PARLIAMENT OF KENYA LIBRARY

Rt. Hon. Speaker
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J. M. Nyegenye, C.B.S.,
Clerk of the senate/ secretary, PSC
Date: 26/03/26

THE SENATE
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P.O. Box 41842-00100 NAIROBI

INTERNAL MEMO

TO: The Clerk of the Senate/Secretary, PSC

THRO': The Deputy Clerk (E.G.)
Forwarded and recommended for approval for tabling. 26/3/2026

THRO': Director, Governance and Accountability Committees
for: Forwarded for your consideration & Approval 26/3/2026

THRO': DDGAC/HoD, Accountability and other Select Committees
Forwarded for your consideration & Approval 26/3/2026

FROM: Principal Clerk Assistant II

DATE: 26th March, 2026

RE: REPORTS OF THE COUNTY PUBLIC ACCOUNTS COMMITTEE FOR PROCESSING AND TABLING

The Committee vide an appearance schedule published in the newspapers on Thursday, 8th January 2026 invited County entities to meetings scheduled to take place in the months of January, February and March 2026.

Considering the constitutional timelines for consideration of the Reports of the Auditor General, the Committee has considered and adopted Reports for the following sixteen (16) County Executives- Vihiga, Kitui, Bungoma, Embu, Nyandarua, Mandera, Laikipia, Kwale, Meru, Bomet, West Pokot, Nyeri, Trans Nzoia, Elgeyo Marakwet, Narok and Machakos.

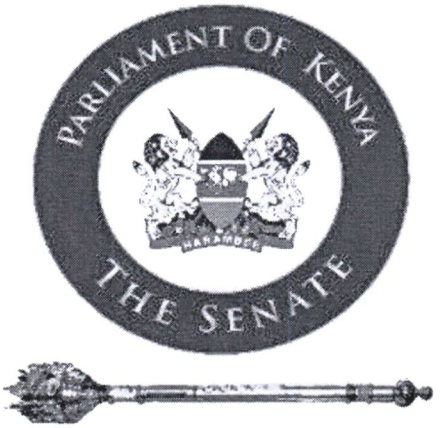
This is therefore to request for processing and approval for tabling of the above reports.

GEORGE OTIENO.

26-3-26
APPROVED
RT. HON. SEN
ANASON J. KINGI

THE SENATE
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26 MAR 2026
SPEAKER'S OFFICE

PAPERS LAID
DATE 26/3/2026
TABLED BY Vice-Chair
COMMITTEE
CLERK AT THE TABLE





THIRTEENTH PARLIAMENT -FIFTH SESSION

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE CONSIDERATION OF THE REPORTS OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE FOLLOWING COUNTY EXECUTIVES:

COUNTY EXECUTIVE	FINANCIAL YEAR
VIHIGA COUNTY EXECUTIVE	2024/2025
KITUI COUNTY EXECUTIVE	2024/2025
BUNGOMA COUNTY EXECUTIVE	2024/2025
EMBU COUNTY EXECUTIVE	2024/2025
NYANDARUA COUNTY EXECUTIVE	2024/2025
MANDERA COUNTY EXECUTIVE	2024/2025
LAIKIPIA COUNTY EXECUTIVE	2024/2025
KWALE COUNTY EXECUTIVE	2024/2025
MERU COUNTY EXECUTIVE	2024/2025
BOMET COUNTY EXECUTIVE	2024/2025
WEST POKOT COUNTY EXECUTIVE	2024/2025
NYERI COUNTY EXECUTIVE	2024/2025
TRANS NZOIA COUNTY EXECUTIVE	2024/2025
ELGEYO MARAKWET COUNTY EXECUTIVE	2024/2025
NAROK COUNTY EXECUTIVE	2024/2025
MACHAKOS COUNTY EXECUTIVE	2024/2025

VOLUME 1

THE SENATE
PARLIAMENT BUILDINGS
NAIROBI



MARCH, 2026

THE SENATE

THIRTEENTH PARLIAMENT - FIFTH SESSION

ADOPTION OF THE REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE CONSIDERATION OF THE REPORTS OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS, RECEIVER OF REVENUE AND COUNTY REVENUE FUND OF VIHIGA, KITUI, BUNGOMA, EMBU, MANDERA, NAROK, NYANDARUA, ELGEYO MARKWET, BOMET, KWALE, LAIKIPIA, WEST POKOT, NYERI, TRANS NZOIA, MACHAKOS AND MERU COUNTY EXECUTIVES FOR THE FINANCIAL YEAR 2024/2025.

