manufacturing and loading at a cost of Kshs.2,700,000. However, the prior inspection was not conducted.

According to two (2) S11 dated 19 August, 2024, four thousand (4000) solar lamps and brackets were issued from the stores. However, review of integrated solar street lighting (ISSL) issuance and distribution list to different wards in the County revealed that only three thousand, eight hundred and sixty (3860) integrated solar street lighting were issued and distributed to different wards resulting to one hundred and forty (140) street lighting valued at Kshs.8,683,616 that were unaccounted for. This was contrary to Section 149(1) of the Public Finance Management Act, 2012 which requires an Accounting Officer for a

County Government entity to be 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 authorised, effective, efficient, economical and transparent. Further, inspection and acceptance certificate did not specify the serial numbers of the integrated street lighting lamps. Therefore, it was not possible to track the items received.

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

539. Irregular Installation, Testing and Commissioning of Solar Street Lighting

The County Executive awarded a contract for installation, testing and commissioning of three thousand, six hundred and eighty five (3,685) solar street lighting in sixty (60) wards bundled into two lots as follows; installation, testing and commissioning of one thousand, seven hundred and eighty (1,780) solar street lighting in twenty-nine (29) wards at a contract price of Kshs.95,016,586 and installation testing and commissioning of one thousand nine hundred and five (1,905) solar street lighting in Thirty-one (31) wards at a contract price of Kshs.103,361,978. However, review of the procurement file revealed the following anomalies;

(i) Review of integrated solar street lighting (ISSL) issuance and distribution list to different Wards in the County revealed that three thousand, eight hundred and sixty (3,860) integrated solar street lighting were issued and distributed to different wards. However, the supplier was awarded a contract to install three thousand, six hundred and eighty-five (3,685) solar street lighting resulting in an unexplained variance of one hundred and seventy-five (175) ISSL valued at Kshs.10,854,520.

(ii) Review of the procurement files for installation, testing and commissioning of three thousand, six hundred and eighty-five (3,685) solar street lighting in sixty (60) wards at a contract price totalling Kshs.198,378,564 revealed that the price schedule included various concrete poles valued at a total of Kshs.119,831,594. However, there was no inspection and acceptance report on the delivery of the poles. It was also not clear why the concrete poles were included in what seemed to be a labour-based contract.

(iii) The price schedule included HP laptops, desktops core i7 and printers totalling Kshs.1,233,600. However, the counter receipt voucher and inspection and acceptance certificate did not indicate the serial numbers of the devices delivered. Therefore, it was not possible to confirm whether the specification of items procured met the requisition requirements.

This was contrary to Section 149(1) of the Public Finance Management Act, 2012 which requires an Accounting Officer for a County Government entity to be 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 authorised, effective, efficient, economical and transparent.

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

540. Irregular Procurement of Culverts

The County Executive awarded a contract for supply and delivery of assorted culverts and other materials at a contract sum of Kshs.116,083,008. However, review of procurement records revealed that one of the technical criteria required the bidders to demonstrate profitability of at least Kshs.20,000,000 per year. However, the winning bidder did not attach the statement of financial performance to demonstrate profitability. Instead, the bid document contained statement of financial position and statement of cash flows only and was awarded full marks. The evaluation was not conducted in strict adherence to the compliance and evaluation criteria set out in the tender documents.

Further, the form of tender provided in the bid document for the successful bidder did not indicate the total tender sum, representing the sum of all individual bid items, instead, summaries of the cost of culverts for each ward was indicated. Therefore, it was not possible to confirm the total price of tender read out during tender opening as per the bidder's application. This was contrary to Section 78(6) of the Public Procurement and Asset Disposal Act, 2015 which states that as each tender is opened, the following shall be read loud and recorded in a document to be called the tender opening register; (a) the name of the person submitting the tender; (b) the total price, where applicable including any modifications or discounts received before the deadline for submitting tenders except as may be prescribed; and (c) if applicable, what has been given as tender security.

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

541. Low Absorption of Development Expenditure

The statement of comparison of budget and actual amounts reflects acquisition of assets actual amount of Kshs.3,139,551,144 which reflects actual development expenditure of 18% of the total expenditure for the year. This was contrary to Regulation 25(1)(g) of the Public Finance Management (County Governments) Regulations, 2015 which requires the County Executive to spend at least 30% of the actual expenditure on development projects.

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

542. Preparedness for Transition to Accrual Basis of Accounting

Management did not appoint an Asset Management Officer to support the transition to accrual accounting for assets as provided for in The National Treasury Circular No.03/2025 of 14 April, 2025.

In the circumstances, Management was in breach of The National Treasury's Circular.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

543. Failure to Establish a Functional Audit Committee

The County Executive appointed four (4) Audit Committee Members in August, 2021 through Kenya Gazette notice for a three-year term which ended in the month of August, 2024. However, the County Executive did not appoint new members of the Audit Committee. Further, the audit committee held only one (1) meeting in August, 2024 during the year under review and did not prepare an annual report on independence, performance and competence of the internal audit unit. This was contrary to Regulation 159(2) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that each year the Audit Committee shall carry out annual review of the independence, performance and competency of the internal audit unit and comment on their effectiveness in the annual report.

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

544. Weakness in Internal Audit Function

Review of internal audit records provided for audit revealed that whereas the Internal Audit reports and workplan were provided for audit, it was noted that they were all in draft status as there was no audit committee to approve them for further action. Further, there was no evidence to confirm that recommendations made by the Internal Audit were implemented by the respective departments. In addition, mechanism for follow up of implementation of recommendations was not put in place. Similarly, the Department lacked operational and functional independence due to lack of a functional Audit Committee.

In the circumstances, the effectiveness of the internal control systems in the County Executive could not be confirmed.

545. Lack of a Risk Management Policy

The County Executive did not have a Risk Management Policy in place to provide a framework of addressing risks including risk identification, assessment, prevention and mitigation to contingency planning and give clarity on who is responsible for identifying, assessing and managing specific risks. In the absence of a Risk Management Policy, it was not possible to confirm how Management identified and controlled threats and vulnerabilities that could negatively impact its operations.

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

546. Lack of Approved Information and Communication Technology Policy and Steering Committee

The County Executive did not have an approved ICT Policy to provide a framework for effective implementation of ICT, including standards, guidelines, and procedures. In addition, there was no functional Information Technology Steering Committee in place to provide strategic guidance and oversight. This was contrary to Regulation 110 of Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer for a County Government entity to institute appropriate access controls needed to minimize breaches of information confidentiality, data integrity and loss of business continuity. This represents a significant gap in ICT governance and poses risks to strategic alignment, compliance and operational effectiveness.

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

547. Failure to Implement E-Procurement System

Review of County Executive Procurement system revealed that contracts and tenders awarded to the various suppliers were not processed through the e-procurement. All ongoing contracts entered into, and to which finalization of expected works, supplies or services pending completion and final payment were not in the e-procurement system contrary to Executive order No. 6 of 2016 and No. 2 of 2018.

In the circumstances, transparent and efficient management of procurement process could not be confirmed.

548. Discrepancies in Insurance and Legal Registers

Review of the certificates of insurance and the motor vehicle register provided during the audit revealed discrepancies in the record of insured motor vehicles. Specifically, thirty-seven (37) motor vehicles valued at Kshs.223,747,859 were not insured but were not listed in the County Motor Vehicle Register.

Further, review of the register of legal cases provided for audit revealed that five hundred and twenty-three (523) cases lacked updated status while some had remained open for more than ten (10) years. Therefore, it was not possible to confirm the financial implication of the cases. The register was also found incomplete as some cases lacked critical information, such as claim amount, case number, advocate involved, and other parties to the case.

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

549. Weaknesses in Inventory Management

Physical inspection and review of controls and documentation in management of stores revealed that the County Executive did not have an inventory management and control software to assist in meeting the objectives of sound supply chain management. Instead,

manual records were maintained of goods received and issued to the user department. Further, the County Executive had two (2) motor cycles and two (2) car washing machines that had been in the store for more than two (2) years and had not been put to use. In addition, physical inspection of the Headquarter Offices revealed that ninety-one (91) waste bins and window glass panes were left exposed to direct sunlight resulting to material degradation. These items could not be traced in the stock take reports provided.

Physical inspection of medical stores revealed that several medical equipment were defective and had been held for repair for unspecified duration. The items were not traced in the repair management system, while the equipment repair requisition form, medical equipment repair register and defective equipment transfer records were not provided for audit. Further, the medical store had obsolete items which included twelve (12) 13kg gas cylinders that had been in the store for more than two (2) years and the items could not be accounted for as per stock take reports.

In addition, the County Executive had one (1) motor cycle that had been kept in the store since December, 2024 and had not been put into use. However, the motor cycle was not listed in the County Executive's fleet records. Similarly, the Central Medical Store located within Thika Level 5 Hospital, revealed that the storage facility had a leaking roof, exposing medical equipment and supplies to potential damage and resulting in non-compliance with the Public Health Act on proper medical storage, dry, clean and secure environment.

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

550. Failure to Close Dormant Bank Accounts

Review of the list of bank accounts operated by the County Executive during the year revealed two hundred and eighty-eight (288) bank accounts out of which five (5) bank accounts listed below remained dormant;

Account Name	Type	Purpose	Balance (Kshs)
Lari Level 4	Recurrent	NHIF Revenue	1
Thika Level 5	Recurrent	Grant	1
Thika Level 5	Recurrent	Grant	1
Kiambu County UNICEF Account	Recurrent	UNICEF Account Operation	1
Veterinary Services Development Fund	Recurrent	Operations	0

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

551. Weaknesses of Assets Management

551.1. Lack of Fuel Management Policy

Review of payment vouchers and support documents for fuel and lubricants revealed that there was no policy guiding on requisition of fuel, approval, top up period and top up quantities for each card. Further, requisition of cards for newly acquired motor vehicles and appointment of the card holders was not provided for audit. In the absence of Fuel Management Policy, the effectiveness of internal controls on fuel management could not be confirmed. This was contrary to Regulation 158 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, which include fraud prevention mechanism, a system of risk management and internal controls that builds robust business operations.

551.2. Unserviceable Motor Vehicles

Analysis of the County Executive's assets register revealed that the County Executive had in its possession, two hundred and fifteen (215) unserviceable motor vehicles. However, there was no evidence to indicate that Management had initiated their disposal. This was contrary to Section 163(1) of the Public Procurement and Asset Disposal Act, 2015 which requires an Accounting Officer to establish a disposal committee as and when prescribed for the purpose of disposal of unserviceable, obsolete, obsolescent, or surplus stores, equipment or assets.

551.3. Failure to Insure County Buildings

The County Executive incurred medical and motor vehicle insurance costs amounting to Kshs.339,009,879 in the year under review. However, review of insurance details as at May, 2025 revealed that the County Executive buildings did not have insurance cover to mitigate against losses in case of a disaster contrary to Section 79(2)(c) of the Public Finance Management Act, 2012 which requires a public officer within his area of responsibility to ensure that adequate arrangements are made for the proper use, custody, safeguarding and maintenance of public property including application of best office to prevent any damage from being done to the financial interest of the County Executive.

Failure to secure insurance covers for County Executive buildings exposed the County Executive to potential losses and undermines the financial protection measures intended by the legislation.

551.4. Inadequate Insurance Coverage of County Executive Assets

During the year under review, the County Executive paid an amount of Kshs.132,877,237 to an insurance company for the provision of comprehensive insurance cover for its fleet of motor vehicles and motorcycles. However, review of the insurance documents provided for audit which include insurance certificates, policy documents, and the County fleet register revealed that ninety-nine (99) motor vehicles and ten (10) motorcycles belonging

to the County Executive were not insured. Further, twenty-four (24) generators distributed across various sub-county offices and health facilities were not covered by any insurance policy. In addition, one hundred and forty-nine (149) accident vehicles, grounded at various locations, remain uninsured.

In addition, seventeen (17) vehicles were held in external garages, and there was no documentation to show an existing salvage or payment plan for their recovery or repair by the insurer. This was contrary to Section 153(1)(b) of the Public Finance Management Act, 2012 which requires the Accounting Officer for a County Government entity to manage these 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, the effectiveness of risk management and internal controls put in place to safeguard assets could not be confirmed.

List of Unresolved Prior Year Matters

No.	Audit Issues for 2023/2024
1	Irregular Payments Under Use of Goods and Services
2	Issuance of Multiple Imprest and Un-Surrendered Imprest
3	Unsupported Expenditure under Acquisition of Assets
4	Irregularities in Human Resource Management
5	Irregular Procurement
6	Unfair Award of Contracts
7	Inconsistencies in Procurement Documents
8	Irregular Variation of Contract
9	Irregular Procurement in Health
10	Non - Implementation of Annual Procurement Plan Reports
11	Irregular Operation of Bank Accounts in Commercial Banks
12	Enterprise Resource Planning System
13	Inconsistencies in Paying for Monthly Internet and Secure SDWAN Solutions
14	Irregular Procurements in the Roads
15	Lack of ICT Steering Committee
16	Unapproved ICT Policy
17	Lack of Independence of the Internal Audit Function
18	Non-Compliance with Statutory Meeting Frequency by the Audit Committee
19	Weaknesses in Garbage Collection Management
20	Unapproved ICT Policy
21	Assets Management
22	Lack of Assets Management Unit in the County
23	Lack of Fleet Management System
24	Land Without Ownership Documents
25	Implementation of E- Procurement System

COUNTY EXECUTIVE OF TURKANA – NO.23

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

552. Inaccuracies in Comparative Balances

The statement of financial position reflects comparative trade and other payables (pending bills) of Nil balance. However, review of the prior year audited financial statements revealed pending bills balance of Kshs.801,687,224. The resultant variance was not explained.

Further, the opening statement of financial position is not balanced as it reflects net assets of Kshs.896,700,712 against accumulated surplus balance of Kshs.244,112,385 resulting in an unexplained variance of Kshs.652,588,327.

In the circumstances, the accuracy and completeness of the opening Nil balance of trade and other payables and net assets balance of Kshs.896,700,712 could not be confirmed.

553. Unsupported Property, Plant and Equipment Balance

The statement of financial position and as disclosed in Note 26 to the financial statements reflect property, plant and equipment balance of Kshs.2,663,174,395. Included in this amount are additions in respect of land amount of Kshs.9,550,000, buildings amount of Kshs.7,326,334 and water infrastructure of Kshs.217,006,374 all totalling Kshs.233,882,708. However, title deeds for land purchased, interim certificates, completion certificates and handover certificates were not provided to support the capitalization of assets in relation to land, buildings and water infrastructure.

In the circumstances, the accuracy, existence, rights and obligations and completeness of property, plant and equipment balance of Kshs.233,882,708 could not be confirmed.

554. Unsupported Legal Fees Expenses

The statement of financial performance reflects use of goods and services expenses amount of Kshs.5,975,887,689 as disclosed in Note 10 to the financial statements. The amount includes specialized materials and services amount of Kshs.3,531,377,240 out of which an amount of Kshs.22,844,620 was incurred in respect of legal expenses. However, Management did not provide itemized fee notes and invoices to show how the fees was computed and whether the charges were in line with Advocates Remuneration Order.

Further, review of legal files and documents revealed that four (4) law firms were paid without approval from the Executive Committee regarding outsourcing of legal services as required under Section 16 of the Office of the County Attorney Act, 2020. In addition, Management did not provide justification for outsourcing of costly legal services instead of using inhouse legal personnel contrary to Section 5(b) of the County Attorney Act, 2020

which provides that a County Legal Counsel shall handle matters without undue delay, risk or unnecessary expense to the county government which may expose the County Executive to costly damages and compensation claims.

In the circumstances, the occurrence, accuracy and completeness of legal expenses amounting to Kshs.22,844,620 could not be confirmed.

555. Non-Disclosure of Contingent Liabilities

Review of Note 43 to the financial statements reflects Nil balance in respect of contingent liabilities. However, review of legal documents submitted for audit verification revealed various pending legal cases yet to be determined. Non-disclosure of contingency liabilities may lead to the County Executive facing sudden huge expenses or liabilities impacting on its financial operations.

In the circumstances, the presentation and disclosure could not be confirmed

556. Unsupported Payment of Salary Arrears

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects employee costs totalling Kshs.5,659,171,913. Review of the payroll records for the year under review revealed that the County Executive paid salary arrears amounting to Kshs.261,488,315 to one thousand, two hundred and fifty-two (1,252) employees. However, no documentary evidence such as approved computation schedules, authorization by the relevant County Public Service Board, or communication from the Salaries and Remuneration Commission (SRC) was provided to support or justify the payments.

In the circumstances, the regularity, accuracy and completeness of the employee costs amounting to Kshs.5,659,171,913 could not be confirmed.

Emphasis of Matter

557. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.15,758,953,939 and Kshs.12,712,800,011 respectively resulting in an under-funding amounting to Kshs.3,046,153,928 or approximately 19% of the budget. However, the County Executive spent an amount of Kshs.15,332,641,532 against actual receipts of Kshs.12,712,800,011 resulting in an over expenditure amounting to Kshs.2,619,841,520 or approximately 20% of the actual receipts.

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

My opinion is not modified in respect of these matters.

Other Matter

558. Unresolved Prior Year Matters

In the prior 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 audit of the County Executive in 2024/2025 revealed that the nineteen (19) matters remained unresolved as listed at the end of this report remained unresolved as at 30 June, 2025.

Other Information

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

560. Non- Compliance with Law on Fiscal Responsibility Principles on Wages

During the year under review, the County Executive's total revenue amounted to Kshs.12,712,800,011. Based on the revenue, the County Executive was expected to spend a maximum of Kshs.4,449,480,004 or 35% of total revenue on employees' costs. However, the actual expenditure during the year was Kshs.5,659,171,913 equivalent to 45% of total revenue which was exceeded by an amount of Kshs.143,538,035. The overspending was contrary to Regulation 25 of the Public Finance Management (County Governments) Regulations, 2015 that caps personnel expenditures at thirty-five (35) percent of the county government's total revenue.

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

561. Non-Compliance with One-Third Rule on Basic Salary

Examination and analysis of the staff payroll for the year under review revealed that four thousand, eight hundred and thirty (4,830) employees were paid net salaries below one-third of their basic salaries. This was attributed to excessive deductions arising from loans, advances, and other third-party commitments processed through the payroll system. This was contrary to Section 19(3) of the Employment Act, 2007 which requires that the total amount of all deductions that may be made by an employer from the wages of his employee at any one time not to exceed two-thirds of such wages.

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

562. Un-Confirmed Remittance of Statutory Deductions to Respective Agencies

Review of the payroll revealed that statutory deductions for PAYE, NHIF, NSSF and provident fund amounting to Kshs.859,836,652, Kshs.115,148,964, Kshs.42,511,880 and Kshs.259,347,835, respectively were deducted from employees' salaries during the year.

However, Management did not provide evidence by way of bank remittance or deposit slips to show that the statutory deductions were remitted to the relevant agencies in full, inclusive of employer contributions, or whether the remittances were made within the statutory deadlines.

This was contrary to Section 37(1) of the Income Tax Act which requires an employer paying emoluments to an employee to deduct therefrom, and account for tax thereon; Section 20(1) of the National Social Security Fund Act, 2013 requires employers to make payments deducted from employees' earnings together with employer amounts to NSSF; Section 15(4) of the National Health Insurance Fund Act, 2022 (now repealed) provides contributions are due on the ninth day of each month or on such later date as the Board, in consultation with the Cabinet Secretary, may prescribe and Section 19(4) of the Employment Act, 2007 requires an employer who deducts an amount from an employee's remuneration to pay the amount so deducted in accordance with the time period and other requirements specified in the law.

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

563. Non-Compliance with Law on Staff Ethnic Composition

During the year under review, out of the County Executive's four thousand, nine hundred and thirty-two (4,932) members of staff in payroll, four thousand, two hundred and twenty-two (4,222) or 86% hailed from one (1) dominant ethnic community. This was contrary to Section 7(1) of National Cohesion and Integration Act, 2008, which provides that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and Section 7(2) also 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.

564. Non-Compliance with Persons with Disabilities Act, 2025

Review of the master staff register revealed that out of a total of four thousand, seven hundred and forty-five (4,745) employees, only one hundred and fifty (150) employees, representing three percent (3%), were persons with disabilities. This representation falls two (2%) percentage below the statutory minimum threshold of five percent (5%). This was contrary to 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.

565. Failure to Charge and Remit the Public Procurement Capacity Building Levy

The County Executive incurred expenditure on use of goods and services amounting to Kshs.5,975,887,689 and acquired assets under property, plant and equipment totalling Kshs.2,728,488,287. However, Management did not provide evidence to confirm that

public procurement capacity building levy amounting to Kshs.2,591,719 was deducted and remitted on procurement contracts signed and paid. This was contrary to Paragraph 3(1) of the Public Procurement Capacity Building Levy Order, 2023 which requires 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.

566. Failure to Settle Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.3,304,644,604 as disclosed in Note 32 to the financial statements. Review of the ageing analysis revealed that trade payables balance of Kshs.2,314,029,373 had been outstanding for between one (1) and three (3) years. Further, failure to settle pending bills during the year to which they relate affects the implementation of subsequent year's budget programs as the accounts payable form a first charge on that year's budget provision. This was contrary to The National Treasury Circular Ref AG3/101/75 which requires Accounting Officers to establish effective financial controls and maintain financial discipline in order to achieve efficient utilization of resources and ensure adherence to financial regulations and procedures to prevent accumulation of accounts payables.

In the circumstances, Management was in breach of Government policy.

567. Stalled Construction of Projects

Review of available documents and project verifications revealed the following procurement and contract management weaknesses:

567.1. Lokiriama Revenue Centre Phase II

The County Executive awarded a contract for the proposed Lokiriama Revenue Centre Phase II, at a contract sum of Kshs.38,195,895. Audit revealed that a payment of Kshs.15,019,430 (Invoice dated 13 June, 2024) was made, yet the project remained incomplete and stalled by September, 2025. Further, the payment was made without supporting inspection or progress reports and certificates of measured works to confirm actual work completed.

In addition, there were no documented appointment letters for the contract implementation team and the progress reports.

567.2. Rehabilitation of the Main Slaughter House in Lodwar Town

The County Executive awarded a contract for the proposed rehabilitation of the main slaughter house in Lodwar at a contract sum of Kshs.2,999,255. The contract agreement was signed on 3 April, 2024 and the works were to commence on the same day of signing the contract with an expected completion date of 3 July, 2024. However, project verification done in July, 2025 revealed that, the project had stalled while works certified and paid amounted to 37% of the total sum and the contractor was not on site.

567.3. Equipping of Agricultural Mechanization Station

Review of tender for the proposed equipping of Agriculture Mechanization Station in Naotin awarded to a local supplier at a contract sum of Kshs.7,879,200 revealed that a contract agreement was signed on 19 February, 2024 with expected end date of 19 July, 2024. The goods were delivered on 14 June, 2024 as evidenced by the delivery note, inspection and acceptance report and S13. However, physical inspection done revealed that the items procured were not at the mechanization station and were stored at the Department main store and not in use. Further, the mechanization station which was constructed in the financial year 2021/2022 consisting of classrooms, an outside training station and a fence was not in use. In addition, vandalization of the buildings was evident from missing window panes, fallen gate and the roof of the training station had been blown off by wind hence exposing the floor slab to rain water and other elements of the weather, affecting the structure's overall integrity.

567.4. Completion of Kataboi Eco Lodge

As previously reported, the County Executive initiated the construction of Kataboi Eco Lodge in the financial year 2014/2015 to promote tourism in Lake Zone Ward at an initial contract sum of Kshs.66,389,746. A contract variation of Kshs.9,958,464 was approved in October, 2018 increasing the contract sum to Kshs.76,348,210. In February, 2019 the County Executive and the contractor mutually agreed to terminate the contract.

A new contract for completion of the project was entered into in February, 2021 at a contract sum of Kshs.60,016,621 with an expected completion date of 1 November, 2022. Payments amounting to Kshs.33,121,200 were made to the contractor as at March, 2025. The project was at 72% of completion level in March, 2025. The remaining project works includes drilling and equipping of the borehole and purchase and installation of a generator. Physical inspection revealed that the project was being vandalized and this may lead to additional rehabilitation costs.

567.5. Construction of Plastic Re-Use Facility

As previously reported, the County Executive initiated contract for the construction of a plastic re-use facility on 13 January, 2017 for twelve (12) weeks with a local contractor at contract sum of Kshs.13,626,320. However, the project had stalled with total payments amounting to Kshs.8,983,516. Further, physical inspection conducted on the project revealed that the contractor was not on site.

567.6. Delay in Completion of Turkana County Headquarters Building

As previously reported, the construction of the County Executive/HQ Offices was awarded to a local contractor at a contract price of Kshs.695,854,432 on 23 October, 2014 to take 120 weeks (two and half years) with expected completion date of 22 May, 2017. The following anomalies were noted:

(i) As at the time of audit cost variations amounted to Kshs.172,827,489 (comprising contract variation of Kshs.16,264,551 (IPC14) and contractor's claims of Kshs.156,562,939).

(ii) Contract extensions were granted to 30 June, 2017 which was extended to 30 June, 2019 then further extension to 31 December, 2020, resulting in a total duration delay of four (4) years by 30 June, 2025.

(iii) Total payments to the contractor as at 30 June, 2025 amounted to Kshs.740,724,014.

(iv) During the audit in November, 2025 the main contractor was on site completing works within the thirty (30) days given by the Senate Devolution Committee to hand over the project to the County Executive. However, no contract period extension letter was provided.

(v) During interviews, the contractor attributed the project delays directly to the County Executive failure to pay various certified progress certificates. Despite being compelled to hand over the site following Senate Committee intervention, the contractor indicated unresolved pending payments and intended to pursue legal action for recovery. Management provided no explanation for the non-payment of these certified works, an omission that exposed the County to significant risk of litigation costs, penalties, and further financial liabilities.

(vi) Electrical work was at initial stages with the base for generator and delivery of two distribution boards done and nothing else was observed to be ongoing. No satisfactory explanation was provided for slow work progress which may result in cost escalation.

(vii) Progress payment certificates, certificates of practical completion and handover certificates were not provided to professionals for assessment of works and extent of completion.

(viii) The contract sum of Kshs.695,854,432 included a provisional contingency amount of Kshs.73,400,000 in respect of the purchase and installation of lifts, air conditioning, plumbing, builders work connection, electrical works and project managers expenses and project managers stationary. However, all these were later contracted by the County Executive yet they were part of the original contract. Management explained that the subcontracts lapsed before full performance necessitating re-contracting. However, the original bill of quantities of the main contract and certificate of measured works for the main contract and revised Bill of Quantities in support of additional works of Kshs.17,490,292 were not provided for audit.

567.7. Stalled Construction of Governor's Residence

As previously reported, a new contract was awarded to a contactor on 24 April, 2019 for proposed completion of Governor's residence at a contract sum of Kshs.90,563,900 for a period of fifty-two (52) weeks with expected completion of 24 May, 2020. The last contract extension was granted on 3 April, 2020 for fifty-two (52) weeks ending

31 October, 2021. The works certified as at the time of audit was Kshs.17,917,599 with total payments totalling Kshs.14,559,620 being the first and the second interim payment certificates of Kshs.2,327,540 and Kshs.12,186,620, respectively. The project was stalled at 25% level of completion as at June, 2025 having delayed for five (5) years based on the revised contract. Physical inspection undertaken in June, 2025 revealed that the contractor was on site but no works were on-going and interview with the contractor revealed the reason for stalled work was non-payment of various progress certificates raised under the project and was considering legal action against the County Executive. Management did not provide satisfactory explanation on why payments for certified works had not been made which may result into penalties and litigation costs.

567.8. Stalled Construction of Modern Business Centre

As previously reported, the County Executive awarded a local contractor a contract for the construction of Modern Business Centre at a contract sum of Kshs.132,390,490. The contract was to run for a period of five (5) years beginning 23 May, 2016 with an expected completion date of 20 June, 2020. The County Executive had so far paid an amount of Kshs.61,913,081 towards the contract. The project stalled and the contractor disputed the termination and sued the County Executive. The case was on-going in Court.

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

567.9. Construction of Kalokol Resource Centre

As reported in the previous year, tender for construction of Kalokol Resource Centre at Kalokol was awarded to a local contractor at a contract sum of Kshs.25,104,510. The contract agreement was signed on 12 January, 2021 and works expected to be completed within sixteen (16) weeks commencing 27 January, 2021.The contractor was paid an amount of Kshs.11,678,590 by 28 June, 2021. However, physical inspection on the project revealed that the project was complete but not in use. The verandah's ceiling board was almost falling due to leakages in the roof. Further, fixtures such as taps and window panes were vandalized due to lack of security at the center.

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

568. Projects Implementation Status for the Financial Year 2024-2025

Review of the projects implementation status (PIS) report as at 30 June, 2025 revealed that the County Executive had planned to implement three hundred and seventy-four (374) projects during the year under review valued at Kshs.2,026,900,776 with total cumulative payments of Kshs.271,831,731. However, the projects were at various stages of implementation as summarized below;

Project Status	No	Total Contract Sum (Kshs.)	Cumulative Payments (Kshs.)
Completed	176	883,491,307	201,663,178
Ongoing	109	701,808,101	70,168,553
Not Started	83	372,484,418	-
Stalled	6	69,116,950	-
	374	**2,026,900,776**	**271,831,731**

Non-completion of projects in time was an indication of inadequacy in project planning, control and monitoring to ensure efficient absorption of available funds.

In the circumstances, value for money in respect of the projects that were set to be implemented could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

569. Lack of a Risk Management Policy

Review of the internal controls of the County Executive revealed that the Risk Management Policy was not in place. Further, no documented formal risk assessments were provided for audit for the period under review. This was contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires that an 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, mechanisms to mitigate risks could not be confirmed.

List of Unresolved Prior Year Matters

No.	Audit Issue for 2023/2024
1	Non-Inclusion of Assets of the Defunct Local Authorities
2	Inaccuracies in Own Source Revenue
3	Under Absorption of Other Grants and Transfers
4	Pending Bills/Accounts Payable
5	Non-Compliance with One Third of Basic Salary Rule
6	Overall Ethnic Composition of Staff
7	Delays in Transfers of Own Source Revenue
8	Un-surrendered Imprests
9	Purchase and Installation of High Mast Lighting Within Lodwar Municipality
10	Incomplete Construction of Naakot Outpatient Dispensary
11	Incomplete Construction of Nasura Dispensary
12	Delay in Supply and Installation of Reverse Osmosis Plant
13	Incomplete Construction of Gate and Fencing At Kakuma Stadium
14	Delay In Settlement of Legal Cases
15	Acquisition of Assets
16	Project Implementation Status
17	Lack on Non-Current Assets Register
18	Information Communication Technology Controls
19	Physical and Environmental Weaknesses over The ICT And E-Government Controls

COUNTY EXECUTIVE OF WEST POKOT – NO.24

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

570. Unsupported Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.1,407,398,580 as disclosed in Note 14 to the financial statements. The balance represents only the value of assets acquired during the financial years 2023/2024 and 2024/2025 financial years. However, detailed assets register in support of the balance was not provided for audit.

In the circumstances, the existence, accuracy and completeness of property, plant and equipment balance of Kshs.1,407,398,580 could not be confirmed.

Emphasis of Matter

571. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amount of Kshs.7,204,252,695 and Kshs.6,552,285,097 respectively resulting in an under-funding of Kshs.651,967,598 or 9% of the budget. However, the County Executive spent an amount of Kshs.6,443,896,242 against actual receipts of Kshs. 6,552,285,097, resulting to under-utilization of Kshs.108,388,855 or about 2% 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

572. 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 the audit revealed that the following eight (8) issues remained unresolved as at 30 June, 2025.

No.	Audit Issues for 2023/2024
1	Inaccuracies in own source Revenue

No.	Audit Issues for 2023/2024
2	Pending Accounts Payables
3	Stalled completion of Pkopoch Tourist Hotel and Hospitality Development Centre
4	Stalled completion of Education Administration Office Block in Kapenguria
5	Delay in completion of construction of Governor's Office Complex
6	Non-Compliance with the One-Third Rule on Basic Salary
7	Non-Compliance with Law on Staff Ethnic Composition
8	Lack of Enforcement of Internal Audit Recommendations

Other Information

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

574. Undelivered Library Equipment to Schools

Review of procurement documents revealed that the Department for Education awarded a contract for supply and delivery of library equipment to Early Childhood Development Education (ECDE) Schools at a cost of Kshs.1,999,500 which was paid in full on 29 May, 2025. However, the list of the intended beneficiary schools and distribution list to confirm that the equipment were actually delivered to the schools were not provided for audit.

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

575. Lack of Rotation of Evaluation Committee Members

Review of nineteen (19) contracts awarded by the Department for Livestock, Fisheries and Veterinary Services, with a cumulative value of Kshs.45,172,970, revealed that the contracts were evaluated by an ad-hoc committees composed of the same members, rather than by committees formed on a rotational basis. This was contrary to Section 46(4)(b) of the Public Procurement and Asset Disposal Act, 2015, which requires that evaluation committees to be appointed rotationally and to comprise the head of the user Department and representatives from two (2) other Departments.

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

576. Irregular Payments of Subscriptions

Review of payment records revealed that an amount of Kshs.2,600,000 was paid to the Council of Governors as a contribution towards Devolution Conference. 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 the law.

577. Irregular Annual Salary Increments

Review of payroll data revealed that four hundred and forty-eight (448) officers received more than one (1) annual salary increment during the year resulting in multiple unauthorized changes to their basic pay. This was contrary to Paragraph C.3 of the Human Resource Policies and Procedures Manual for the Public Service, 2016, which stipulates that an officer is entitled to only one (1) annual increment, effective from the first of the month of their appointment.

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

578. Non-Compliance with Salaries and Renumeration Commission Allowances Guidelines

Review of payroll data revealed irregularities in payment of allowances, including overpayment of basic salary to forty (40) employees amounting to Kshs.7,030,402, overpayments of house allowances amounting to Kshs.4,999,255 and irregular payments of extraneous and emergency call allowances amounting to Kshs.3,349,839 and Kshs.15,450,000 respectively.

Further, eight (8) members of staff were irregularly paid a total of Kshs.551,060 simultaneous disbursement of basic salary and an unexplained "special salary allowance." This was contrary to the SRC Circular SRC/TS/29(81) dated 10 August, 2023, which provides an exhaustive list of all permissible earnings for county executive officers, and no such special salary allowance is provided for within the legal framework.

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

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

Review of the staff payroll revealed that five thousand and fifty-two (5,052) employees received net pay below the legal threshold, indicating that the cumulative statutory and third-party deductions exceeded the two-thirds limit of their basic salaries. This was contrary to Section 19(3) of the Employment Act, 2007 which require 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.

580. Non-Remittance of Statutory Deductions

580.1. Under-Deduction of Social Health Insurance Fund

Review of the payroll revealed Social Health Insurance Fund under-deductions from two thousand eight hundred and eighty (2,880) employees amounting to Kshs.7,105,325. This

was contrary to Regulation 16(1) of the Social Health Insurance (General) Regulations, 2024 which requires income derived from salaried employment be subjected to a monthly deduction at a rate of 2.75% of gross salary by ninth day of each month.

580.2. Non-Deduction of National Social Security Fund

Review of the payroll and other accounting records revealed that under National Social Security Fund, contributions were either under-deducted or not deducted from five thousand one hundred and sixty-four (5,164) employees amounting to Kshs.83,939,040. This was contrary to Section 20(1) of the National Social Security Fund Act, 2013 which obligates employers to deduct the required contributions from employees' earnings and remit them, together with the employer's portion to the Fund by the ninth day of each month.

580.3. Non-Deduction of Pay-As-You-Earn (PAYE) Tax

Review of payroll and other accounting records revealed non-compliance with tax regulations, specifically the non-deduction of PAYE from ninety-one (91) employees earning above the taxable threshold amounting to Kshs.2,422,386 and under-deduction from two thousand two hundred and ninety-two (2,292) employees amounting to Kshs.9,766,955. This was contrary to Section 37(1) of the Income Tax Act (Cap.470) which requires an employer to deduct the correct amount of tax from emoluments and remit it to the Commissioner of KRA by the tenth day of the following month.

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

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

Review of the payroll revealed that the County Executive had a budgeted wage bill of Kshs.3,014,039,183 representing 41% of the budgeted total revenue of Kshs.7,342,973,958. The actual financial performance further reflects staff emoluments amount of Kshs.3,011,654,291 which was 46% of the actual revenue collected amounting to Kshs.6,552,285,097. This was contrary Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015, which requires that expenditure on wages and benefits shall not exceed thirty-five percent of total county revenue.

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

582. Lack of Annual Recruitment Plans

Review of human resource documents revealed that County Executive did not have an annual recruitment plan for the year under review, despite payroll analysis confirming that five hundred and forty-three (543) new officers were employed at a total cost of Kshs.168,656,112. This was contrary to Section 59(1)(g) of the County Governments Act, 2012, and Regulation 119(2) of the Public Finance Management (County Governments) Regulations, 2015 which require the development of a coherent human resource plan

and a detailed human capital plan, respectively, to form the basis for personnel budgeting and recruitment.

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

583. Un-Authorized Opening of Bank Accounts

Review of the County Executive's bank accounts revealed that out of two hundred and seventeen (217) bank accounts operated by the County Executive, two hundred and fifteen (215) accounts lacked evidence of authorization from the County Treasury. This was contrary to Regulation 82(4) and (5) of the Public Finance Management (County Governments) Regulations, 2015 which requires prior County Treasury authorization for opening any bank account and requires that such authorization be formally communicated to both the Controller of Budget and the Auditor-General.

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

584. Lack of Project Co-ordination Committee for the Transition to Accrual Accounting

Review of accounting records and transition processes revealed that the County Executive had not formed a Project Coordination Committee. There was no evidence of the committee's formation, including terms of reference, membership lists or minutes of meetings. Further, there was no coordinated structure in place to drive the activities outlined in the transition roadmap, such as asset verification, system evaluation, staff training, and the development of opening balance sheets for a structured and successful transition to accrual accounting. This was contrary to Section 1.5 (iii) of the Guidelines on Transition from cash to accrual accounting by ministries and County Governments in Kenya.

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

585. Non- Compliance with Provisions of Facility Improvement Financing Act

Review of bank statements for four (4) Level - 4 hospitals in the County revealed that the hospitals deposited an amount of Kshs.43,669,982 into the West Pokot County Health FIF account. Subsequently, an amount of Kshs.38,212,580 was returned to the Hospitals' Faculty Improvement Financing (FIF) operations accounts while the balance of Kshs.5,457,402 was withheld at the County Executive level. This was contrary to Section 5 of the Facility Improvement Financing Act, 2023, which requires all facility funds to be retained in designated FIF accounts and prohibits their transfers to unauthorized accounts.