Adopted by:

1. Sen. Kajwang' Moses Otieno, CBS, MP – Chairperson
2. Sen. Johnes Mwashushe Mwaruma, MP - Vice-Chairperson
3. Sen. Adan Dullo Fatuma, CBS, MP – Member
4. Sen. Okong'o Mogeni, CBS, SC, MP – Member
5. Sen. (Dr.) Lelegwe Ltumbesi, CBS, MP-Member
6. Sen. Enock Kiio Wambua, CBS, MP – Member
7. Sen. Cherarkey Samson Kiprotich, MP – Member
8. Sen. Sifuna Edwin Watenya, MP – Member
9. Sen. Mwenda Gataya Mo Fire, MP – Member

Date.....



TABLE OF CONTENTS

Contents

DEFINITION OF TERMS 7

PREFACE 8

GENERAL OBSERVATIONS AND RECOMMENDATIONS 14

INTRODUCTION 25

Legal Framework 25

ACKNOWLEDGEMENTS 26

CHAPTER ONE 27

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF VIHIGA COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2024/2025. 27

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF VIHIGA COUNTY REVENUE FUND FOR THE FINANCIAL YEAR 2024/2025 80

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF VIHIGA COUNTY RECEIVER OF REVENUE FOR THE FINANCIAL YEAR 2024/2025 ... 86

CHAPTER TWO 98

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF NYERI COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2024/2025 98

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF NYERI COUNTY REVENUE FUND FOR THE FINANCIAL YEAR 2024/2025 134

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF NYERI COUNTY RECEIVER OF REVENUE FOR THE FINANCIAL YEAR 2024/2025.... 136

CHAPTER THREE 151

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF MANDERA COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2024/2025 151

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF MANDERA COUNTY REVENUE FUND FOR THE FINANCIAL YEAR 2024/2025 188

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF MANDERA COUNTY RECEIVER OF REVENUE FOR THE FINANCIAL YEAR 2024/2025190

CHAPTER FOUR 201

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF KITUI COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2024/2025. 201

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF KITUI COUNTY REVENUE FUND FOR THE FINANCIAL YEAR 2024/2025 267

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT RECEIVER OF REVENUE OF KITUI FOR THE FINANCIAL YEAR 2024/2025 271

CHAPTER FIVE 279

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF COUNTY EXECUTIVE OF WEST POKOT FOR THE FINANCIAL YEAR 2024/2025. 279

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF WEST POKOT COUNTY RECEIVER OF REVENUE FOR THE FINANCIAL YEAR 2024/2025 325

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF WEST POKOT COUNTY REVENUE FUND FOR THE FINANCIAL YEAR 2024/2025 339

CHAPTER SIX 343

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF COUNTY EXECUTIVE OF KWALE FOR THE FINANCIAL YEAR 2024/2025 343

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF KWALE COUNTY REVENUE FUND FOR THE FINANCIAL YEAR 2024/2025 389

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF KWALE COUNTY REVENUE FUND FOR THE FINANCIAL YEAR 2024/2025 395

CHAPTER SEVEN 431

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF COUNTY EXECUTIVE OF ELGEYO MARAKWET FOR THE FINANCIAL YEAR 2024/2025 431

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF ELGEYO MARAKWET COUNTY REVENUE FUND FOR THE FINANCIAL YEAR 2024/2025 520

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF ELGEYO MARAKWET COUNTY RECEIVER OF REVENUE FOR THE FINANCIAL YEAR 2024/2025 532

CHAPTER EIGHT 544

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF THE COUNTY EXECUTIVE OF TRANS NZOIA FOR THE YEAR ENDED 30 JUNE, 2025 544

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF TRANS NZOIA COUNTY REVENUE FUND FOR THE FINANCIAL YEAR 2024/2025 574

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF TRANS NZOIA COUNTY RECEIVER OF REVENUE FOR THE FINANCIAL YEAR 2024/2025 577

CHAPTER NINE 585



REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF COUNTY EXECUTIVE OF BOMET FOR THE FINANCIAL YEAR 2024/2025 585

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF BOMET COUNTY RECEIVER OF REVENUE FOR THE FINANCIAL YEAR 2024/2025 . 643

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF BOMET COUNTY REVENUE FUND FOR THE FINANCIAL YEAR 2024/2025 659

CHAPTER TEN 662

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF COUNTY EXECUTIVE OF NAROK FOR THE FINANCIAL YEAR 2024/2025. 662

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF NAROK COUNTY RECEIVER OF REVENUE FOR THE FINANCIAL YEAR 2024/2025 . 709

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF NAROK COUNTY REVENUE FUND FOR THE FINANCIAL YEAR 2024/2025 743

CHAPTER ELEVEN 745

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENT OF COUNTY EXECUTIVE MERU FOR THE FINANCIAL YEAR 2024/2025 745

CHAPTER TWELVE 788

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF COUNTY EXECUTIVE OF EMBU FOR THE FINANCIAL YEAR 2024/25. 788

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF EMBU COUNTY REVENUE FUND FOR THE FINANCIAL YEAR 2024/2025 829

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF EMBU COUNTY RECEIVER OF REVENUE FOR THE FINANCIAL YEAR 2024/2025 835

CHAPTER THIRTEENTH 850

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF BUNGOMA COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2024/25. 850

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF BUNGOMA COUNTY REVENUE FUND FOR THE FINANCIAL YEAR 2024/2025 905

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF BUNGOMA COUNTY RECEIVER OF REVENUE FOR THE FINANCIAL YEAR 2024/2025909

CHAPTER FOURTEEN 926

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF LAIKIPIA COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2024/2025 926

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF LAIKIPIA COUNTY RECEIVER OF REVENUE FOR THE FINANCIAL YEAR 2024/2025971

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF LAIKIPIA COUNTY REVENUE FUND FOR THE FINANCIAL YEAR 2024/2025 988

CHAPTER FIFTEEN..... 994

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF MACHAKOS COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2024/2025. 994

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF MACHAKOS COUNTY RECEIVER OF REVENUE FOR THE FINANCIAL YEAR 2024/2025 1011

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF MACHAKOS COUNTY REVENUE FUND FOR THE FINANCIAL YEAR 2024/2025..... 1015

CHAPTER SIXTEEN 1017

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF NYANDARUA COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2024/2025. 1017

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF NYANDARUA COUNTY REVENUE FUND FOR THE FINANCIAL YEAR 2024/2025..... 1070

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF NYANDARUA COUNTY RECEIVER OF REVENUE FOR THE FINANCIAL YEAR 2024/2025 1082



ACRONYMS/ABBREVIATIONS

BQs - Bill of Quantities
CALC - County Assets and Liabilities Committee
CARA - County Allocation of Revenue Act
CECM - County Executive Committee Member
CPSB - County Public Service Board
CRF - County Revenue Fund
EACC - Ethics and Anti-Corruption Commission
ECDE - Early Childhood Development Education
EGH - Elder of the Order of the Golden Heart
ICT - Information, Communication Technology
IFMIS - Integrated Financial Management System
IGTRC - Intergovernmental Relations Technical Committee
IPPD - Integrated Payroll and Personnel Database
KRA - Kenya Revenue Authority
KUSP - Kenya Urban Support Project
LPOs - Local Purchase Orders
LSOs - Local Supply Orders
MCAs - Members of County Assembly
MP - Member of Parliament
SHA - Social Health Authority
OAG - Office of the Auditor General
PAYE - Pay-As -You Earn
PFM - Public Finance Management
PAA- Public Audit Act
PPADA- Public Procurement and Assets Disposal Act
PSASB - Public Sector Accounting Standards Board
TNA - Training Needs Assessment
TVET - Technical and Vocational Education Training