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

586. Irregular Issuance of Bursaries to Secondary Schools

The County Executive allocated an amount of Kshs.150,000,000 from the West Pokot Bursary Education and Development Infrastructure Fund for capital infrastructure

development in secondary schools. The expenditure constitutes an unauthorized payment, as the development, management, and infrastructure funding of secondary education falls exclusively under the functional mandate of the National Government. This was contrary to Part 2, Paragraph 9 of the Fourth Schedule of the Constitution of Kenya (2010), which limits the mandate of County Governments to pre-primary education, village polytechnics, homecraft centers, and childcare facilities.

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

587. Stalled Completion of Education Administration Office Block

Review of procurement records revealed that a local contractor was awarded a contract for the construction of an education administration office block in Kapenguria to completion in May, 2015 at a contract sum of Kshs.52,457,964 for a period of three (3) years. However, the contract was terminated in September, 2020 on the grounds that the contract period had lapsed yet the project was not complete. At the time of contract termination, the contractor had been paid an amount of Kshs.35,842,107.

In May, 2021, another contractor was awarded a contract to do some works which included door and window fixing, stone pitching, plastering, painting and staircase and ramp linkage at a contract sum of Kshs.4,999,960 for a period of three (3) months where works valued at Kshs.4,094,417 were completed. Physical inspection, conducted approximately ten (10) years after commencement, confirmed the project was still incomplete and no contractor was on site.

In the circumstances, value for money on the expenditure incurred on the delayed construction of an education administration office block could not be confirmed.

588. Irregularities in the Drilling of Boreholes Projects

The Department for Water, Environment and Natural Resources utilized the force account procurement method for drilling of fourteen (14) boreholes at a total cost of Kshs.25,500,000 without adhering to the mandatory legal safeguards governing this procedure. Review of the project documentation revealed that the Department failed to prepare essential technical documents, including bills of quantities, cost estimates, technical drawings and water chemical analysis. This was contrary to Section 109 of the Public Procurement and Asset Disposal Act, 2015 and Regulation 95 of the Public Procurement and Asset Disposal Regulations, 2020, which provides conditions and required documentation for the lawful use of the force account method of procurement.

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

589. Stalled Completion of Pkopoch Tourist Hotel and Hospitality Development Centre

Review of procurement documents revealed that Management awarded a local contractor tender to construct Pkopoch Tourist Hotel and Hospitality Development Centre at a contract sum of Kshs.352,123,565 on 15 May, 2015. The works stalled at first floor

superstructure and another contract was awarded to the same contractor at a contract sum of Kshs.19,691,777 to carry out protection works at the project site with no contract period stated in the contract agreement. However, no documentation in support of the termination process were presented for audit even though a second contract was awarded on the same project. The total amount paid as at the time of audit was an amount of Kshs.84,740,392 which included an amount of Kshs.17,722,599 paid for the second contract. Physical inspection conducted revealed that the project had stalled at first floor sub-structure and the contractor was not on site.

In the circumstances, the value for money on the expenditure of Kshs.84,740,392 incurred on the project could not be confirmed.

590. Irregularities in Implementation of Roads Projects

Review of ward-specific road construction projects under the Department for Roads revealed systemic failures in project planning, execution, and monitoring. Ten (10) projects with a total cost of Kshs.14,895,834, remained incomplete due to inadequate funding and poor budgetary planning. Further, several road constructions demonstrated significant regulatory and quality control failures, with roads being opened through private properties without proper land acquisition approvals and there was evidence of substandard workmanship compromising the integrity of the works.

In the circumstances, the value for money on the expenditure of Kshs.14,895,834 incurred on the road projects could not be confirmed.

591. Irregularities in Implementation of Water Projects

Physical inspection of water projects implemented by the Department for Water, Environment, Natural Resources and Climate Change, with a total contract cost of Kshs.15,498,820 revealed systemic failures in project execution and quality control, resulting in non-functional or sub-optimally performing assets. Key deficiencies included: multiple completed boreholes that were not equipped, projects with unreliable water supply due to technical failures and systems operating at low pressure, severely restricting water access for the intended beneficiaries, including primary schools and community.

In the circumstances, the value for money on the expenditure of Kshs.15,498,820 incurred on the water projects could not be confirmed.

592. Delayed Completion of Construction of a Modern Mortuary at Kapenguria Referral Hospital

Review of contract documents revealed that the Department for Health and Sanitation awarded a contract, for the construction of a modern mortuary at Kapenguria Referral Hospital at a contract sum of Kshs.14,356,156 on 4 April, 2024 with a one hundred and eighty (180)-day completion period, from 4 April, 2024 to 5 October, 2024. However, physical inspection conducted revealed that the project was incomplete at about 99% completion level. The contractor had been paid an amount of Kshs.6,855,607 while a

second payment certificate amounting to Kshs.7,348,166 remained unpaid. Further, critical components were omitted from the original contract such as a walkway linking the mortuary to the Hospital wards and landscaping due to the site's topography for safe and accessible use.

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

593. Unused Elevated Tank and Plumbing at Paraywa Dispensary in Siyoi Ward

Review of procurement documents revealed that the Department for Health and Sanitation awarded a contract for the construction of a septic tank, elevated tank and plumbing system at Paraywa Dispensary at a contract sum of Kshs.2,499,591 which was fully paid by 30 December, 2024. However, physical inspection conducted in June, 2025 revealed that the completed facility was non-operational because it lacked a water source. Further, the Department had not budgeted for this essential component.

In the circumstances, the value for money on the expenditure of Kshs.2,499,591 incurred on the project could not be confirmed.

594. Un-Utilized Kruru Dispensary in Riwo Ward

Review of contract documents revealed that the Department for Health and Sanitation awarded a contract for the construction of Kruru Dispensary at a total cost of Kshs.5,999,137, with the final payment made in February, 2025. Physical inspection conducted confirmed that the building was constructed as per the bill of quantities. However, the dispensary remained non-operational as the project failed to provide for essential utilities and resources including water, electricity, medical equipment and staff.

In the circumstances, the value for money on the expenditure of Kshs.5,999,137 incurred on the project could not be confirmed.

595. Delayed Operationalization of Nasukuta Export Abattoir Project

Review of procurement records revealed that Nasukuta Export Abattoir project was initiated in the year 2018 with a total project cost of Kshs.214,400,000 and a completion date of March, 2022. However, the project remained incomplete as at 30 June, 2025 with the contract for the supply and installation of export processing equipment remaining outstanding. Lack of the equipment renders the entire abattoir facility non-operational, despite the substantial investment comprising an amount of Kshs.110,000,000 of European Union grant and an amount of Kshs.62,000,000 in County Executive counterpart funding.

In the circumstances, the value for money on the expenditure incurred and completion of the project could not be confirmed.

596. Delay in the Construction of Governor's Office

Review of contract records revealed that the County Executive awarded two (2) contracts for construction of a Governor's Office Complex to the same local contractor: Phase I was

awarded on 4 June, 2019 at a contract sum of Kshs.198,475,572 while Phase II was awarded on 12 April, 2024 at a contract sum of Kshs.20,000,000.

Physical inspection carried out on the project and review of original bill of quantities revealed that, the County Executive changed the office complex floors design from the initial six (6) story building to a four (4) story building. However, the revised architectural design and plan, revised Bill of Quantities (BQs), Project Implementation Committee minutes and recommendations and accounting officers' approvals for the changes were not provided for audit. The project was incomplete and had stalled while the contractor was not on site.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

597. Inadequate Facilitation of the Internal Audit Department

The Internal Audit Function was under-resourced with only two (2) staff members, severely constraining its capacity to execute the approved annual work plan. Further, the budget lacked provision for essential operational requirements with no dedicated motor vehicle and fuel allocations, fundamentally impeding its field audit capabilities. This was contrary to Regulation 167(8) of the Public Finance Management (County Governments) Regulations, 2015, which mandates that accounting officers to ensure the audit committee and internal audit function are adequately funded and supported.

In the circumstances, the effectiveness of the internal audit function in ensuring existence of internal controls could not be confirmed.

598. Lack of Updated Project Implementation Status Report

Review of projects records revealed that Management failed to prepare the mandatory Monthly Progress Reports on all procurement contracts. Further the Project Implementation Status Report lacked critical details including the contract description, number, value, commencement date, current status, amount paid, and the expected completion date. This was contrary to Regulation 140(1) of the Public Procurement and Asset Disposal Regulations, 2020, which requires the Head of the Procurement Function to prepare and submit such detailed monthly reports to the Accounting Officer.

In the circumstances, the effectiveness in monitoring and control of projects implementation could not be confirmed.

599. Failure to Update the Bank Account Register

Review of the bank records register revealed that the County Executive maintained two hundred and seventeen (217) bank accounts. However, the register lacked mandatory

data elements required by law including bank account types, authorized signatories, account opening dates, specific account purposes, annual account balances and official Treasury approval references. This was contrary to Regulation 87(3) of the Public Finance Management (County Governments) Regulations, 2015, which requires an Accounting Officer to maintain complete, current and approved records of all bank accounts with specified details.

In the circumstances, the effectiveness of the control and safeguarding of the County Executive's bank accounts could not be confirmed.

COUNTY EXECUTIVE OF SAMBURU – NO.25

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

600. Unsupported and Long Outstanding Trade and Other Payables

The statement of financial position and Note 32 to the financial statements reflect trade and other payables balance of Kshs.431,831,736 comprising of trade payables of Kshs.343,574,482 and third-party payables of Kshs.88,257,254. However, trade payables amounting to Kshs.176,378,605 were not supported by local service/ purchase orders, invoices, signed contracts, or delivery notes to confirm delivery of goods, provision of services, or execution of works.

Further, payables totalling Kshs.28,555,160 had been outstanding for over three (3) years and were not paid as first charge on the County revenue. In addition, the third-party payables include salary deductions amount of Kshs.27,467,566 due to Savings and Credit Cooperative Organizations (SACCOs) that had not been remitted for more than five (5) years.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.431,831,736 could not be confirmed.

601. Inaccuracies in Refundable Deposits and Prepayments

The statement of financial position and Note 33 to the financial statements reflects refundable deposits and prepayments balance of Kshs.94,726,058 relating to the County Deposit Account. However, review of bank reconciliation statements revealed that receipts in the cashbook amounting to Kshs.82,190,366 dated between June, 2024 and May, 2017, were not reflected in the bank statements.

Further, the County Executive had borrowed deposit and retention funds totalling Kshs.75,310,761 over the years, which had not been refunded back to the deposits and retentions account. The borrowings were not supported by evidence of approval by the County Assembly, utilization details, the specific budget lines funded, or the reasons for the continued non-refund of the monies.

In the circumstances, the accuracy and completeness of the refundable deposits and prepayments balance of Kshs.94,726,058 could not be confirmed.

602. Inaccuracies in the Property, Plant and Equipment

The statement of financial position and Note 26 to the financial statements reflect property, plant and equipment balance of Kshs.1,067,261,831. However, audit review revealed that expenditure totalling Kshs.18,495,800 was incurred on the procurement of

four (4) computer software during the year under review but were erroneously reflected as computers and ICT equipment assets under property, plant and equipment instead of intangible assets.

Further, the procurement was not linked to the County Integrated Development Program (CIDP).

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.1,067,261,831 could not be confirmed.

603. Unaccounted for Transfers to Other Government Entities

603.1. Transfers to Self-Reporting Projects

The statement of financial performance and Note 11 to the financial statements reflect transfers to other Government entities amount of Kshs.541,736,919, which includes an amount of Kshs.326,609,787 in respect of transfer to self-reporting projects. Included in the amount are transfers to health centers and dispensaries amount of Kshs.14,341,738 which were not supported by the facilities' cash books and bank statements, payments to County officers amount of Kshs.33,329,560 which were not supported by imprest warrants and surrender vouchers, and an amount of Kshs.9,413,000 transferred to community health promoters which was not supported with schedules and acknowledgements from the beneficiaries.

Further, review of the disbursement of conditional allocation from the National Government share of revenue for the financial year 2024/2025 revealed that the County Executive received an amount of Kshs.46,140,000 for community health promoters resulting in a variance amounting to Kshs.36,727,000 which was not transferred to the intended beneficiaries.

603.2. Transfers to Other County Government Entities

The statement of financial performance and Note 11 to the financial statements reflect transfer to other Government entities amount of Kshs.541,736,919 which includes an amount of Kshs.215,127,132 in relation to transfers to other County Government entities. Included in the amount is a balance of Kshs.10,000,000 transferred to Nomotio Livestock Improvement Centre which was not supported with an acknowledgement note from the Institution. Further, the purpose for the expenditure was not explained.

In the circumstances, the accuracy and completeness of the transfers to other Government to other entities could not be confirmed.

604. Non-Disclosure of Transfers to Kenya Devolution Support Program Funds

The statement of financial performance and Note 6 to the financial statements reflect transfer from the County Revenue Fund (CRF) amount of Kshs.5,883,453,597. However, review of the disbursement of conditional allocation to the County Executive from the National Government share of Revenue for the financial year 2024/2025 revealed that

the County Executive received an amount of Kshs.37,500,000 for transfers to IDA (WB) KDSP II which were not disclosed in the financial statements or accounted for.

In the circumstances, the accuracy and completeness of transfers from CRF amounting to Kshs.5,883,453,597 could not be confirmed.

605. Variances in Other Grants and Subsidies Amount

The statement of financial performance and Note 13 to the financial statements reflect other grants and subsidies amount of Kshs.98,758,637, which includes scholarships and other educational benefits in respect of transfers to Samburu County Bursary Fund amounting to Kshs.68,758,637. However, the statement of cash flows of the Samburu County Bursary Fund reflects transfers from the County Executive amount of Kshs.13,096,800, resulting in an unexplained and unreconciled variance of Kshs.55,661,837.

In the circumstances, the accuracy and completeness of scholarships and other educational benefits amounting to Kshs.68,758,637 could not be confirmed.

606. Unsupported Medical Insurance Expenditure

The statement of financial performance and Note 10 to the financial statements reflect use of goods and services totalling Kshs.1,782,133,252, which includes insurance costs amount of Kshs.23,292,664 in relation to various insurance covers.

Further, the statement of financial position and Note 30A to the financial statements reflects pre-payments on medical insurance amount of Kshs.137,771,033. However, the medical insurance contracts, cover payments for the previous financial year, the details of the persons covered under the scheme and details of payments made to Social Health Authority (SHA) in respect of the medical cover were not provided for audit.

In the circumstances, the accuracy and completeness of insurance costs amounting to Kshs.161,062,697 could not be confirmed.

607. Voided Transactions

Review of Integrated Financial Management Information System (IFMIS) records for the year ended 30 June, 2025 revealed that one thousand, nine hundred and fifty-five (1,955) transactions totalling Kshs.1,574,202,029 were processed and later voided or canceled during the year. However, no documentation was provided to support the authorization, justification, or approval for voiding these transactions, despite having been presented to and approved by the Controller of Budget (CoB).

Further, there was no evidence that the CoB was notified of the reversals or that the requisite adjustments were made to accurately reflect the voided amounts.

In the circumstances, the accuracy and completeness of the transaction reversal could not be confirmed.

Emphasis of Matter

608. 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.7,382,117,765 and Kshs.5,935,052,203 respectively, resulting to under-funding of Kshs.1,447,065,562, or 20% of the approved budget. However, the County Executive spent an amount of Kshs.5,689,501,085 against actual receipts of Kshs.5,935,052,203, resulting to under-utilization of Kshs.245,551,119 or 4% of the actual receipts.

The under-funding affected 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

609. Unresolved Prior Year's Audit Matters

In the previous year's audit report, 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 revealed that thirty-seven (37) matters as listed at the end of this report remained unresolved as at 30 June, 2025.

Other Information

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Basis for Conclusion

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

The employee costs amount of Kshs.2,695,047,761 represents about 46% of the County's total revenue of Kshs.5,883,453,597. 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 expenditure on wages and benefits for public officers should not exceed thirty-five per cent (35%) of the total County revenue.

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

612. Failure to Deduct and Remit Taxes

Review of the Integrated Payroll and Personnel Database (IPPD) for the year under review revealed that the County Executive did not deduct Pay As You Earn (PAYE) of

approximately Kshs.2,707,946 from forty-seven (47) employees, and did not remit the applicable taxes to the Kenya Revenue Authority (KRA). This was contrary to Section 5 of the Income Tax Act (Cap 470) requiring that all income earned in Kenya to be subject to income tax.

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

613. Irregular Tax Deductions from Employees with Disabilities

Review of the Integrated Payroll and Personnel Database (IPPD) for the period between December, 2024 to June, 2025 revealed that the County Executive deducted Pay As You Earn (PAYE) from the salaries of nineteen (19) employees with disabilities amounting to Kshs.2,707,946. However, records provided indicated that these employees were duly registered as persons with disabilities and therefore eligible for tax exemption under Section 12(3) of the Persons with Disabilities Act (Cap. 133), which provides that an employee with disabilities shall be entitled to exemption from tax on all income accruing from his employment.

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

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

Review of the payroll records revealed that eighty-one (81) employees received net pay which was below one-third of their basic salaries. This was contrary to Section 19(3) of the Employment Act, 2007, which provides that the total amount of deduction of the wages of an employee shall not exceed two-thirds of such wages.

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

615. Irregular Payment of Allowances

Review of special house allowance records revealed that an amount of Kshs.2,879,328 was paid during the year under review to ten (10) employees. The staff were employed on various dates after 10 December, 2014, when the terms and conditions of service in the Public Service had been determined by the Salaries and Remuneration Commission and which did not permit the payment of the special house allowance. No explanation was provided to justify the payments.

Further, an amount of Kshs.10,188,000 was paid to ninety-one (91) employees as extraneous duty allowances during the year under review. However, no documentation was provided for audit to support how the payment rates were determined and the basis for the allowances was not explained.

In addition, an amount of Kshs.6,474,217 was irregularly paid to thirty (30) employees as special salary. The affected staff were not eligible for such payments and no justification or documented basis for determining the rates was provided for audit. Further, the payment of the special salaries had not been approved by the Salaries and Remuneration Commission.

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

616. Salaries Paid Outside Integrated Payroll and Personnel Database System

Review of the payroll revealed that an amount of Kshs.59,395,509 was paid as salaries to staff members outside the Integrated Payroll and Personnel Database (IPPD) Payroll system. This was contrary to Section 1.5.1 of The National Treasury Financial Accounting Recording and Reporting Manual which requires salaries, allowances or arrears of County Government employees to be processed through Integrated Payroll and Personnel Database (IPPD).

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

617. Irregular Recruitment of Staff

Review of human resource documents revealed that an amount of Kshs.27,601,612 was paid to twenty-nine (29) staff members under the Governors Delivery Unit for the months between July, 2024 to November, 2024, when the Unit was dissolved. As previously reported, the Unit was not provided for in the approved organization structure and the duties and responsibilities of the members were not defined. Further, the approval from County Public Service Board (CPSB), advertisement, applications, shortlisting, interviews and selection of successful candidates were not provided for audit. This was contrary to Section 68 of the County Governments Act, 2012 which provide that subject to the relevant legislation, the County Public Service Board shall, for a specified period, maintain a record of all applications received in response to advertisements inviting applications and such record may be inspected by any person.

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

618. Irregular Retention of Officers Beyond Mandatory Retirement Age

Review of the County Executive's IPPD payroll revealed that two (2) employees had exceeded the mandatory retirement age for public officers of sixty (60) years and Management did not provide any explanation for the anomaly. This was contrary to The National Treasury Circular No. 18 of 2010, which set the retirement age at 60 years.