DEFINITION OF TERMS

Disclaimer

A disclaimer is when the auditor is unable to fully review an entity's documentation because there is a substantial amount of information that is missing. The absence of information makes it hard and difficult for the Auditor General to make an opinion. In other words, the auditor feels unable to determine whether the situation is qualified or adverse because the paperwork is not adequate. This is a serious lapse in compliance and should be of concern to oversight bodies. A disclaimer indicates that the record keeping is so bad to the extent that the auditor cannot give an opinion.

Adverse Opinion

An adverse opinion is issued when the Auditor General is able to review the entity's documentation supplied for audit purposes and the final audit reveals problems that are widespread and pervasive and will require considerable changes to remedy. Oversight institutions are concerned to recommend remedies to address such anomalies and systems.

Qualified Opinion

This is as a result of the Auditor General finding some problems that are not widespread or persistent with documentation and information supplied. The auditor received all the information required for the audit. However, after review the audit reveals there are some gaps in adherence and compliance to legal procedures.

Unqualified Opinion

This arises when the Auditor General is satisfied with documentation presented for review. It implies that there are no major problems with documentation and information that were presented for assessment and the funds are managed properly.

PREFACE

Mr. Speaker Sir,

Committees are a creation of the Constitution through Article 124(1) of the Constitution which empowers each House of Parliament to establish Committees and make Standing Orders for the orderly conduct of its proceedings, including the proceedings of its committee.

The County Public Accounts Committee is established by the Senate pursuant to Standing Order No. 193 and is mandated-

a) Pursuant to Article 96(3) of the Constitution, to exercise oversight over national revenue allocated to the county governments;

b) Pursuant to Article 229(7) and (8) of the Constitution, to examine the reports of the Auditor-General on the annual accounts of the county governments;

c) To examine special reports, if any, of the Auditor-General on county government funds;

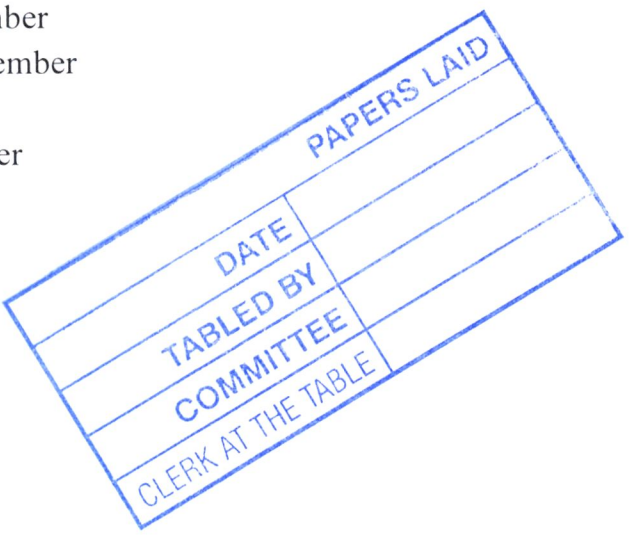
d) To exercise oversight over county public accounts.

Committee Membership

Mr. Speaker Sir,

The membership of the Committee comprises of the following Senators-

1. **Sen. Kajwang' Moses Otieno, CBS, MP – Chairperson**
2. **Sen. Johnes Mwashushe Mwaruma, MP - Vice-Chairperson**
3. Sen. Adan Dullo Fatuma, CBS, MP – Member
4. Sen. Okong'o Mogeni, CBS, SC, MP – Member
5. Sen. (Dr.) Lelegwe Ltumbesi, CBS, MP-Member
6. Sen. Enock Kiio Wambua, CBS, MP – Member
7. Sen. Cherarkey Samson Kiprotich, MP – Member
8. Sen. Sifuna Edwin Watenya, MP – Member
9. Sen. Mwenda Gataya Mo Fire, MP – Member



Committee Secretariat

The secretariat comprises of the following members of staff;

1) Mr Njenga Njuguna - Director Governance and Accountability
2) Ms. Emmy Chepkwony - H.O.D, Department of Governance and Accountability
3) Mr. George Otieno - Principal Clerk Assistant
4) Mr. Crispus Tima - Clerk Assistant I
5) Mr. Kevin Kibet - Clerk Assistant III
6) Mr. Hussein Salat - Fiscal Analyst II
7) Mr. CPA. Kosiba Joash - Chief Fiscal Analyst
8) Ms. Keziah Muthama - Fiscal Analyst III
9) Mr. Malcom Ngugi - Legal Counsel
10) Mr. Osman Hire - Research Officer III
11) Ms. Joan Njeri Mahinda -Research Officer III
12) Ms. Annette Khayela - Research Officer III
13) Ms. Charity Charo Kanze - Research Officer III
14) Mr. Ibrahim Oruko - Media Relations Officer
15) Ms. Shirley Milimo - Audio Officer
16) Mr. Wycliffe Muwanga - Accountant III
17) Mr. Mr. John Chege - Serjeant-at-Arms

Mr. Speaker Sir,

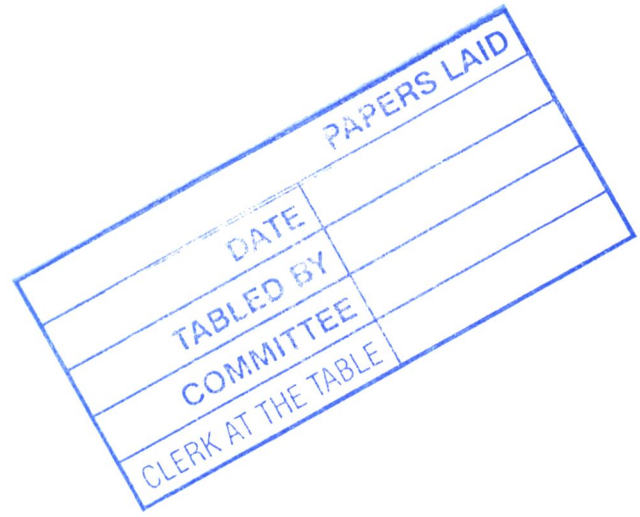
The Senate Committee on County Public Accounts is the avenue through which the Senate under the provisions of Article 96(3) of the Constitution carries out the post scrutiny of County Governments Budgets.

Mr. Speaker Sir,

This report contains sixteen (16) County Executive reports for the financial year 2024/2025, listed as volume I that were considered and adopted by the Committee.

Mr. Speaker Sir,

Being a Select Committee, the Committee was constituted at the commencement of the First Session in September, 2022 pursuant to Senate Standing Order 193(4) which requires the County Public Accounts Committee to be constituted after a general election and shall serve for a period of three sessions. Therefore, the Committee commenced its business in the month of February, 2023.



EXECUTIVE SUMMARY

Mr. Speaker Sir,

Pursuant to Article 229(7) and (8) of the Constitution, this report embodies the findings and recommendations of the Senate County Public Accounts Committee following its consideration of the Auditor-General's reports on the financial statements of sixteen (16) County Executives for the Financial Year 2024/2025.

The Committee's mandate, derived from Article 96(3) of the Constitution and Senate Standing Order No. 193, is to exercise oversight over national revenue allocated to county governments and examine the reports of the Auditor-General. In executing this mandate, the Committee identified pervasive and systemic fiduciary risks across the counties reviewed, pointing to a fundamental weakness in financial governance and internal controls. These findings underscore a significant departure from the principles of public finance as enshrined in Article 201 of the Constitution, which demands openness, accountability, and prudent and responsible use of public money.