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

The County Executive had a total of three thousand and sixty-one (3,061) employees, out of whom twenty-eight (28) were persons with disabilities, representing about 0.009%. This was contrary to 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.

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

Review of the County Executive's payroll for June, 2025 revealed that the County Executive had a total workforce of three thousand and sixty-one (3,061) employees, out of whom two thousand five hundred and eight (2,508) employees, representing 82%, belonged to the dominant ethnic community in the County. This exceeded the threshold set under Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, which stipulates that no single ethnic community should constitute more than one-third of the employees of a public body.

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

621. Irregularities in the Procurement Processes

621.1. Construction of Access Roads, Buildings and Other Road Works

Review of Integrated Financial Management Information System (IFMIS) payment details revealed payments totalling Kshs.578,559,157 paid to sixty-five (65) suppliers for construction of access roads, buildings and other road works. Payment analysis revealed that twenty-two (22) suppliers received an amount of Kshs.399,941,637, representing 69% of the total payments, with individual payments ranging from amount of Kshs.51,716,221 to Kshs.10,466,518. This concentration of payments indicates potential unfairness and lack of equitable distribution in the award of contracts.

In the circumstances, the value for money and regularity of procurement amounting to Kshs.578,559,157 could not be confirmed.

621.2. Procurement and Distribution of Food and Ration

The statement of financial performance and Note 10 to the financial statements reflect use of goods and services amount of Kshs.1,782,133,252, which includes specialized materials and services amounting to Kshs.348,010,691, out of which an amount of Kshs.104,320,550 was incurred on food and ration. However, analysis of the food procured per type, distribution list of the beneficiaries and deliveries, the basis used on beneficiaries' identification/selection and the acknowledgement/confirmation of receipt of the food and rations by the beneficiaries were not provided for audit.

Further, included in the amount is a balance of Kshs.4,450,000 paid to two (2) local suppliers under framework agreements for the supply and delivery of cooking oil. However, review of payment records revealed that a payment of Kshs.1,925,000 for the supply and delivery of cooking oil was indicated as a pending bill for financial year 2023/2024. However, while the delivery of the cooking oil was recorded as made on 22 April, 2024, the Local Purchase Order (LPO) was dated 24 May, 2024, while the purchase requisition was prepared on 2 May, 2024 and the acceptance certificate was dated 17 May, 2024, which was after the date of the delivery. The inconsistencies in the sequence of the procurement process were not explained.

In addition, the awarded contractor was non-responsive at the preliminary evaluation stage by failing to attach the tax compliance certificate, but was awarded the contract at a sum of Kshs.2,525,000. The inspection and acceptance certificate was dated 8 January, 2025 while the delivery was made on 10 January, 2025. No explanation was provided for the inconsistency.

In the circumstances, the value for money for the expenditure of Kshs.104,320,550 could not be confirmed.

622. Irregular Procurement of Motor Vehicle Insurance Services

The statement of financial performance and Note 10 to the financial statements reflect use of goods and services expenditure amount of Kshs.1,782,133,252, which include insurance costs amounting to Kshs.23,292,664, out of which a tender of a contract sum of Kshs.2,077,800 was awarded to an insurance agency on 22 November, 2024. However, review of the Insurance Regulatory Authority (IRA) Register, 2024 indicated that the awarded agency was not licensed. This was contrary to Section 19 of the Insurance Act, (Cap 487) which prohibits unlicensed entities from conducting insurance business. Further, the bid evaluation documents, the list of the insured County Executive's vehicles submitted to the agency and documents, including motor vehicle valuation reports and the signed insurance contract indicating vehicles under comprehensive or third-party cover, were not provided for audit.

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

623. Irregular Expenditure on Foreign Travel

The statement of financial performance and Note 10 to the financial statements reflect use of goods and services expenditure amounting to Kshs.1,782,133,252, which includes an amount of Kshs.25,460,220 on foreign travel and subsistence. Included in the amount is a balance of Kshs.1,710,120 paid to an officer on 8 April, 2025 to facilitate participation in a Leadership and Change Management training course in Dubai. However, there was no evidence that a Training Needs Assessment was conducted to justify the officer's nomination, contrary to the Human Resource Policy.

Further, while the training was scheduled to take place from 17 February, 2025 to 28 February, 2025, the officer travelled on 20 February, hence missing three (3) days of training and returned on 6 March, 2025 which was six (6) days after the end of the training. No explanation or justification was provided for the delayed arrival and the extended stay. In addition, an amount of Kshs.297,735 was paid for tuition, but due to the officer's three (3)-days absence, the fee was therefore not fully utilized and the officer did not submit a back-to-office report to demonstrate knowledge gained or application for the training.

In the circumstances, value for money on the expenditure of Kshs.1,710,120 incurred on foreign travel could not be confirmed.

624. Other Operating Expenses

The statement of financial performance and Note 10 to the financial statements reflect use of goods and services expenditure amount of Kshs.1,782,133,252, which includes an amount of Kshs.336,177,045 in respect of other operating expenses. Review of documents in relation to this expenditure revealed the following anomalies:

624.1. Doubtful Consultative Meeting Expenditure – Maa Culture Day Preparation

Included in the other operating expenditure is an amount of Kshs.3,136,000 paid to various staff who attended a consultative meeting held from 11 to 13 October, 2024 in preparation for the Maa Culture Day. However, the user department did not provide justification for the meeting, including a clear statement of objectives, details of activities undertaken, or evidence of prior approval from the Accounting Officer. Further, review of accountability documents, including payment schedules and back-to-office reports, revealed that they were not dated and therefore it was not possible to confirm when funds were disbursed or whether they were accounted for within the required timelines.

624.2. Doubtful Expenditure on Tobong'u Lore Festival

Included in the other operating expenditure is an amount of Kshs.2,765,000 paid to staff who attended the Tobong'u Lore Festival, 2024 held from 22 to 26 October, 2024 at Ekalees Centre. However, the daily attendance registers signed by the participants and the details of activities undertaken were not provided for audit. Further, payment schedules indicated that one hundred and twenty-eight (128) community members were paid accommodation allowance at a rate of Kshs.3,000 per day for five (5) days. The basis for this rate was not provided, considering that Government guidelines do not prescribe accommodation rates for members of the public.

624.3. Basketball Team Facilitation Kenya Youth Inter-Counties Sports Association Games

Included in the other operating expenditure is an amount of Kshs.2,447,270 which was paid to an individual as facilitation for the Samburu County basketball teams participating in the Kenya Youth Inter-Counties Sports Association (KYISA) Games held from 13 to 19 April, 2025. Review of the payment schedules revealed that the team members and officials were paid amounts totalling Kshs.1,836,400 for the eight (8) days, at a rate of Kshs.2,500 per day. However, no policy guideline or approval was provided to support the basis of this rate or justification for payments of this nature to members of the public.

In the circumstances, the value for money on the expenditure of Kshs.8,348,270 could not be confirmed.

625. Projects Implementation

The statement of financial position and Note 26 to the financial statements reflects a balance of Kshs.1,067,261,831 in respect of property, plant and equipment which includes infrastructure additions balance of Kshs.587,130,407. Review of the procurement documents and contracts revealed the following anomalies:

625.1. Stalled Project - Construction of Holding Pen at Nomotio Abattoir

Infrastructure balance includes an amount of Kshs.4,968,300 paid to a local contractor for the construction of holding pens at Nomotio Abattoir. However, the Bills of Quantities (BQs) and other payment records to show the cumulative payments since commencement, the percentage of completion, or the contract period were not provided for audit. Further, physical inspection conducted in July, 2025 revealed that the project had stalled and the contractor was not on site.

625.2. Defective Floodlights

The infrastructure asset additions include a contract sum of Kshs.13,002,000 for the proposed installation of Maralal floodlights paid to a local contractor. However, review of the payment vouchers, other tender documents and physical inspection carried out in July, 2025 revealed that four (4) solar lamps (200W) were non-functional at the time of physical inspection and electrical cables and wiring systems were exposed, increasing vulnerability to theft and vandalism.

Further, the balance of infrastructure assets additions includes an amount of Kshs.3,300,000 for the contract for on installation of floodlights at Livestock Market paid to a local contractor. However, physical inspection carried out in July, 2025 revealed that two solar lamps of 200W were not functioning and electrical cables and wiring system on the floodlights were exposed, increasing the risk of theft and vandalism.

In addition, the balance of infrastructure assets includes an amount of Kshs.3,285,000 for the contract on installation of floodlights at Kirisia Area. However, review of the payment vouchers and other tender document, and physical inspection carried out in July, 2025 revealed that two (2) solar lamps of 200W were not functioning, the electrical cables and wiring system on the floodlights were exposed, increasing the risk of theft and vandalism. Also, the project was not branded with a sign board hence, it was not possible to confirm whether the project was funded by County Executive.

625.3. Incomplete Works on Construction of Resim Dispensary, Staff House, Pit Latrine and Fence Works

The contract for the construction of Resim Dispensary, staff house, pit latrine, and fence works were awarded to a local company at a contract sum of Kshs.6,998,674, as per the agreement dated 4 December, 2024. As at 30 June, 2025 the contractor had been paid in full. However, physical inspection conducted on 9 July, 2025 revealed that, contrary to the Inspection and Acceptance Certificate dated 25 February, 2025, which indicated that all works were complete and executed to specification; several works were incomplete. The dispensary block with a cost of Kshs.2,897,077, was approximately 50% complete with all finishing works outstanding, the staff house block with a cost of Kshs.2,100,147, was approximately 50% complete with all finishing works outstanding while the pit latrine and fencing work at a cost of Kshs.415,250 and Kshs.1,286,200 respectively, had not commenced.

625.4. Delayed Construction of Fourteen ECDE Kitchens

The County Executive, through the Department for Education, entered into a contract on 18 December, 2024 for the construction of fourteen (14) Early Childhood Development and Education (ECDE) kitchens at a contract sum of Kshs.8,952,160. However, physical inspection conducted on 8 July, 2025 revealed that several key works had not been completed, including ceiling works internal and external finishes such as floor tiles, wall tiling, and concrete worktops, rainwater disposal systems, and kitchen extraction systems valued at Kshs.481,320, Kshs.1,017,800, Kshs.179,200 and Kshs.182,000 respectively. Further, there was evidence of poor workmanship, including poorly fitted doors and windows.

625.5. Irregularities in the Contract for Improvement of Naisiicho-Loruko Road

The County Executive awarded a contract for the improvement of the Loruko–Naisiicho Road, at a cost of Kshs.3,992,500, procured through request for quotations method. However, review of the payment and procurement documents revealed that the contract agreement did not specify the contract duration or the implementation period. Further, physical inspection carried out on 8 July, 2025 revealed that the contractor did not construct a site-house structure and erect a publicity signboard.

625.6. Irregularities in the Construction of Kangibalae-Kamoiti Road at Nachola Ward

The County Executive awarded a contract for the construction of the Kangibalae–Kamoiti Road, at a cost of Kshs.6,997,300, procured through open tender advertised on 13 February, 2025. However, individual tender evaluation score sheets were not provided for audit. This was contrary to Regulation 31(2) of the Public Procurement and Asset Disposal Regulations, 2020, which requires that they be retained as procurement records. Further, the contract agreement did not indicate the contract duration or the implementation period, and it was signed by the Head of Procurement Unit without evidence of written delegation by the Accounting Officer. In addition, the professional opinion dated 28 February, 2025 indicated that due diligence was conducted, but no due diligence report was provided, contrary to Section 83(1) of the Public Procurement and Asset Disposal Act, 2015, which requires that such verification be documented in writing.

625.7. Irregularities in the Improvement of Lmisigiyoi-Rangau-Lolgese Road

The County Executive awarded a contract for the improvement of the Lmisiyoi–Rangau–Lolgese Road at a contract sum of Kshs.3,995,000 to a local contractor. However, the procurement documents, including the required three (3) quotations, tender evaluation report, and regret letters to unsuccessful bidders, were not provided for audit. Further, physical inspection carried out on 10 April, 2025 revealed that although the contractor was to undertake grading works valued at Kshs.2,016,000, cambering and drainage were poorly executed, causing flooding during rainy seasons and leaving sections of the road cut off by the rains and the signboard had not been erected.

625.8. Irregularities in the Improvement of Lolmolog-Kitobor Road

The County Executive entered into a contract with a local contractor for the opening of the Lolmolog–Lesua–Kitobor Road at a contract sum of Kshs.3,995,000. However, only one (1) quotation from the winning bidder was provided for audit, while the tender evaluation report and regret letters to unsuccessful bidders were not provided, raising doubt whether the mandatory minimum of three (3) quotations was sought as provided by Section 106(2)(b) of the Public Procurement and Asset Disposal Act, 2015, which requires at least three quotations to ensure effective competition.

Further, physical inspection carried out on 10 April, 2025 established that cambering and drainage works were poorly executed, causing flooding and sections of the road being cut off during rainy seasons and signboard had not been erected.

625.9. Irregularities in the Upgrading to Bitumen Standards to Maralal Law Court – Nuclear Roundabout Road

Review of the procurement and implementation of the road upgrading project awarded to a local company at a contract sum of Kshs.18,890,669 revealed that the interim payment documents lacked inspection and acceptance certificates. This was contrary to Section 48(3)(b) of the Public Procurement and Asset Disposal Act, 2015 which requires inspection of works immediately after their completion in order to ensure compliance with the terms and specifications of the contract.

Further, physical inspection carried out on 11 July, 2025 revealed depressions and potholes, and key components including wingwalls, aprons, toe walls and drop inlets, several drainage structures, including headwalls and slab-on-drain works, all provided for in the Bills of Quantities and paid for were not constructed. In addition, poor-quality sand was used for drainage and roadside works and the poor sand-cement mix resulted in erosion and depressions after rains, indicating substandard workmanship.

625.10. Irregularities in the Procurement for Construction of Mbukiwa Footbridge

The County Executive entered into a contract with a local company on 6 February, 2025 for the construction of the Mbukiwa Footbridge at a contract sum of Kshs.9,399,700. Audit review of procurement documents revealed that the project was awarded to the second-highest bidder, despite the lowest bidder quoting an amount of Kshs.8,732,800. The financial evaluation ranked the lowest bidder third with eighty-six (86) points, while the winning bidder scored ninety-seven (97) points, yet no justification was provided for the inconsistent ranking, even though all three (3) responsive bidders passed the technical evaluation. Further, individual evaluation score sheets were not provided, contrary to Regulation 31(1) of the Public Procurement and Asset Disposal Regulations, 2020, which requires independent scoring by each evaluation committee member. In addition, although the contract period lapsed on 7 May, 2025, there was no evidence that the contractor requested or was granted an extension. Physical inspection carried out on 10 July, 2025 confirmed that construction had not commenced and the implementing department did not provide an explanation or a completion plan.

625.11. Poor Workmanship in the Construction of Gabions in Lesirkan Centre

The County Executive entered into a contract with a local company for the construction of gabions at Lesirkan Centre at a contract sum of Kshs.4,973,500. However, procurement and payment documents, including the payment voucher, supplier quotations, requisition documents, appointment letters, opening and evaluation minutes, evaluation report, professional opinion, notification of award, regret letters, acceptance of award, purchase order and the signed contract, were not provided for audit. Physical inspection carried out on 9 July, 2025 revealed that while the contractor was to construct one hundred and fifty (150) gabion boxes valued at Kshs.4,020,000, only one hundred and nineteen (119) boxes had been completed, leaving incomplete works of thirty-one (31) boxes costing Kshs.830,800 and the grouting applied to exposed gabion sections exhibited poor workmanship, with cracks and weak finishes raising concerns on the structural integrity and durability of the installations.

625.12. Unsupported Provisional Prime Cost on Construction of Roads

Review of road construction contract documents revealed that an amount of Kshs.1,350,000 was provided as a provisional prime sum for technical supervision during the implementation of eight (8) road construction contracts in the County. However, the utilization of this amount was not supported with detailed payment schedules or supporting documents. Further, there was no evidence that the use of the provisional sum was requested and approved by the evaluation committee as required under Section 139(2)(e) of the Public Procurement and Asset Disposal Act, 2015, which mandates written justification and formal approval before utilizing provisional sums.

625.13. Short Deliveries in the Contract for Leirr Borehole Solarization

The County Executive awarded the Leirr Borehole Solarization Project to a local company at a contract sum of Kshs.4,900,333 during the year under review. Physical inspection carried out on 9 July, 2025 revealed that the supplier delivered ten (10) 550W panels instead of the specified twenty-six (26) 330W panels, and the camera inspection report and the water chemical analysis and borehole reports were not provided for audit.

625.14. Irregularities in the Contract for Improvement of Nairimirimo-Milgis Road

The County Executive entered into a contract with a local company for the improvement of the Nairimirimo–Milgis Road at a contract sum of Kshs.3,998,320. However, review of the procurement documents revealed that the tender evaluation report was not signed by the chairperson of the evaluation committee. This was contrary to Section 80(7) of the Public Procurement and Asset Disposal Act, 2015, which requires all committee members to sign the report. Further, the contract agreement did not indicate the contract commencement and completion dates. In addition, physical inspection conducted on 10 July, 2025 revealed that although the contractor was to undertake grading works valued at Kshs.2,217,600, cambering was poorly executed, resulting in water stagnation, erosion and depressions in several road sections.

625.15. Undisclosed Project in the County Integrated Development Plan

The statement of financial position and Note 26 to the financial statements reflect an amount of Kshs.1,067,261,831 in respect of property, plant and equipment. Included in this amount is a balance of Kshs.587,130,907 relating to infrastructure assets out of which an amount of Kshs.227,669,542 relates to payment for access roads.

Review of the County Integrated Development Plan (CIDP) revealed that the County Executive in its third year was to construct and rehabilitate various roads and bridges.

However, the kilometers of constructed roads, graveled and graded roads, number of drifts, culverts, gabions, footbridges, major bridges and concrete slabs that were constructed or ought to have been constructed were not indicated in the County Integrated Development Plan, Annual Development Plan, approved budget for the year 2024/2025 and the procurement plan for 2024/2025.

In the circumstances, value for money on the expenditure totalling Kshs.330,667,998 could not be confirmed.

626. Late Commitments of Goods, Works and Services

Review of procurement records revealed that expenditure commitments for various supplies of goods and services amounting to Kshs.227,303,314 were made after 31 May, 2025 without the written approval of the Accounting Officer. This was contrary to Regulation 50(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that all commitments for the supply of goods or services shall be done not later than the 31 May each year, except with the express approval of the Accounting Officer in writing.

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

627. Un-Utilized Cooking Appliances

The statement of financial performance and Note 10 to the financial statements reflects use of goods and services expenditure of Kshs.1,782,133,252, which includes specialized materials and services amount of Kshs.348,010,691. This amount includes a balance of Kshs.5,304,000 for the purchase of thirty (30) cooking appliances for selected Early Childhood Development and Education (ECDE) centres from a local supplier at a unit cost of Kshs.176,800. Review of procurement documents and physical inspection conducted in July, 2025 revealed that no market survey was provided to justify the pricing. This was contrary to Regulation 33(3)(a) of the Public Procurement and Asset Disposal Regulations, 2020, which requires procuring entities to conduct market surveys to inform cost estimates. Further, inspection of seven (7) sampled ECDE centres established that only one (1) appliance was in use, with headteachers reporting that the appliances lacked adequate capacity for their pupil populations, rendering them unsuitable for the intended purpose.

In the circumstances, the value for money on the expenditure of Kshs.5,304,000 could not be confirmed.