Key Fiduciary Risks and Observations

The Committee's examination revealed a pattern of recurrent issues that threaten the stability and developmental objectives of county governments:

1. **Failure of Accountability and Record Management:** A majority of County Executives were in breach of Section 62 of the Public Audit Act, 2015, by failing to submit or delaying the submission of essential documents to the Auditor-General. This obstruction, leading to Disclaimer or Qualified audit opinions, contravenes Article 232(1)(b) of the Constitution on efficient and transparent service delivery. Furthermore, the lack of proper record management, including failure to maintain updated Fixed Assets Registers (contrary to Regulation 136 of the Public Finance Management (County Governments) Regulations, 2015) and inaccurate financial reporting (contrary to Section 164 of the PFM Act, 2012), makes it impossible to ascertain the true financial position of these entities and exposes public assets to the risk of loss, waste, and misuse.
2. **Breach of Fiscal Responsibility Principles:** The persistent and unsustainable wage bill remains a grave concern. Many counties violated Regulation 25(1)(b) of the PFM (County Governments) Regulations, 2015 by spending well above the 35% threshold of total revenue on employee costs. This fiscal indiscipline crowds out development expenditure and directly undermines the objects of devolution under Article 174 of the Constitution. Further, the accumulation of massive pending bills, with some dating back years, constitutes a failure to abide by Regulation 41(2) of the PFM (County Governments) Regulations, 2015, which requires debt service payments to be a first



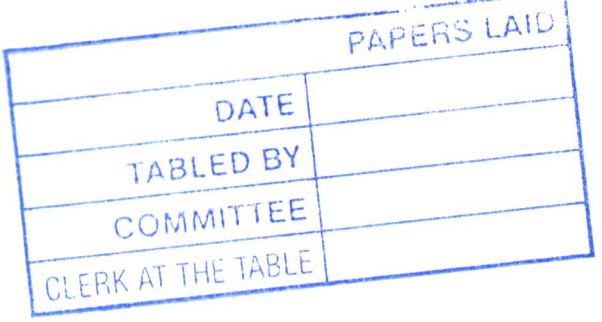
charge on the County Revenue Fund. This has crippled local economies and placed an unfair burden on service providers.

3. **Systemic Weaknesses in Revenue Management:** The failure to update valuation rolls as required by Section 3 of the Valuation for Rating Act (Cap. 266) has led to significant losses in potential property tax revenue. Weak internal controls, including the use of cash at collection points and delays in banking revenue (contrary to Regulation 81(2) of the PFM (County Governments) Regulations, 2015), expose county funds to revenue leakages and misappropriation. This directly contravenes the duty of a County Treasury to mobilise resources for funding budgetary requirements under Section 104(1)(d) of the PFM Act, 2012.
4. **Violation of Human Resource and Ethical Standards:** The Committee observed widespread non-compliance with statutory and ethical guidelines. This includes:
    a) Breach of the National Cohesion and Integration Act, 2008, with county workforces comprising over 90% from one ethnic community, failing to represent the diversity of Kenya.
    b) Violation of the Employment Act, 2007 (Section 19(3)), where employees' net pay fell below one-third of their basic salary due to excessive deductions.
    c) Irregular payments to the Council of Governors (COG) from County Revenue Funds, which is unlawful under Section 37 of the Intergovernmental Relations Act, 2012, as the COG is to be funded by the national government.
    d) Failure to safeguard employee pension deductions, with some counties holding millions in pension arrears, in breach of Regulation 22(2)(a) of the PFM (County Governments) Regulations, 2015.
5. **Failure of Project Management and Value for Money:** Numerous projects across the counties were stalled, incomplete, or not operationalised despite significant expenditure. This represents a failure by accounting officers to ensure resources are used in an effective, efficient, and economical manner as mandated by Section 149(1)(b) of the PFM Act, 2012. The construction of facilities without ensuring utilities, equipment, or staff demonstrates poor project conceptualisation and a lack of integrated planning.
6. **Disregard for Internal Controls and Oversight:** The absence of risk management policies (Regulation 158 of the PFM (County Governments) Regulations, 2015) and functional audit committees (Section 167) in several counties exposes public funds to unmitigated risks. The failure by management to implement prior years' audit recommendations, in direct contravention of Section 53 of the Public Audit Act, 2015, shows a systemic disregard for parliamentary oversight and the rule of law, as these matters remain unresolved cycle after cycle.