628. Procurement of Live Animals

628.1. Irregularities in the Purchase and Distribution of Breeding Stock

The statement of financial performance and Note 10 to the financial statements reflect use of goods and services expenditure totalling Kshs.1,782,133,252, which includes an amount of Kshs.253,531,662 in respect to purchase of certified seeds, breeding stock and live animals. Review of the procurement and payment documents revealed that an expenditure amounting to Kshs.206,119,046 on purchase of live animals levealed the following anomalies:

(i) The approved list of animal suppliers, showing the type of animals from each supplier, County Integrated Development Plan (CIDP) to show the animal purchase plan, distribution list per Sub-County, individual beneficiaries' list, the basis of selection of beneficiaries and acknowledgement of receipt of the livestock by the beneficiaries, were not provided for audit.

(ii) No market survey, price comparisons, or analysis was conducted to confirm that the prices paid reflected prevailing market rates.

(iii) The County Executive did not carry out pre-award farm inspections to verify the suppliers' breeding capacity and herd health status to certify that the certification of animals supplied were free from diseases, vaccination records and quarantine requirements.

(iv) There was no approved policy or framework for beneficiaries' selection and distribution. The County Executive relied on community barazas and Member of the County Assembly (MCA) lists, with many distribution forms lacking contact details and containing unverifiable fingerprint acknowledgments.

(v) The County Executive did not provide Monitoring and Evaluation reports to assess program performance, beneficiary satisfaction, or the impact of the breeding stock distribution.

628.2. Irregularities in the Purchase of Camels

The Department for Agriculture, Livestock and Fisheries procured five hundred and twenty-four (524) camels through open tendering at a contract sum of Kshs.42,320,000, awarded to a local company. However, review of tender opening minutes and evaluation reports revealed that they were not signed or initialed by all committee members. This was contrary to Sections 78(11) and 80(7) of the Public Procurement and Asset Disposal Act, 2015. Further, a bidder with a lower offer amount of Kshs.41,796,000 was disqualified on grounds of failing to submit a tender security amount of Kshs.890,800, despite evidence that the security had been submitted. In addition, the winning bidder was awarded full marks for financial capacity despite failing to provide certified bank statements for the previous two (2) years as required, and the bidder lacked technical experience, with no due diligence carried out as required under Section 83(1) of the Public Procurement and Asset Disposal Act, 2015.

Although the contract signed on 11 October, 2024 required delivery within twenty-one (21) days, only two hundred and twenty-four (224) camels were delivered on 12 March, 2025, five (5) months late and as at 30 June, 2025, three hundred (300) camels remained undelivered despite the supplier having received an advance payment of Kshs.18,090,992 which was not supported by an invoice, delivery note, or inspection and acceptance report.

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

629. Payment for Consultancy Services for Undelivered Valuation Roll

Review of payment documents revealed that the County Executive, through the Department for Lands, Housing and Urban Planning, contracted a local consultancy firm to prepare a valuation roll for the Maralal Municipality at a cost of Kshs.8,120,000, under a contract signed on 6 June, 2023, and full payment made on 25 September, 2024. However, physical inspection in July, 2025 revealed that the final valuation roll had not been submitted to the County Executive for use in revenue collection, an indication that full payment was made without delivery of the contracted service.

In the circumstances, the value for money on the expenditure of Kshs.8,120,000 for preparation of a valuation roll for the Maralal Municipality could not be confirmed.

630. Long Outstanding Imprests

The statement of financial position and Note 23 to the financial statements reflect receivables from non-exchange transactions balance of Kshs.1,303,300 in respect to imprests which had not been surrendered long after their due dates and Management had not initiated their recoveries. This was contrary to Regulation 93(6) of the Public Finance Management (County Governments) Regulations, 2015 which provides that in the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate.

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

631. Doubtful Training Payment on Fire Eradication

The statement of financial performance, and Note 10 to the financial statements, reflects use of goods and services expenditure amount of Kshs.1,782,133,252. Included in the balance is domestic travel and subsistence amount of Kshs.293,801,226, out of which an amount of Kshs.1,189,000 was paid on 20 September, 2024 for the facilitation of a ten (10) day firefighting training exercise. However, the attendance records of the one hundred and seventy-four (174) trainees, the course program, trainees' travel evidence such as work tickets or bus fare receipts, documents supporting venue expenses and participants selection criteria were not documented.

Further, the cash acknowledgement list accounting for the expenditure amounting to Kshs.1,184,000 contained inconsistencies, including missing Identity Card (ID) numbers, signatures or thumbprints, lack of contact details and the payment voucher and cash acknowledgement list were not dated. In addition, discrepancy between the payment voucher which indicated training on building materials and the imprest warrant which indicated firefighting training was not explained.

In the circumstances, the value for money of the expenditure totalling Kshs.1,189,000 could not be confirmed.

632. Lack of Framework Agreements in the Provision of Legal Services

The statement of financial performance and Note 10 to the financial statements reflect use of goods and services expenditure of Kshs.1,782,133,252. Included in the amount is other operating expenses balance of Kshs.336,177,045 out of which an amount of Kshs.17,223,480 was paid to four (4) private legal firms representing the County Executive in various legal cases through framework agreements. However, the framework agreements were not provided for audit review. This was contrary to Section 114(2) of the Public Procurement and Asset Disposal Act, 2015, which limits framework agreements to a maximum of three (3) years and requires annual value-for-money assessments for agreements exceeding one (1) year.

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

633. Failure to Transfer Resources to Maralal Municipality

The statement of financial performance and Note 11 to the financial statements reflect transfers to other Government entities amounting to Kshs.541,736,919. However, review of transfers documents revealed that the County Executive did not transfer financial resources to the Maralal Municipality, despite an approved budgetary allocation for the year under review comprising of current and capital transfers to Government agencies of Kshs.35,000,000 and Kshs.25,375,442 respectively. No evidence was provided to confirm that these funds were disbursed to the Municipality during the year under review. This was contrary to Section 20(1) of the Urban Areas and Cities Act, 2011 (amended 2019), which requires that all municipal functions specified in the First Schedule be transferred upon establishment, and Section 2.3 of the Maralal Municipal Charter, (2018) which outlines the key functions under the Municipality's operational mandate.

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

634. Non-Submission of Financial Statements for County Emergency Fund

The statement of financial performance and Note 13 to the financial statements reflect other grants and subsidies amount of Kshs.98,758,637, out of which an amount of Kshs.30,000,000 relates to Emergency Relief and Refugee Assistance. However, the County Executive did not prepare and submit financial statements for the Emergency Fund to the Auditor-General. This was contrary to Section 115(1) of the Public Finance Management Act, 2012 which requires the County Treasury to prepare and submit to the

Auditor-General, financial statements in respect of the Emergency Fund for that year not later than three months after the end of each financial year.

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

635. Non-Compliance with the Facilities Improvement Financing Requirements

The statement of financial performance and Note 11 to the financial statements of the County Revenue Fund reflects own source revenue amount of Kshs.262,226,498. Included in the amount is hospital fees of Kshs.9,410,585 in respect to transfers to County Revenue Fund (CRF) by Samburu County Teaching and Referral Hospital which were not transferred back to the health facility. 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, there were no Authority-to-Incur Expenditure (AIEs) issued to the Hospital by the Chief Officer-Health before utilization of the funds.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

636. Lack of Effectiveness in Internal Audit Function

Review of the Internal Audit Function revealed weaknesses, including lack of functional independence due to the absence of a dedicated budget, non-adherence to The National Treasury's Internal Audit Guidelines (March, 2016) as audit reports were prepared annually instead of quarterly, and a limited audit scope that covered only two (2) rather than all departments.

Further, the Internal Audit Committee met only twice during the year under review instead of the required quarterly meetings, and Management did not respond to or implement recommendations issued by the Internal Audit Function.

In the circumstances, the independence and effectiveness of the internal audit function could not be confirmed.

637. Lack of Risk Management Policy

Review of policy documents revealed that Management did not provide evidence of an approved Risk Management Policy to guide on risk identification, assessment and mitigation during the year under review.

In the circumstances, the effectiveness of risk management and internal control processes could not be confirmed.

638. Integrity of Data Maintained in Integrated Payroll Personnel Database and Manual Payrolls

Review of both the Integrated Payroll and Personnel Database (IPPD) and manual payrolls for the year under review revealed that two (2) employees shared the same national identification number but appeared under two (2) different payroll numbers. No explanation was provided to justify how one identity card could have multiple payroll entries. Further, eighty-three (83) employees had no recorded job designations, the absence of assigned roles and responsibilities raises concerns regarding proper deployment, supervision, and accountability for staff.

In addition, key employee bio data including NSSF numbers, NHIF numbers, ID numbers, dates of birth, appointment dates, KRA PINs, and bank account details, was not recorded for all employees. The reliability of payroll processing was in doubt and increased the risk of paying non-existent or irregular employees.

In the circumstances, the existence and effectiveness of internal controls over payroll management could not be confirmed.

639. Lack of an Annual Recruitment Plan

The County Executive recruited seven hundred and forty-eight (748) employees during the year under review. However, the County Public Service Board did not have in place the annual recruitment plan to guide on the recruitments. Further, no evidence was provided as proof that budgetary allocation was sought before recruitment.

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

List of Prior Year's Audit Matters

No.	Audit Issues for 2023/2024
1.	Unconfirmed Cash and Cash Equivalents
2.	Operation of Commercial Bank Accounts
3.	Budgetary Control and Performance
4.	Late Exchequer Releases
5.	Pending Bills not Paid as First Charge
6.	Compensation of Employees
7.	Non-Compliance with the Law on Fiscal Responsibilities – Wage Bill
8.	Irregular Staff Recruitment
9.	Salaries Paid Outside Integrated Payroll and Personnel Database System
10.	Non-Compliance with Staff Ethnic Diversity
11.	Non-Compliance with Guidelines on Acting Positions
12.	Irregular Engagement of Casuals
13.	Non-Remittance of Statutory Deductions
14.	Use of Goods and Services
15.	Inadequacies in the Use of Framework Contracting
16.	Gaps in the Management of Training Expenses
17.	Irregular Payments to Council of Governors and Frontier Counties Development Council
18.	Irregular Supply of Learning and Playing Materials to ECDE Schools
19.	Late Commitments
20.	Transfer to Other Government Agencies and Other Grants and Transfers
21.	Non-Submission of Financial Statements for Audit - Emergency Fund
22.	Non-Submission of Financial Statements for Audit - Municipality of Maralal
23.	Irregularities in Acquisition of Assets
24.	Stalled Construction of Inpatient Block at Samburu County Referral Hospital
25.	Irregular Fencing Works for ECDE Centers
26.	Stalled Construction of Governor's Official Residence
27.	Insufficient Budgetary Allocation for the Construction of ECDE Latrines
28.	Inadequate Inspection of Roads Project
29.	Delayed Utilization of Maralal Municipality Retail Market
30.	Irregular Implementation of Water Projects
31.	Irregular Procurement of Breeding Stock
32.	Irregular Procurement of Mobile Phones and Laptops
33.	Unutilized Projects
34.	Long Outstanding Imprests

No.	Audit Issues for 2023/2024
35.	Irregular Commitments of Equalization Funds
36.	Lack of Risk Management Policy
37.	Weaknesses in Internal Audit

COUNTY EXECUTIVE OF TRANS NZOIA – NO.26

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

640. Variances in Transfers to Other Government Entities

The statement of financial performance reflects transfers to other Government entities amount of Kshs.1,759,936,966 as disclosed in Note 9 to the financial statements. Review of bank statements to which payments were transferred during the year revealed deposits amount of Kshs1,716,964,194 resulting in an unreconciled variance of Kshs.42,972,772.

In the circumstances, the accuracy and completeness of transfers to other Government entities amount of Kshs.1,759,936,966 could not be confirmed.

641. Variances in Trade and Other Payables Balance

The statement of financial position reflects trade and other payables balance of Kshs.2,569,999,530 as disclosed in Note 17 to the financial statements. Re-computation of the pending payable balances resulted in a total of Kshs.2,668,124,747 resulting in an unexplained variance of Kshs.98,125,217. Further, review of the ageing analysis revealed long outstanding payable balance of Kshs.450,118,576 which had remained outstanding for more than two (2) years. No explanation was provided by Management on steps being undertaken to settle the payables.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.2,569,999,530 could not be confirmed.

642. Unsupported Refundable Deposits and Prepayments Balance

The statement of financial position reflects refundable deposits and prepayments balance of Kshs.38,643,463 as disclosed in Note 18 to the financial statements. However, Management did not provide the supporting schedules, the detailed ageing analysis and movement schedules in support of the balance.

In the circumstances, the accuracy and completeness of the refundable deposits and prepayments balance of Kshs.38,643,463 could not be confirmed.

643. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects purchase of property, plant and equipment amounting to Kshs.1,176,458,773 which differed with the amount of Kshs.1,321,157,511 recorded in the asset movement schedule as disclosed under Note 16 to the financial statements resulting in an unreconciled variance of Kshs.144,698,738. Further, the statement of cash flows reflects net cash flows from operating activities of Kshs.1,943,554,144 which differed with cash generated from operations amounting to

Kshs.1,943,910,636 disclosed in Note 19 to the financial statements resulting in an unreconciled variance of Kshs.356,492.

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

Emphasis of Matter

644. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual receipts of Kshs.10,455,020,040 and Kshs.9,271,085,823 respectively resulting in under-funding of Kshs.1,183,934,217 or 11% of the budget.

The under-funding may have negatively affected the County Executive's ability to meet its financial obligations and deliver services to the public.

My opinion is not modified in respect of this matter.

Other Matter

645. Unresolved Prior Year Matters

In the previous year's audit report, 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 revealed that twenty-seven (27) issues raised in 2023/2024 financial year remained unresolved as listed at the end of this report.

Other Information

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

647. Failure to Appoint County Steering Committee for Migration to Accrual Reporting

During the year, Management was required to transition from cash to accrual financial reporting and was expected to put in place a transition committee. However, there was no evidence that the committee was established contrary to requirements of Paragraph 2.1.1 of The National Treasury and Economic Planning circular No.03/2025 dated 14 April, 2025 which requires that each Accounting Officer of an implementing public entity (both National and County Governments) to establish a Cash-to-Accrual Transition Committee at entity level.

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

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

Review of the staff payroll revealed that two hundred and twelve (212) employees were paid net salaries that were below one-third of their basic salaries. This was contrary to the provisions of Section 19(3) of the Employment Act, 2007 which require that the total amount of all deductions that may be made by an employer from the wages of his employee at any one time not to exceed two-thirds of such wages.

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

649. Non-Compliance with the Persons with Disabilities Act, 2015

Review of the master staff register revealed that out of a total of three thousand, six hundred and sixty-nine (3,669) employees, only fifty-one (51) employees, representing one percent (1%), were in the category of persons with disabilities. This was contrary to 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.

650. Non-Establishment of the County Alcoholic Drinks Control Fund

Review of own source revenue system generated reports, revealed that the County Management had realized total revenue of Kshs.543,894,663 out of which an amount of Kshs.8,651,000 was received from liquor revenue stream. However, the County Executive failed to establish the County Alcoholic Drinks Control Fund contrary to Section 7(1) of the Trans Nzoia County Alcoholic Drinks Control Act, 2018 which provides that there is established a fund to be known as the County Alcoholic Drinks Control Fund.

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

651. Non-Remittance of Public Procurement Capacity Building Levy

Review of documents revealed that Management did not deduct and remit the public procurement capacity building levy. This was contrary to Paragraph 3(1) of Legal Notice 206 of the 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 the circumstances, Management was in breach of the law.

652. Lack of Climate Change Fund Steering Committee

Review of documents provided for audit revealed that the County Executive had not appointed a Trans Nzoia County Climate Change Fund Steering Committee. This was contrary to Section 18(a) of Trans Nzoia County Climate Change Fund Act, 2021 which states that the functions of the County Climate Change Fund Steering Committee shall

include to oversee implementation of County Climate Change activities financed by the Fund.

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

653. Poor Road Maintenance in Kwanza/Keiyo Ward

During the year under review, the County Executive made payments totalling Kshs.5,254,730 to a local contractor for the routine maintenance of Miteitei-Viginia Road in Kwanza /Keiyo Ward. The Company was awarded the contract on 14 February, 2025. However, Management failed to obtain the original performance bond for work not fully or well executed. This was contrary to Section 142(1) of the Public Procurement and Asset Disposal Act, 2015. Further, the work measurement sheet on the road works to be done was not provided hence it was not possible to estimate the volume of gravel required and the length, the width and the depth of the road to be done.

Further, physical inspection conducted on 13 June, 2025 revealed that the Bills of Quantities (BQs) provided for gravel wearing course excavation, free haul, spread and compacting on a 6m width. However, only 3.5m (width) for the entire stretch was done. Therefore, 2.5m width of the entire road was not done leading to a possible loss of an amount Kshs.1,942,500.

In addition, the (BQs) provided for the planting of 1000 trees at a total sum of Kshs.120,000. However, physical inspection revealed that no trees were planted. The road cambers, side drains and metre drains for easy drainage system were also not done.

In the circumstances, the value for money on the expenditure incurred on the road maintenance works totalling Kshs.5,254,730 could not be confirmed.

654. Poor Maintenance of Kinyoro Ward Road

During the year under review, the County Executive made payments totalling Kshs.3,591,000 to a local contractor for the routine maintenance of Kisawahi - Chekui - Mima Junction in Kinyoro Ward. The company was awarded the contract on 3 January, 2025. Physical inspection conducted on 16 June, 2025 revealed that, although the BQs provided for gravel wearing coarse extraction, free haul, spread and compact at the width of 6m, only 3.5m width of the entire stretch was done. Therefore, there was unaccounted for 2.5m width of the entire road resulting to possible financial loss of an amount of Kshs.1,051,200.

Further, the BQs provided for the planting of two hundred and fifty (250) trees at a total cost of Kshs.75,000 but the trees were not planted. In addition, the road cambers, side drains, spot checks and metre drains for easy drainage were also not done.

In the circumstances, the value for money on the expenditure incurred on the road maintenance works totalling Kshs.3,591,000 could not be confirmed.

655. Delay in Completion of Kenyatta Stadium Rehabilitation and Modernization

Review of procurement documents provided for audit revealed that the Department for Gender contracted for proposed rehabilitation and modernization of Kenyatta Stadium Phase 1A-Kitale at a cost of Kshs.657,305,895 on 1 February, 2023 for a period of six hundred and forty (640) days. The amount already paid to the contractor as at 30 June, 2025 amounted to Kshs.425,307,880 or 65% of the total cost. However, the provided performance bond expired on 31 January, 2025 and had not been renewed as at the time of audit.

Further, the rehabilitation and modernization works were still ongoing despite the expiry of the contract period and no evidence of request for variation or extension of the contract period was provided for review.

In addition, physical inspection carried out on 12 June, 2025 revealed that works were ongoing. However, there was a dispute on the boundary beacons which was yet to be resolved and unauthorized occupation had taken place.

In the circumstances, the value for money on expenditure incurred totalling Kshs.420,307,880 on the rehabilitation and modernization of the stadium project may not have been realized.

656. Stalled Construction of Multi-Storey Business Complex

As reported in the previous years, the County Executive awarded a contract for proposed construction of multi-story business complex at a contract sum of Kshs.874,280,383 to a local contractor on 25 June, 2018 for a contract period of seven hundred and thirty-one (731) days and expected completion date of 10 June, 2021. The project's completion has delayed for over four (4) years from the initial expected date of completion. The contractor had requested for extension of the contract period seven (7) times but no approvals were granted.

Further, a Memorandum of Understanding on the co-funding between the Municipality and Ministry of Trade, and ownership documents in the form of land title deeds or allotment letters were not provided for review. Physical inspection carried out on 17 June, 2025 revealed that the contractor was not on site and enquiry from the clerk of works indicated that the project had stalled at 92% since August, 2024. The total amount of money paid to date according to the summary of payment including the most recent certificate paid on 4 February, 2025 amounted to Kshs.818,183,930.

In the circumstances, the value for money on the expenditure incurred on the project totalling Kshs.818,183,930 could not be confirmed.

657. Delay in Completion of Construction of County Aggregation and Industrial Park

Review of records revealed that the County Executive awarded the tender for the construction of the County Aggregation and Industrial Park at Namandala at a contract sum of Kshs.499,166,766 during the financial year 2023/2024. The contract commenced

on 1 September, 2023 with expected completion date of 1 March, 2025. The contractor had been paid a total of Kshs.164,420,562 to date. However, review of the tender and project files revealed that there was no land title deed for the 100-acre piece of land at Namandala in Kwanza Sub-County.

Further, physical inspection carried out on 17 June, 2025 revealed that the project had stalled and the contractor was not on site. However, Management confirmation dated 5 December, 2025 indicated that the contractor was back on site and that the works were ongoing.

In the circumstances, the value for money on the expenditure incurred on the project totalling Kshs.164,420,562 and the ownership of the land could not be confirmed.

658. Stalled Construction of Operating Theatre at Matunda Sub-County Hospital

Review of records revealed that a local contractor was awarded the contract to construct an operating theater at Matunda Sub-County Hospital at a contract sum of Kshs.7,995,030 on 2 April, 2024. As at the time of audit, the contractor had been paid a total amount of Kshs.4,587,620 or 57% of the contract sum. Physical inspection carried out on 18 June, 2025 revealed that the construction was incomplete and works had stalled. Further, the contractor was not on site and no explanation was provided for the delay in completing the project.

In the circumstances, the value for money on the expenditure incurred on the project totalling Kshs.4,587,620 could not be confirmed.

659. Unutilized Alakara Health Facility

Review of documents revealed that a local contractor was awarded the contract to construct a maternity wing at Alakara Health Facility at a contract sum of Kshs.2,949,996 which was completed in June, 2024. However, physical inspection carried out in the month of June, 2025 revealed that the facility remained unutilized, one (1) year after completion. No proper explanation was provided by Management as to why the maternity wing has remained unutilized since completion. Further, the facility was not fenced and two (2) water sinks outside the facility and nine (9) curtain rods had been vandalized.

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

660. Stalled Construction of Wamalwa Kijana Teaching and Referral Hospital

As previously reported, the County Executive awarded the contract to construct the Wamalwa Kijana Teaching and Referral Hospital to a construction firm at a contract sum of Kshs.1,602,528,713. The contract was to be implemented in two (2) Phases, with estimated completion period of Phase 1-fifty-two (52) weeks and Phase 2 - sixty-two (62) weeks. The 350-bed facility was aimed at providing specialized medical services to the public. According to the records provided for audit review, Phase 1 of the project was completed on 23 July, 2016.

Phase 2 of the project commenced on 15 December, 2018 with projected completion date of 30 September, 2020. However, as at 30 June, 2025, the project was incomplete and was approximated at 70% completion level even though an amount of Kshs.1,640,000,000 (or 102% of the contract amount) had been paid. The contractor was not on site and had abandoned the project without attending pending works. Despite this, the Hospital was already in use operating with a partial completion certificate. Management has been undertaking piecemeal operating construction of the Hospital in various departments and a total of Kshs.9,659,016 was utilized in the financial year 2024/2025.

In the circumstances, the value for money on the expenditure of Kshs.1,640,000,000 incurred on the project could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

661. Inefficiencies in the Revenue Automation System

661.1. Incomplete Installation of the System

Review of records revealed that Management entered into a contract with a vendor on 21 December, 2023 for the delivery, development, installation, deployment, testing and maintenance of a fully automated and integrated County Revenue Collection and Debt Management System at a contract sum of Kshs.26,968,080 with an annual recurring cost of Kshs.7,756,640. However, although the contract sum was fully paid, modules such as Agricultural Cess, Royalties and Public Health had not been configured and automated in line with the contract agreement hence possibility of loss of revenue from the modules and payment for undelivered works or services.

Further, it was observed, that there were delays in configuration and automation of the revenue streams such as approval of building plans, building approval fees, house rent, and land rates. The delays may have prevented the County Executive from fully optimizing revenue collection leading to under collection of revenue during the year.

In addition, the system was not integrated with the Integrated Financial Management System (IFMIS) system as expected. Instead, data from revenue streams was manually prepared in Excel and then posted to IFMIS.

661.2. Lack of Back-End Visibility

The County Management did not have access or visibility into back-end processes, stored data or database contents except as the vendor permitted. Management could not independently query or verify back-end records or audit user actions inside the database.

661.3. Lack of Change Management and System Control

During the audit, it was observed that the vendor introduced system changes without notifying or obtaining formal approval from Management. The County Executive did not

have visibility of changes due to lack of access to database logs. There was no evidence of a formal change control, testing of changes, or documented approvals prior to production or deployment. In addition, the County Executive had not established a formal change management process, policy or review procedures.

661.4. Lack of Independent Review and Sign-Off of System and Database Logs

Further, it was observed that while system and database logs were generated and captured within the revenue collection system, they were not subjected to independent Management review, validation, or formal sign-off. Logs remained under vendor administration, and Management did not actively analyse or verify them. In addition, there was no established log review policy, defined schedule, or documented retention procedures. As a result, although the logs exist, they provided no assurance, since potential anomalies or unauthorized actions may remain undetected.

Failure to demonstrate effective monitoring and maintain verifiable audit trails risks breaching legal and regulatory obligations.

661.5. Lack of Approved Business Continuity Policy and Disaster Recovery Plan

The County Executive operated without an approved and formally adopted Business Continuity Policy and Information and Communication Technology (ICT) Disaster Recovery Plan (DRP). The document provided as the County's DRP was found to be inconsistent, contradictory and unreliable. Specifically, the document's front page bore a copyright year of 2019, while the last page contained two (2) official stamps, one "Checked by ICT Manager" and the other "Authorized by the Chief Officer – Governance," both dated 2018. The existence of contradictory dates indicates that the document was neither formally approved nor properly version-controlled.

Further, the County Executive continues to operate without a valid, tested or approved Business Continuity and Disaster Recovery framework, leaving its critical ICT infrastructure and service delivery processes exposed to paralysis in the event of system failures, cyber incidents, or physical disasters.

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

662. Weakness in Management of Infromation Communication Technology

The County Executive did not operate or maintain a Data Centre (DC) for hosting its core Infromation Communication Technology (ICT) infrastructure. Consequently, physical and environmental control tests could not be conducted as required, since no designated or controlled facility existed to safeguard critical ICT equipment, including servers, networking devices and data storage units that support the County's financial and administrative systems.

Despite the County Executive's acquisition of essential ICT assets for system operations, these were found to be hosted in unsecured, non-compliant environments lacking basic safeguards such as fire suppression systems, controlled access, humidity and temperature regulation, backup power, CCTV surveillance, or disaster recovery mechanisms.

In the circumstances, the County Executive's critical ICT infrastructure and service delivery processes are exposed to paralysis in the event of system failures, cyber incidents or physical disasters.

663. Inadequate Controls on Collection of Revenue from Cess

During the year under review, the County Executive generated an amount of Kshs.55,962,288 from cess revenue stream under the Department for Trade, Commerce and Industry. However, Management did not provide records to account for revenue collected from sand, ballast and murram. Further, it was established that collection of revenue for pick-ups and tractors were not effectively enforced despite these vehicles being the major carriers of the products. Random spot checks made at various cess collection points, revealed numerous pick-ups and tractors transporting materials without paying for the required permits.

In the circumstances, the effectiveness of the internal controls on revenue collection employed by Management could not be confirmed.

664. Inadequate Controls on Collection of Revenue from Parking Fees

Review of revenue records and revenue system data revealed that the County Executive collected an amount of Kshs.59,641,650 from street parking under the Department for Finance. However, physical inspection conducted on 19 June, 2025 revealed that the parking slots were not labelled or well demarcated and they were not numbered. In addition, there was poor planning regarding the parking spaces in town. Further, Management did not maintain a register of available parking slots within the Municipality, which gives an indication of the in-effectiveness of collection of revenue from both street parking and bus parking.

In the circumstances, the effectiveness of the internal controls on revenue collection from parking fees could not be confirmed.

List of Unresolved Prior Year Matters

No.	Audit Issues for 2023/2024
1	Unsupported Cash and Cash Equivalents
2	Inaccuracies in Exchequer Releases
3	Inaccuracies in Compensation of Employees
4	Unsupported Acquisition of Assets
5	Irregular Termination of the County Revenue Collection System
6	Non-Compliance with the Law on Fiscal Responsibility
7	Irregular Hiring of Temporary Employees
8	Non-Remittance of Statutory Dues
9	Irregular Recruitment of New Staff
10	Non-Compliance with One-Third Rule of Basic Salary
11	Non-Compliance with Regional Diversity Requirements
12	Non-Compliance with the Persons with Disabilities Requirements
13	Non-Compliance with Effective Citizen Participation in Budgeting
14	Irregular Award of Legal Services
15	Nugatory Expenditure on Interest Payments
16	Incomplete Construction of the County's Headquarters
17	Delayed Completion of Construction of County Aggregation and Industrial Park at Namandala
18	Irregularities in the Construction of Mitume Fresh Produce Market
19	Delayed Completion of the Construction of a Multi-Storey Business Complex
20	Slow Implementation of Rehabilitation and Modernization of Kenyatta Stadium in Kitale
21	Stalled Construction of Trans Nzoia Teaching and Referral Hospital (Renamed Kijana Wamalwa Teaching and Referral Hospital)
22	Poor Implementation of the Matumbei - Kimothoni Water Project in Matumbei Ward
23	Construction of Early Childhood Development Education (ECDE) Classrooms
24	Poor Implementation of the Pipeline Extension at Kokwo - Khalwenge Water Project
25	Poor Implementation of Pipeline Extension and Stalled Borehole at Mitume Usafi Estate
26	Inefficiencies in the New County Revenue Software Collection System
27	Lack of Management Response to Internal Audit Reports

COUNTY EXECUTIVE OF UASIN GISHU – NO.27

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

665. Unsupported Domestic Travel and Subsistence Expenditure

The statement of financial performance and Note 10 to the financial statements reflect use of goods and services amounting to Kshs.3,589,591,311, which includes domestic travel and subsistence expenses of Kshs.148,457,575. However, payment vouchers and expenditure records supporting an amount of Kshs.9,368,272 were not provided for audit. In addition, expenditure totalling Kshs.6,215,077 was not supported with appropriate documentation such as attendance registers, signed acknowledgements by beneficiaries, invitation letters, work tickets and certificates of participation.

In the circumstances, the accuracy and completeness of domestic travel and subsistence expenditure amount of Kshs.15,583,349 could not be confirmed.

666. Undisclosed and Unverified Legal Expenses

The statement of financial performance reflects use of goods and services expenses amount of Kshs.3,589,591,311 which as disclosed in Note 10 to the financial statements includes an amount of Kshs.367,856,314 in respect to other operating expenses. Included in this amount was a payment of Kshs.26,437,700 being settlement of the remaining balance payable to a local contractor in relation to a Court Order which required the County Executive to pay the amount owed to the contractor in respect to construction of a building.

Further, review of the case file revealed that the Court, fined the County Executive an amount of Kshs.1,000,000,000 (tabulation not provided) through a Judgement of the High Court of Kenya at Eldoret dated 9 May, 2025 as penalties, damages, costs of suits and interests at the rate of 3% above the Central Bank Rate for breach of contract and exemplary damages equivalent to the contract fee. This amount had not been paid and was not reflected in the financial statements as a payable.

In addition, a representation from the Management indicated that the County Executive challenged the decision of the Court through an appeal. However, no evidence was provided to confirm the state of the legal matter including evidence of appeal. The County Executive risks losing funds through high penalties awarded due to delayed payments.

In the circumstances, the accuracy and completeness of the legal expenses amount of Kshs.26,437,700 could not be confirmed.

667. Lack of Land Ownership Documents

The statement of financial position reflects property, plant and equipment net book value of Kshs.2,093,130,709 which as disclosed in Note 26 to the financial statements, includes additions of land amounting to Kshs.27,550,000. Review of expenditure relating to

acquisition of land revealed that out of the reported net book value, an amount of Kshs.4,850,000 was accrued from the previous year and was still pending. In addition, no documentary evidence was provided to indicate successful registration of all parcels of land in favour of the County Executive.

In the circumstances, the ownership of the land with a value of Kshs.27,550,000 could not be confirmed.

668. Unsupported Grounded Motor Vehicles

The statement of financial position and Note 26 to the financial statements reflect property, plant and equipment net book value of Kshs.2,093,130,709 which includes motor vehicles balance of Kshs.7,976,181. However, physical inspection at the County garage in the month of September, 2025 revealed that fifty (50) motor vehicles with undetermined value were grounded due to various mechanical defects. Physical verification revealed that the vehicles were parked in the open, exposing them to further deterioration some had missing spare parts such as; side mirrors, bumpers and other internal parts.

Further, review of the fixed assets register revealed that the grounded motor vehicles were not disclosed.

In the circumstances, the accuracy, completeness and ownership of the motor vehicles balance of Kshs.7,976,181 could not be confirmed.

669. Unsupported Supply and Delivery of General Streetlighting Spares

The statement of financial performance reflects other grants and subsidies expense amount of Kshs.406,321,284 which as disclosed in Note 13 to the financial statements includes other current grants and payments totalling Kshs.108,921,530. Review of expenditure records relating to street lighting project under the Department of Roads revealed that Management entered into contracts with various contractors at a total cost of Kshs.21,873,050 for the supply and delivery of general streetlighting spares.

However, review of documents in support of the expenditure revealed the following anomalies: -

(i) Lack of stores records to confirm that the items were taken on charge and/or delivered.

(ii) Pre-inspection reports from the Public Works Department justifying the need for repairs of the streetlight as supported by defect report detailing the items required were not provided.

(iii) Lack of post inspection report to certify works done by the acquired items.

(iv) Job cards for the repair works conducted were not provided for audit.

(v) Inspection and Acceptance Committee Report on verification of the spares was not provided.

In the circumstances, the accuracy and completeness of the expenditure of Kshs.21,873,050 spent on purchase and supply of general streetlighting spares could not be confirmed.

670. Unsupported Expenditure on Borehole Drilling Materials

The statement of financial performance reflects use of goods and services expenses amounting to Kshs.3,589,591,311 which as disclosed in Note 10 to the financial statements, includes specialized material supplies expenditure amount of Kshs.558,894,776. Review of expenditure records relating to specialized material supplies revealed that the Department of Water, Irrigation and Sanitation entered into a contract with a local company for the supply and delivery of borehole drilling materials at a contract sum of Kshs.18,300,000. However, review of records revealed the following matters: -

(i) Evidence justifying that, purchasing of materials as more cost effective than drilling boreholes and equipping through a contract was not provided.

(ii) No evidence was provided to support that the Department had officers executing the drilling services who are technically qualified to discharge the function.

(iii) Hydrological Assessment Report outlining the aquifers parameters, water quality evaluation, recharge impacts and geotechnical analysis of the proposed boreholes was not provided.

(iv) The approved list of boreholes to be drilled and how they were identified was not provided.

(v) The authorization letter to drill a borehole from the Water Resources Authority (WRA) for the proposed boreholes to be drilled was not provided.

(vi) A requisition form dated 13 February, 2024 provided did not indicate boreholes that were to be drilled using the materials procured and the Bills of Quantities supporting the drilling works to be performed.

(vii) Stores records (S3 cards and stores requisition and issue vouchers (S11/S13) were not provided to confirm that the items were taken on charge and/or delivered and subsequently issued.

(viii) Post Inspection Report to certify that the works done by the acquired materials as supported by job cards indicating the names and personal numbers of the Officers who carried out the drilling works was not provided.

In the circumstances, accuracy and completeness of the amount of Kshs.18,300,000 incurred on the contract could not be confirmed.

Emphasis of Matter

671. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final budgeted receipts and actual amount on a comparable basis of Kshs.15,179,791,110 and Kshs.11,355,195,626 respectively, resulting to under-funding amounting to Kshs.3,824,595,484 or 25% of the budget. However, the County Executive spent an amount of Kshs.10,058,548,112 against actual revenue of Kshs.11,355,195,626 resulting to under-absorption of Kshs.1,296,647,514 or 11% of the actual revenue.

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

My opinion is not modified in respect of this matter.

Other Matter

672. 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 the use of Public Resources and Report on Effectiveness of Internal Controls, Risk management and Governance. However, forty (40) issues remain unresolved as listed at the end of the report.

Other Information

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

674. Irregular Recruitment of a City Manager

The statement of financial performance reflects employee costs amount of Kshs.4,822,286,696. Review of recruitment records for employees hired during the year, revealed that the County Executive through the County Public Service Board advertised for the position of City Manager out of which one hundred and fifty-eight (158) applications were received and twelve (12) candidates shortlisted for interviews. However, the position of City Manager was an elevation from Municipal Manager role and therefore not an authorised vacancy within the approved establishment. Further, the creation of the new office was not approved by the County Assembly. This was contrary to Section 62(2) of the County Governments Act, 2012 which stipulates that if the Board intends to establish or abolish an office, it shall submit its proposal to the County Assembly for approval through the County Executive Committee Member responsible for the County Public Service.

In addition, twenty-five (25) qualified candidates who expressed interest in the advertised positions including the then Municipal Manager were not considered for shortlisting. Evidence justifying the shortlisting criteria applied to arrive at the twelve (12) candidates who were interviewed was not provided for audit verification.

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

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

The statement of financial performance and Note 9 to the financial statements reflects employee costs amount of Kshs.4,822,286,696. This is equivalent to 58% of the reported revenue of Kshs.8,266,146,481 and is in excess of the threshold of 35% prescribed in the regulations. This was contrary to Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which states that the limit set for the County Government's expenditure on wages and benefits for its public officers pursuant to Section 107(2) of the Act, shall not exceed thirty-five percent (35%) of the County Government's total revenue. In addition, 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.

676. Irregular Payments to Council of Governors

The statement of financial performance and Note 10 to the financial statements reflects use of goods and services expense amount of Kshs.3,589,591,311. Included in the expenditure was a payment totalling Kshs.3,000,000 which was made to the Council of Governors as contribution to the Council. 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 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.

677. Irregular Outsourcing of Legal Services

The statement of financial performance reflects use of goods and services expenses amounting to Kshs.3,589,591,311 as disclosed in Note 10 to the financial statements, which includes other operating expenses amount of Kshs.367,856,314. Included in other operating expenses was legal costs amounting to Kshs.24,160,570 out of which an amount of Kshs.18,162,833 was accrued as expenditure payable to seven (7) private Law Firms. Review of records revealed that the engagement of the external legal services was not approved by the County Executive Committee Member. 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 Member.

Further, procurement of the legal consultants was not competitively sourced. The Law Firms were directly selected from the list of registered prequalified legal firms and there was no evidence that all listed firms were given 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.