Conclusion

The collective weight of these observations paints a picture of a governance system under significant strain. The consistent failure to adhere to the Constitution, the PFM Act, and attendant regulations undermines the very foundation of devolution, which is to bring resources and decision-making closer to the people for improved service delivery and development. The Committee is of the firm view that without urgent and decisive action to enforce accountability, surcharge culpable officers, and strengthen internal controls, the financial stability and developmental goals of county governments will remain under serious threat.

The specific observations and binding recommendations for each of the fifteen counties are detailed in the subsequent chapters of this report.



GENERAL OBSERVATIONS AND RECOMMENDATIONS

The Committee observed that the reports of the Auditor-General considered herein contain audit issues that recur across multiple county entities. These systemic challenges indicate deep-seated weaknesses in financial management, internal controls, and governance frameworks. Consequently, the Committee makes the following general observations and recommendations applicable to all county governments:

1.0. Asset Management: Lack of Updated Fixed Assets Registers and Land Ownership Documents

Committee Observations

The Committee observed that a significant number of county entities:

1. Failed to maintain an updated, comprehensive Fixed Assets Register (FAR) in the format prescribed by the Public Sector Accounting Standards Board (PSASB). Critical details such as serial numbers, acquisition dates, costs, and locations were often missing, contravening Regulation 136(1) of the PFM (County Governments) Regulations, 2015.
2. Had not formally adopted and implemented the report of the Inter-Governmental Relations Technical Committee (IGTRC) on assets and liabilities inherited from defunct local authorities, casting doubt on the accurate statement of their asset base.
3. Commenced and completed significant capital projects on land for which they did not possess title deeds, certificates of lease, or valid allotment letters, exposing public investments to legal disputes and potential loss.

Committee Recommendations

The Committee recommends that:

1. All County Governors must immediately complete the physical verification, valuation, and tagging of all county assets. A comprehensive Fixed Assets Register, in strict compliance with the format prescribed by the PSASB, must be finalized and submitted to the Office of the Auditor-General (OAG) within ninety (90) days of the adoption of this Report.
2. All County Governors must, within ninety (90) days, formally adopt the IGTRC report and provide a clear status update on the implementation of its recommendations, including the transfer and recognition of all inherited assets and liabilities.
3. All County Governors are directed to prioritize the acquisition and regularization of title deeds for all land parcels on which public projects are situated. A status report on this titling process, with clear timelines for resolution, must be submitted to the Office of the Auditor General within 90 days of adoption of this Report; and

4. The Office of the Auditor General to review and report on the progress of these matters in subsequent financial year audits.

2.0. Revenue Management: Outdated Valuation Rolls and Weak Revenue Collection Systems

Committee Observations

The Committee noted that many County Governors:

1. Continued to rely on outdated valuation rolls, some dating back decades, for billing land rates and property rents. This practice, contrary to Section 3 of the Valuation for Rating Act (Cap. 266) and Section 30(1) of the National Rating Act, 2024, results in significant revenue loss as it fails to reflect current market values.
2. Operated revenue collection systems with significant internal control weaknesses, including a lack of integration between systems, an inability to generate proper invoices and audit trails, and excessive reliance on vendors with full administrative access to systems and data.