678. Anomalies in Consultancy Services for the Preparation of Local Physical and Land Use Development Plans

The statement of financial performance reflects use of goods and services amount of Kshs.3,589,591,311 which according to Note 10 to the financial statements includes other operating expenses of Kshs.367,856,314. Included in this expenditure is an amount of Kshs.2,920,462 paid to two (2) consultants for the preparation of local physical and land use development plans. However, review of records revealed that there were no Inspection and Acceptance Certificates for the service rendered and that the developed plans had not been delivered.

Further, it was observed that the contract duration had elapsed and not all deliverables had been met. In addition, final plans and report had not been submitted as agreed in the contract agreement.

In the circumstances, the value for money on amount of Kshs.2,920,462 spent on consultancy services could not be confirmed.

679. Irregularities in Budget Process

679.1. Non-Compliance with Budget Classification and Standard Chart of Accounts

The final approved budget estimates reflect expenditure appropriation of Kshs.15,179,791,110. Included in the expenditure budget were votes totalling Kshs.560,838,319 under other recurrent, other creditors, other current transfers and other capital transfers items which did not clearly disclose the nature of the intended expenditure or give a clear description in the budget. This was in breach of Regulation 31(e)(ii) of the Public Finance Management (County Governments) Regulations, 2015 which requires appropriation to be for a specific purpose/ programme or item of expenditure.

679.2. Recurrent Expenditure Budgeted for under Uasin Gishu Equitable Development Act, 2019

Review of the approved budget for seven (7) sampled Wards revealed that recurrent expenditure totalling Kshs.42,300,000 was budgeted for under development funds – ward projects. This was contrary to Section 1 of the Public Finance Management Act, 2012

which states that "development expenditure" means the expenditure for the creation or renewal of assets;

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

680. Excessive Budgetary Allocation to the County Assembly

Review of budget documents revealed that the County Assembly of Uasin Gishu was allocated a budget of Kshs.1,002,232,711 which is equivalent to 7% of the County Government's total revenue of Kshs.15,164,122,628. However, the amount allocated exceeds the limit provided in 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 (7) % per cent of the total revenue of the County Government or twice the personnel emoluments of that County Assembly, whichever is lower. Based on the Regulation, the calculations made revealed that 7% of the total revenue is an amount of Kshs.1,061,488,584 and twice the personnel emolument of the County Assembly amounts to Kshs.806,164,828. The allocation to County Assembly of Kshs.1,002,232,711 exceeded twice the personnel emoluments amounting to Kshs.806,164,828 by Kshs.196,067,883.

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

681. Irregular Implementation of Youth Empowerment Program - Business Start-Up Kit

The statement of financial performance reflects other grants and subsidies expenses amount of Kshs.406,321,284 which as disclosed in Note 13 to the financial statements includes other current grants and payments totalling Kshs.108,921,530. Review of expenditure records revealed that the County Executive through the Department of Youth Affairs and Sports made purchases of tools and equipment totalling Kshs.9,574,600 for distribution to various groups/individuals within the County as business start-up kit. However, records of distribution and how the beneficiaries were identified were not provided.

Further, review of the program revealed there was no document detailing strategic objectives of the program, activities to be conducted, when, how and by who, resources needed, expected output and outcome, performance indicators, stakeholders to be involved, their roles and responsibilities. There was no evidence that there was Project Assessment Committee and an Approval Committee for the funded projects. In addition, it was not clear whether the beneficiaries' project proposals/business plans were analyzed to confirm whether they were feasible.

In addition, there was no evidence that beneficiaries received training prior to the project initiation on how to start and manage projects effectively, there were no clear structures and detailed monitoring mechanisms that were regularly conducted to monitor and evaluate the program activities to establish the program's progress, achievements and failures hence lacking a solid basis for quantifying the program's success or failure and there was no evidence that the beneficiaries were followed up to check on the progress and impact of the program.

In the circumstances, the value of money on the expenditure totalling Kshs.9,574,600 on the business startup kit could not be confirmed.

682. Irregularities in the Purchase and Supply of Chicks

The statement of financial performance reflects other grants and subsidies expense amount of Kshs.406,321,284 which as disclosed in Note 13 to the financial statements includes other current grants and payments totalling Kshs.108,921,530. Review of expenditure records revealed payment totalling Kshs.13,649,220 which was made to a supplier for supply of chicks for distribution to various farmers within the County. However, user needs assessment report from farmers' groups, criteria for identifying the beneficiaries of the project, list of prequalified suppliers, list of farmers groups or beneficiaries and report on trainings done to the farmers on the chicken management were not provided. In addition, there was no evidence that monitoring and evaluation had been subsequently undertaken by the County Agricultural Officers to assess the progress and provide assurance on the success and sustainability of the project.

In the circumstances, the value for money on the expenditure totalling Kshs.13,649,220 for supply of chicks could not be confirmed.

683. Payment of Salaries Outside Integrated Payroll and Personnel Database

The statement of financial performance and Note 9 to the financial statements reflects employee costs of Kshs.4,822,286,696. Review of expenditure records for compensation of employees revealed that the County Executive uses both Integrated Payroll and Personnel Database (IPPD) and Manual Excel Sheet in processing of payroll. Review of monthly manual payrolls indicated that two (2) Chief Officers, Intergovernmental Relations Officer, Deputy Governor, three hundred and eighty-two (382) permanent staffs, one hundred and eighty-one (181) Early Child Development Education ECDE teachers and seven hundred and sixty-five (765) casuals were paid gross salaries amounting to Kshs.313,987,992 outside the IPPD system. This was contrary to Section 1.5.1 of The Treasury Guidelines through the Financial Accounting Recording and Reporting Manual which requires that each County Government Department is responsible for populating the 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. Further, the manual payroll is prone to calculation errors as it involves manual entry of data into an excel sheet.

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

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

Review of payroll records revealed that the County Executive had a total of five thousand one hundred and forty-seven (5,147) employees out of whom four thousand seven hundred and forty-seven (4,747) or approximately 92% were from the same ethnic community. 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 the circumstances, Management was in breach of the law.

685. Irregular Appointment of Staff

The statement of financial performance and as disclosed in Note 9 to the financial statements reflects employee costs amounting to Kshs.4,822,286,696. Review of expenditure records relating to compensation of employees' costs revealed that the County Executive incurred an amount of Kshs.156,783,450 on basic salary and other allowances on three hundred and seventy-seven (377) staff who were recruited during the year.

Further, review of the recruitment records revealed that vacancies for three hundred and sixty-nine (369) staff were declared for application running from 29 December, 2023 to 12 January, 2024 (15 days) in a daily newspaper. However, this was less than the twenty-one days threshold as required. This was contrary Section B.4(1) of Human resource policies and procedures manual for the Public Service, May, 2016 which states that Ministries/State Departments shall advertise all vacant posts in a manner that reaches the widest pool of applicant for at least twenty-one (21) days before closing the advertisement.

In addition, the staff recruited were not inducted within three (3) months after their appointment. This was contrary to Section H.1(4) of Human Resource Policies and Procedures Manual for the Public Service, May, 2016 which states that public officers shall be eligible for at least five (5) days training in a year on newly recruited or transferred and must be inducted within three (3) months of joining public organizations.

Further, among the staff appointed are three hundred and sixty-one (361) officers or ninety six percent (96%) of the total recruited staff originating from the dominant ethnic community. This was contrary to Section 65(1)(e) of County Governments Act, 2012 which requires that in selecting candidates for appointment, the County Public Service Board shall consider the need to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community.

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

686. Non-Remittance of Training Levy to National Industrial Training Authority

The statement of financial performance reflects use of goods and services expenses amounting to Kshs.3,589,591,311 which as disclosed in Note 10 to the financial statements, include training expenses amounting to Kshs.81,192,795. Review of expenditure records provided in support of training expenses revealed that Management did not pay training levy of Kshs.50 per employee or make training costs claims from the National Industrial Training Authority (NITA). This was contrary to Section 4(1) of the

Industrial Training (Training Levy) order, 2007 requiring an employer to pay to the Director a Levy of fifty shillings per employee on or before the last working day of each month.

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

687. Unsatisfactory Implementation of County Aggregated Industrial Park

The statement of financial position reflects property, plant and equipment balance of Kshs.2,093,130,709 which as disclosed in Note 26 to the financial statements, includes work-in-progress balance of Kshs.1,968,122,237. Review of expenditure records relating to work-in-progress revealed that an award of a tender for construction of County Aggregation and Industrial Park (CAIP) was given to a local firm at a contract sum of Kshs.535,317,419. The contract period was one hundred and forty-four (144) weeks, with a commencement date of 24 November, 2023 and expected completion date of 29 August, 2026. During the year, an amount of Kshs.78,601,490 was paid to the contractor as payment of Interim Payment Certificate (IPC) No.3. However, the following observations were made:

(i) The contract amount of Kshs.535,317,419 exceeded the total allocation budget of Kshs.500,000,000 by an amount of Kshs.35,317,419 contrary to the Intergovernmental Agreement on the establishment of County Aggregation and Industrial Parks. No justification was provided on the decision to award the contract at an amount above the total allocation without prioritizing the cost effectiveness.

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

(iii) Ownership of the land on which the Park is situated could not be confirmed as ownership documents were not provided for audit confirmation.

(iv) IPC No 3 included builder's work certified amount of Kshs.23,344,080 relating to boundary wall which exceeded the Bills of Quantities amount of Kshs.22,150,880 resulting to extra unapproved works amounting to Kshs.1,193,200. However, there was no evidence to indicate that the cost was varied by the Project Implementation Team and submitted through the Head of the Procurement Function to the Accounting Officer for approval. This was contrary to Section 151(42)(e) of the Public Procurement and Asset Disposal Act, 2015.

(v) The total value of works measured as per IPC No 3 amounted to Kshs.238,452,379 out of which an amount of Kshs.94,640,390 was for materials on site and not actual measured works. Further, the existence of materials on site was not confirmed during physical verification conducted in the month of June, 2025 or by an Inspection and Acceptance and/or Project Committee. Some of the materials were not physically available and were

explained to be in Nairobi. In addition, the value of the materials could not be confirmed since the various unit prices used in costing were not supported by any approved tender document from the Tender Evaluation Committee since the Bills of Quantities were priced for works and not materials.

(vi) As at 30 June, 2025, a total amount of Kshs.238,451,379 had been paid to the contractor representing 45% of the contract sum.

(vii) Physical verification carried out revealed that walling of one value addition warehouse was ongoing, substructure works had been completed for two (2) aggregation warehouses, two (2) cold storage warehouses and four (4) value addition warehouses.

In the circumstances, the value for money on the expenditure of Kshs.238,451,379 incurred for the certified works could not be confirmed.

688. Delayed Construction of the Governor's House

The County Executive entered into a contract agreement for the construction of the Governors' House with a local contractor on 10 July, 2023 at a contract sum of Kshs.91,886,920 through contract No: CGU/H&UD/T/01/2022-2023 with an agreed contract period of seventy-two (72) weeks. However, the project has not started to date due to a land dispute and the matter was in Court.

Further, the contract sum of Kshs.91,886,920 exceeded the allowance limit of Kshs.45,000,000 allowed for the construction of the Governor's house as contained in Salaries and Remuneration Commission Circular Ref no: SRC/TS/COG/6/61/48 VOL. II (64).

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

689. Delayed Construction of the Deputy Governor's House

Review of records revealed that the County Executive entered into a contract agreement with a local firm on 19 May, 2023 for the construction of the Deputy Governor's residence at a cost of Kshs.62,148,910 for a contract period of thirty-six (36) weeks. However, it was observed that the contract sum of Kshs.62,148,910 exceeded the allowable limit of Kshs.40,000,000 as guided by the Salaries and Remuneration Commission. Further, review of the project records revealed the following anomalies:

(i) The agreed contract period was thirty-six (36) weeks from the date of site handing over and later, the contract completion date was extended from 17 May, 2024 to 17 November, 2024. The performance security bond expired on 18 May, 2024 and was renewed on 8 October, 2024 indicating that the contractor operated for five (5) months without an active performance bond.

(ii) Kshs.44,666,470 or 72% of the total contract sum which included an amount of Kshs.20,000,000 paid in the current year through Interim Payment Certificate No.3 and No.4.

(iii) Physical verification conducted in the month of May, 2025 revealed that substructure and superstructure had been completed and finishes which included doors, mechanical works, electrical and plastering were in progress at various stages.

(iv) The title deed for the land was not provided for audit verification.

In the circumstances, value for money for the expenditure of Kshs.44,666,470 paid to the contractor for the project could not be confirmed.

690. Delayed Completion of Upgrade of Stadium

Review of expenditure records revealed that the County Executive entered into a contract agreement with a local firm for Upgrading of 64 Stadium in the City of Eldoret at a contract sum of Kshs.1,163,563,926 with the contractor having been paid a sum of Kshs.699,571,028 or 60% of the contract sum up to the period ending 30 June, 2024.

The contract commenced on 12 May, 2021 with an estimated completion date of 9 August, 2022. As at the time of audit, three (3) extensions had so far been made with the latest granted up to 8 December, 2025. During the year, the contractor was paid a total amount of Kshs.40,789,500 on 8 April, 2025 as part payment of Interim Payment Certificate (IPC) No.6. amount of Kshs.120,697,044 with the total measured works so far being valued at Kshs.820,268,072. Review of the project documents however, revealed the following anomalies:

(i) The then Municipal Manager was appointed in the Project Implementation Team (PIT) to monitor the project performance. However, there were no reports to indicate that the team was effective and discharged its mandate.

(ii) The performance bond expired on 1 April, 2025 and no renewal was done.

(iii) Review of the payment documents and Payment Certificate No.6 dated 25 January, 2024 revealed that variation in price and works amounting to Kshs.363,397,474 had been fully paid for. However, there was no evidence that the variation of price and works was approved by an Evaluation Committee before submission, through the Head of Procurement Function, to the Accounting Officer for approval, as required by Regulation 132(2)(b) of Public Procurement and Asset Disposal Regulations, 2020.

(iv) The extra works/variations were made without budgetary allocation. This was contrary to Regulation 50 of the Public Finance Management (County Governments) Regulations, 2015. Further, Management did not explain the circumstances under which some-contracted works were omitted at the execution stage.

(v) Review of the payment certificates and measurement sheets revealed tendered items provided for in the submitted priced Bills of Quantities and bonded by the Contract Agreement amounting to Kshs.513,649,505 were not executed. This implied that the contract price amounted to Kshs.1,333,917,577 but there was no revised Bills of Quantities and addendum to the contract agreement in place to effect the changes.

(vi) IPC No. 6 indicated total measured works amounting to Kshs.820,268,072 which includes materials on site of Kshs.9,207,700 whose inclusion in the payment certificate is not clear. This was contrary to Clause 21.1 of the tender document which states that contractor will be paid for the quantity of work done at the rate in the Bills of Quantities for each item.

(vii) Physical verification carried out in the month of October, 2025 revealed that the contractor was not on site and there was no activity going.

(viii) No documentary evidence was provided to indicate plans by Management to ensure completion of the project.

(ix) The contractor's ability to complete the project in good time is doubtful and it is not clear if any formal notices had been issued as provided for under Clause 18 of the tender document.

(x) There is no evidence to show that Management had claimed any liquidated damages for the delay from the contractor as per the terms of the contract.

(xi) The works done were also deteriorating due to weather conditions.

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

691. Delayed Completion of Chagaiya High Altitude Training Camp

Review of expenditure records relating to work-in-progress revealed that Management entered into a contract agreement with a local firm on 28 April, 2023 for the construction of Chagaiya High Altitude Training Camp at a contract sum of Kshs.117,139,770. The contract commencement date was 2 May, 2023 with estimated completion date of 28 April, 2024. A one-year contract extension was granted on 25 March, 2024 by the Tender Evaluation Team to 29 April, 2025. However, no justification was provided for the extension of the contract period.

Review of Interim Payment Certificate No.1 revealed the certified works to date amounted to Kshs.38,427,169 out of which an amount of Kshs.29,000,000 was paid in the previous year and the remaining balance of Kshs.9,427,169 paid in February, 2025 as full settlement of IPC 1.

Further review of the project documents revealed the following: -

(i) An environmental impact assessment was not done before commencement of the project on waste management as required by Section 58 of the Environmental Management and Coordination Act, 1999 (Amended 2015) and Regulation 10 of the Environmental (Impact Assessment and Audit) Regulations, 2003.

(ii) There was no evidence of the existence of a contract implementation team appointed by the Accounting Officer to oversee the implementation of the project.

(iii) The paid Interim Payment Certificate No. 1 dated 14 August, 2023 amounting to Kshs.38,427,169 was not supported by actual measured works.

(iv) The performance bond expired on 24 April, 2025 and was not renewed.

(v) The project was at 32% completion stage and the contractor was not on site but there was no documentary evidence of requisition and approval of extension of the contract period.

(vi) There was no documentary evidence to show ownership of the land where the project is being constructed.

(vii) No document was provided to show plans by Management to ensure completion of project.

(viii) There was no evidence to show that Management had claimed any liquidated damages for the delay from the contractor as per the terms of the contract.

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

692. Irregularities in the Construction of Nabkoi-Cherber Water Project

Review of expenditure records relating to work-in-progress revealed that the County Government entered into a contract agreement with a local firm on 22 May, 2024 for construction of water infrastructure at Nabkoi-Cherber and Nabkoi – Burnt Forest Water project at a contract sum of Kshs.62,565,548. The contract period was thirty-six (36) weeks, with a commencement date of 22 May, 2024 and expected completion date of 23 January, 2025. During the year, an amount of Kshs.62,565,548 was paid to the contractor in respect of Interim Payment Certificates (IPC) Nos.1 and 2.

However, review of the payment records and project records revealed the following unsatisfactory matters;

(i) An environmental impact assessment was not done before commencement of the project as required by Section 58 of the Environmental Management and Coordination Act, 1999 (Amended 2015) and Regulations 10 of the Environmental (Impact Assessment and Audit) Regulations, 2003.

(ii) Provisional sum amounting to Kshs.10,585,547 was made in the Bills of Quantities to allow for various works. However, utilization of the amount was not supported with detailed schedules of payment and other supporting documents including fully approved payment vouchers justifying the payments. Further, there was no evidence confirming that the utilization of provisional sum was requested and approved by Tender Evaluation Committee as required by Section 139(2)(e) of Public Procurement and Asset Disposal Act, 2015.

(iii) Bill No 1.6 and 1.7 was for the supply of two (2) laptops and supply of two (2) office chairs totalling Kshs.900,000 and Kshs.300,000 respectively. However, the inclusion of these items in the BQ's and not in the Departmental budget thereby increasing the project cost was not justified.

(iv) Bill No.6 on repairs on Nabkoi – Kondoo - Burnt Forest water pipeline amounting to Kshs.13,469,500 had not been supported by an inspection report confirming the repairs and six hundred (600) units of water meters purchased under this component had not been installed.

(v) The works executed were not supported with testing reports to include pipeline hydrostatic testing to confirm the pipeline works done.

In the circumstances, the value for money may not have been fully realized on the expenditure of Kshs.62,565,548 incurred.

693. Irregularities in Construction of Ziwa Machine Water Project

Review of expenditure records relating to Work-in-progress revealed that the County Executive entered into a contract agreement with a local firm for the construction of Ziwa Machine Water Project at a contract sum of Kshs.28,943,180. The contract period was thirty-six (36) weeks, with a commencement date of 22 May, 2024 and expected completion date of 23 January, 2025. During the year, an amount of Kshs.10,487,763 was paid to the contractor on 27 January, 2025 being Interim Payment Certificate (IPC) No.2.

However, review of the payment records and project documents revealed the following irregularities:

(i) The contractor had been paid the total contract sum of Kshs.28,943,180 through first (1) and second (2) payment certificates dated 12 June, 2024 and 24 October, 2024 respectively. However, actual work measurement was not provided to support the payments.

(ii) Provisional sum amounting to Kshs.3,337,880 was made in the BQs to allow various works towards the water project. However, utilization of the amount was not supported with payment vouchers and other supporting documents and quantifications verified and approved providing justification for the payments. There was no documented evidence confirming that the utilization of provisional sum was requested and approved by the Tender Evaluation

Committee as required by Section 139(2)(e) of Public Procurement and Asset Disposal Act, 2015.

(iii) Bill No 1.4 and 1.5 was for supply of office furniture and supply of office chairs totalling Kshs.130,000 and Kshs.140,000 respectively. However, the inclusion of the items in the water project was not justified and it was not clear why they were not budgeted for in the departmental budget. Further, the procurement process of the items could not be confirmed.

(iv) The works executed were not supported with testing reports to include pipeline hydrostatic testing to confirm the pipeline works done.

In the circumstances, value for money of the expenditure on the project amounting to Kshs.28,943,180 could not be confirmed.

694. Irregularities in the Construction of Bombo Water Project

Review of expenditure records relating to Work-in-progress revealed that the County Executive entered into a contract agreement with a local firm for construction of water infrastructure at Bombo Forest Water Project at a contract sum of Kshs.18,306,705. The contract period was twenty-four (24) weeks, with a commencement date of 22 May, 2024 and expected completion date of 7 December, 2024. During the year under review, an amount of Kshs.10,522,212 was paid to the contractor on 27 January, 2025 IPC No.2.

However, review of the payment records and project file revealed the following observations: -

(i) Provisional sums amounting to Kshs.3,601,703 were made in the BQs to allow various works towards the water project. However, utilization of the amount was not supported with detailed payment vouchers duly approved and other supporting documents justifying the payment. Further, there was no documented evidence to confirm that the utilization of provisional sum was requested and approved by tender evaluation committee as required by Section 139(2)(e) of Public Procurement and Asset Disposal Act, 2015.

(ii) Bill No 1.5, 1.6, and 1.7 was for supply of office furniture, laptops and office chairs at amounts of Kshs.80,000, Kshs.400,000 and Kshs.150,000 respectively. However, the inclusion of these items in the project BQs was not justified and increases the project cost. It is not also clear why these items were not budgeted for and procured competitively by the Department.

(iii) The works executed were not supported with testing reports to include pipeline hydrostatic testing to confirm the pipeline works done.

In the circumstances, the value for money of the expenditure on the project amounting to Kshs.25,156,000 could not be confirmed.

695. Irregularities in the Construction of Meibeki Gravity Water Project

Review of expenditure records relating to work-in-progress revealed that the County Executive entered into a contract agreement with a local firm for the construction of water infrastructure at Meibeki Gravity Water Project at a contract sum of Kshs.61,187,150. The contract period was thirty-six (36) weeks, with a commencement date of 22 May, 2024 and expected completion date of 13 January, 2025. During the year, an amount of Kshs.25,156,000 was paid to the contractor through payment voucher No.100515470 dated 14 March, 2025 being IPC No.1.

Review of the payment records and project file revealed the following issues:

(i) Provisional sum amounting to Kshs.5,922,150 was made in the BQs to allow various works towards the water project. However, utilization of the amount was not supported with duly approved payment vouchers or priced and quantified items giving detailed breakdown of expenditure as justification for the payment. There was no evidence documented to confirm that the utilization of provisional sum was requested and approved by the Tender Evaluation Committee as required by Section 139(2)(e) of Public Procurement and Asset Disposal Act, 2015.

(ii) Bill No 1.5 relates to supply of two (2) laptops. but the function of the items in the water project had not been justified.

(iii) Bill No 1.6 covers the provision and maintenance of various survey equipment of Kshs.5,000,000 but the function and inclusion of the equipment in a water project had not been justified. Further, there was no evidence to show delivery of the equipment.

(iv) The works executed were not supported with testing reports such as pipeline hydrostatic testing to confirm the quality and integrity of the pipeline works done.

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

696. Anomalies in Maintenance of Roads within the County

The statement of financial performance reflects use of goods and services expenses totalling Kshs.3,589,591,311 which as disclosed in Note 10 to the financial statements includes expenditure of Kshs.862,248,105 in respect of routine maintenance of other assets. The County Executive through the Department of Roads, Transport and Public Works engaged various contractors for roads maintenance works within the County through hiring of selected equipment. However, review of records for sixteen (16) sampled roads with expenditure totalling Kshs.51,513,124 revealed the following shortcomings:

(i) The County Executive had not formulated a policy on transport to guide on the equipment hire services.

(ii) There were no need assessment reports showing the equipment required for every road works for each of the roads.

(iii) Detailed scope of work to be carried out in each of the roads and their estimated cost or work plan was not provided for audit review.

(iv) There was no information indicating the number of kilometers done. Instead, the supporting documents only indicated the specific roads done and not the length or kilometers repaired.

(v) There were no daily machine utilization sheets showing the daily machine hours worked and the out-put achieved.

(vi) There was no evidence of performance monitoring of the service provider including daily machine utilization sheets signed by the plant operators and the road inspector to ensure that all delivery or performance obligations were met as required by Section 151(2) (a) of the Public Procurement and Asset Disposal Act, 2015.

(vii) There was no evidence to show that cost benefit analysis between hiring of equipment and fully contracting for road works was done.

(viii) The breakdown of the payment had a component for fuel, however, work tickets were not provided to confirm consumption.

(ix) Records of all County machineries and the planned and actual roads work performed by the Department through force account (in house) including scope of works planned and achieved were not provided for audit verification to confirm that the equipment did not do similar works contracted.

(x) The Department of Roads did not maintain an inventory of public roads under the County Executive specifying the roads, their names and length by surface or kilometer (Km) and their conditions including any records of works done on the roads.

Further, analysis of tender documents of the sampled successful bidders revealed that they all leased equipment from the Mechanical and Transport Fund (MTF) - Ministry of Transport and Infrastructure – Eldoret Office. However, it is not clear why Management could not procure the services directly from the Mechanical and Transport Fund (MTF) whose hire rates are more cost effective.

In the circumstances, value for money for hire of the equipment at a cost of Kshs.51,513,124 could not be confirmed.

697. Anomalies in the Construction of Jackson Mandago Special Needs Assessment and Training Centre Chebolol (Phase I)

The statement of financial position reflects property, plant and equipment balance of Kshs.2,093,130,709 which as disclosed in Note 26 to the financial statements includes work-in-progress balance of Kshs.1,968,122,237. Review of expenditure records relating

to work-in-progress revealed that the County Executive entered into a contract agreement on 29 June, 2022 with a local firm for the construction of Jackson Mandago Special Needs Assessment and Training Centre at Chebolol at a contract sum of Kshs.172,814,642. The contract was to take seventy-eight weeks (78) weeks and the commencement date was 29 June, 2022 with estimated completion date of 29 December, 2023.

Review of interim payment certificates Nos. 1 and No. 2 revealed that the contractor had been paid an accumulated amount of Kshs.24,108,044. In the current year, an amount of Kshs.13,692,234 was paid to the contractor in January, 2025. However, review of the project documents revealed the following anomalies: -

(i) The project is a National Government function as per the Fourth Schedule of the Constitution of Kenya and for the County Executive to have undertaken this function, an intergovernmental agreement to transfer the function in accordance Article 187 of the Constitution should have been entered into by the two (2) levels of Government which was not done.

(ii) There was no evidence of the existence of a contract implementation team appointed by the Accounting Officer to oversee the implementation of the project.

(iii) The performance bond expired on 23 June, 2024 and had not been renewed.

(iv) Review of the progress report dated 15 May, 2025 revealed that the project was at 13% completion level.

(v) There was no documentary evidence to support ownership of the land. According to the project progress report dated 15 May, 2025, there was land boundary dispute with a neighbour. However, no evidence was provided to indicate measures taken to solve the boundary dispute.

(vi) The project was still incomplete as at June, 2025 and there was no evidence of requisition and approval of extension of the contract period which had elapsed. Management indicated that the project stalled due to lack of funding and also delay in identification and placement of land beacons since a section of the boundary was being disputed by a neighbor. Further, a proper funding arrangement for the completion of the project was not in place.

(vii) The contractor wrote two (2) notices for termination of contract citing delayed payment of Interim Payment Certificate No. 2 on 8 August, 2023, the County Attorney approved the termination but Management did not issue the termination letter. On 12 September, 2024, the contractor through his Advocate, submitted a demand for contractual claim amounting to Kshs.77,285,776.

In the circumstances, Management was in breach of the law and the County Executive may not get value for money on the expenditure of Kshs.24,108,044 spent on the project.

698. Anomalies in Construction of Koisaga - Kapsabul Bridge in Segero - Barsombe Ward

Review of expenditure records relating to work-in-progress revealed that the County Executive entered into a contract agreement on 15 May, 2023 with a local firm for the

construction of Koisagat-Kapsabul Bridge at a contract sum of Kshs.36,009,416. The contract was to take one hundred and eighty (180) days commencing 15 May, 2023 with expected completion date of 16 November, 2023.

Review of the project file revealed that the contractor had been paid the full contract sum of Kshs.36,009,416 with an amount of Kshs.24,597,927 (IPC No 2) which included retention money being paid to the contractor in the current year. However, review of the project documents revealed the following observations: -

698.1. Failure to Conduct Environmental Impact Assessment

An Environmental Impact Assessment was not done before commencement of the project on waste management as required by Section 58 of the Environmental Management and Coordination Act, 1999 (Amended 2015) and Regulation 10 of the Environmental (Impact Assessment and Audit) Regulations, 2003.

698.2. Irregular Variation of Works Specified in the Contract

Review of the payment documents and payment certificate No.2 dated 28 February, 2024 revealed a variation in price and works amounting to Kshs.10,925,760 which had been paid in full. However, there was no evidence that the variation of price and works was approved by an Evaluation Committee before submission through the Head of a Procurement Function, to the Accounting Officer for approval, as required by Regulation 132(2)(b) of Public Procurement and Asset Disposal Regulations, 2020.

698.3. Unaccounted for Provisional Sums

Review of payment vouchers revealed that provisional sums amounting to Kshs.1,030,000 were made in the Bills of Quantities and certified for payment in the IPC No.2. However, expenditure for the provisional sum were not supported with detailed schedules of payments and other supporting documents.

Further, there was no documented evidence to confirm that the utilization of provisional sum was requested and approved by the Tender Evaluation Committee as required by Section 139(2) of the Public Procurement and Asset Disposal Act, 2015.

698.4. Incomplete Works

Review of the payment certificate and measurement sheet revealed that tendered items provided for in the submitted priced Bills of Quantities and binding as per the contract agreement amounting to Kshs.10,695,664 was not fully executed yet the contractor was fully paid and the retention money released. In addition, the payment was not supported by the completion certificate.

In the circumstances, the value for money for the expenditure incurred on the project totalling Kshs.39,009,416 could not be confirmed.

699. Stalled Implementation of Health Projects

Physical inspection of projects carried out in the month of June, 2025 and review of project progress reports revealed that five (5) projects awarded at a total contract sum of Kshs.2,476,403,248 with amounts paid to date of Kshs.1,036,115,802 had stalled.

In the circumstances, value for money for the expenditure of Kshs.1,036,115,802 incurred on the projects could not be confirmed.

700. Lack of Land Ownership Documentation for Level 4 Health Facilities

Review of land ownership documents for Level 4 health facilities revealed that five (5) health facilities are constructed on parcels of land for which the County Executive did not provide valid ownership documents, such as title deeds or allotment letters as detailed below;

(i) Turbo Sub- County Hospital had no title deed or lease documentation.

(ii) Huruma Sub-County Hospital had no title deed or lease documentation. EMC block 15/326, 15/328 & 15/329 should have been amalgamated to 15/327 in the year 2009. However, the plot amalgamation had not been done.

(iii) Mama Rachel Ruto Maternity Hospital had no title deed or lease documentation.

(iv) Burnt Forest Sub - County Hospital: The facility has an allotment letter but had no title deed processed for amalgamation of the plots Nos. (80,81,84,85,86,87,88,89,90,91 and 92-98).

(v) Uasin Gishu Sub-County Hospital had the title deed provided; however, the map sheet was not provided.

In the circumstances, ownership of the land on which the Hospitals are built on could not be confirmed.

701. Delayed Supply of Drugs from Kenya Medical Supplies Authority

The statement of financial performance reflects use of goods and services expenses of Kshs.3,589,591,311 which as disclosed in Note 10 to the financial statements includes an expenditure of Kshs.558,894,776 in respect of specialized materials and services. Review of expenditure records relating to specialized materials and services revealed that Kenya Medical Supplies Authority (KEMSA) was paid an amount of Kshs.55,526,111 in the month of January, 2025 for supply of drugs. Out of this expenditure, amount of Kshs.12,161,406 related to back-orders.

The orders temporarily out of stock (back orders) were delayed and were not received in time as per the requisitions. Further, it was not clear whether the deliveries were made, alternatives had been obtained or the drugs were still needed.

In the circumstances, value for money for the expenditure valued at Kshs.12,161,406 could not be confirmed.

702. Unsupported Supply and Delivery of Lighting Equipment

The statement of financial performance reflects other grants and subsidies expenses of Kshs.406,321,284 which as disclosed in Note 13 to the financial statements includes

other capital grants and payments amounting to Kshs.295,852,806. Included in this expenditure is a payment of Kshs.44,500,000 made to a company for the supply and delivery of materials and accessories for the installation of six (6) low-cost high mast and sixty (60) units of streetlighting networks at a contract sum of Kshs.47,998,000. However, review of documents in support of the expenditure revealed the following anomalies: -

(i) Lack of stores records to confirm that the items were taken on charge and/or delivered.

(ii) Lack of pre-inspection reports from the Public Works Department justifying the need for items as supported by BQs and also highlighting the specific locations for the final installations.

(iii) Job cards for the works done were not provided for audit review.

(iv) Lack of post inspection report to certify the works done.

In the circumstances, value for money from the purchase and supply of the lighting equipment costing Kshs.44,500,000 could not be confirmed.

703. Delayed Implementation of Projects

Audit inspection was undertaken in the Month of September, 2025 for the sampled projects which were implemented at a total cost of Kshs.1,856,784,189 with amounts paid to date of Kshs.499,737,974. No explanation was given for failure to complete the seven (7) projects on time.

In the circumstances, value for money on the expenditure of Kshs.499,737,974 so far incurred on the project could not be confirmed.

704. Long Outstanding Trade Payables Balance

The trade and other payables balance of Kshs.1,438,182,484 included long outstanding payables amounting to Kshs.436,741,152 from financial years 2019/2020 to 2023/2024, for which no explanation was provided regarding non-payment as required by Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015.

Further, the County Executive did not maintain updated creditors movement ledgers or schedules showing opening balances, payments during the year, additions, and closing balances.

In addition, expenditure totalling Kshs.424,898,249 was committed in June, 2025, without the approval of the Accounting Officer. This was contrary to Regulation 50(1) of the same Regulations, which stipulates those commitments for goods and services should be made not later than 31 May each year unless expressly approved in writing by the Accounting Officer.

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

705. Incomplete Integrated Revenue Management System

Management paid an amount of Kshs.14,340,000 to a local firm in respect of supply and delivery, installation testing and commissioning of Integrated Revenue Management System (IRMS) which brings the total payments to date to Kshs.43,020,000 or 90% of the contract sum of Kshs.47,800,000. According to the original contract agreement, scheduled payments were to be made where 30% was to be paid upon submission and acceptance of inception report, 30% on submission and acceptance of implementation report with at least twelve (12) system modules implemented and 40% upon submission and acceptance of final report having implemented all the system modules in the terms of reference. However, the payment was not supported with terms of reference progress reports. Further, physical verification done on the System revealed that eighteen (18) modules had been completed, four (4) modules partially completed and two (2) modules had not been done completely. In addition, the performance security bond provided from a microfinance bank expired on 26 May, 2025 and there was no evidence that it had been renewed.

In the circumstances, value for money on Integrated Revenue Management System expenditure totalling Kshs.43,020,000 could not be confirmed.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

706. Failure to Maintain an Updated Imprest Register

Review of the imprest registers for different departments revealed instances where the imprest register was not updated. It was observed that details relating to date of surrender were not recorded in the imprest register. It was therefore not possible to confirm that surrender of imprests was done within seven (7) working days after returning to duty station as required by Regulation 93(5) of the Public Finance Management (County Governments) Regulation, 2015.

In the circumstances, control of issuance and surrender of imprest could not be confirmed.

707. Understaffed Legal Department

Review of records revealed that the County Executive had an established Office of the County Attorney which is tasked with representing the County Executive in Court or any other legal matters. Review of the County Government Staff Establishment revealed that the authorized staff establishment for Legal Department was forty-two (42) staff out of which only eleven (11) posts had been filled resulting to a deficit of thirty (30) staff. This however, impacts negatively on service delivery of the legal department and contributes to County Executive incurring heavy legal costs through outsourcing of legal services.

Further, physical case files in the registry were kept in manual format and there was no electronic copy or back up of the files, or fireproof cabinets to protect the files from fire or

any other damages. Therefore, the office was at risk of loss of files and vital County information.

In the circumstances, the effectiveness and efficiency of operations in the Legal Department could not be confirmed.

708. Inadequate Composition of Audit Committee

Review of the governance structure revealed that there were five (5) appointed members of the Audit Committee out of whom one (1) member declined the appointment and another member stepped down after being appointed to act as the Secretary to the County Public Service Board (CPSB) in the year 2022. As at the time of audit, the Audit Committee Members were three (3) in number which was below the threshold as stipulated in the Gazette Notice No.40 which states that the County Executive shall competitively source for four (4) members of its Audit Committee from suitably qualified persons, one of whom shall be the Chair.

In addition, it was observed that the Audit Committee Members were all Certified Public Accountants (K) and had master's degree in Finance and Business Administration. However, diversity of skills was not considered in the appointment of the Audit Committee Members and there was no nominated senior officer by the County Governor during the year. This was contrary to requirement by Section 4.2.1.5. of the Gazette Notice Vol. CXVILTI— No.40 on Audit Committee Guidelines for County Governments dated 15 April, 2016 which states that the County Governor shall nominate one senior officer to sit in the Audit Committee.

In the circumstances, the effectiveness of the Audit Committee as constituted could not be confirmed.

709. Ineffective Internal Audit Function

Review of the Internal Audit Annual Work Plan revealed that the Audit Committee approved the plan on 22 April, 2024, three (3) months after the required timeline that the work plan ought to have been submitted to the Audit Committee for approval. This was contrary to Regulation 163(1)(a) of Public Finance Management (County Governments) Regulations, 2015. Further, minutes of Audit Committee for quarter three of the financial year were not provided for review.

In addition, the Internal Audit Function had limited access/rights to Information Technology (IT) Systems including IFMIS, IPPD Payroll and Revenue system operated by the County Executive and therefore, could not audit the systems efficiently and no audit reports covering these areas were provided.

Further, review of Internal Audit Department staffing level revealed that there were only six (6) staff in place discharging the Internal Audit Function. Review of the August, 2023 authorized staff establishment revealed an approved staffing of thirty (30) leading to a shortage of twenty-four (24) staff.

In the circumstances, operational effectiveness of internal audit department could not be confirmed.