Committee Recommendations

The Committee recommends that:

1. All County Governors must expedite the preparation, approval, and implementation of an updated valuation roll in accordance with the Valuation for Rating Act (Cap. 266) and the National Rating Act, 2024, to ensure optimal and equitable collection of property rates.
2. All County Governors must ensure their revenue collection systems are fully automated, integrated with the County Revenue Fund, and have robust internal controls, including proper segregation of duties, comprehensive audit trails, and full ownership and control of all data by the county.
3. The Office of the Auditor General to specifically review the status of valuation rolls and the effectiveness of revenue system controls in the next audit cycle.

3.0. Financial Management: Accumulation and Non-Disclosure of Pending Bills

Committee Observations

1. The Committee observed with concern that the accumulation of pending bills (trade and other payables) remains a pervasive problem. The total quantified liability from pending bills across the 15 counties for the FY 2024/2025 is at least Kshs. 32.3 billion. However, the more significant risk lies in the fact that a substantial portion of this debt is unsupported, long-outstanding, and unreconciled, rendering the true liability potentially much higher.



2. Many counties have payables exceeding Kshs. 1 billion, with significant portions outstanding for over 365 days. This contravenes Regulation 41(2) of the PFM (County Governments) Regulations, 2015, which requires debt service payments, including verified payables, to be a first charge on the County Revenue Fund. The failure to provide proper ageing analyses and supporting documentation for these payables renders financial statements inaccurate and unverifiable.

Committee Recommendations

The Committee therefore recommends that:

1. Trade payables due for more than 365 days be considered indicative of poor financial management, and the County Executive must provide an actionable payment plan to the Controller of Budget (CoB) within ninety (90) days of the adoption of this report.
2. All county governments must prioritize the payment of verified pending bills owed to staff, statutory deductions (KRA, NSSF, NITA), and pension funds within ninety (90) days of the payables becoming due, as these constitute a first charge.
3. The Ethics and Anti-Corruption Commission (EACC) to investigate pending bills, particularly those owed to staff and statutory bodies, to establish whether funds due were retrieved from the County Revenue Fund and, if so, how they were utilised, with a view to recommending prosecution of liable persons.
4. The Controller of Budget is directed to consider a county's efforts to clear inherited pending bills as a key factor when approving exchequer releases, and should not approve releases for subsequent quarters where an approved payment plan is not being adhered to.
5. that all County Governments pay verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2026/2027; and

The Committee further recommends that—

i. pursuant to the provisions of Regulation 41(2) & (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;

ii. the Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when approving exchequer releases;

iii. County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) & (3) of the Public Finance Management (County Governments) Regulations;

iv. Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates;

v. County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects;

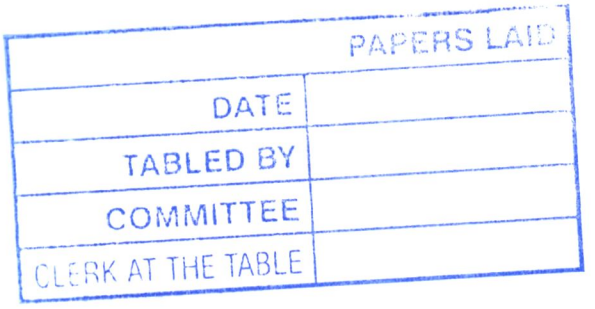
vi. County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets; and

vii. The Office of Controller of Budget and the Senate will monitor compliance and apply sanctions if payment plans are not honoured.

4.0 Financial Management: Pensions and Pension Arrears

Committee Observations

1. A Multi-Agency Technical Taskforce (MATT) on County Pension Liabilities, commissioned by the Senate and Chaired by the National Treasury in its report dated 9th April 2025, addressed to the Senate, noted
   (a) County Governments comprising the Executive, Assembly and Water Services Boards owe pension schemes a total of Ksh—115.7 billion, inclusive of principal, interest, penalties, and the actuarial deficit. The debt composition is Ksh. 103.2 billion by the County Executive (89%), Ksh. 9.2 billion by Water Service Providers (8%) and Ksh. 3.2 billion by the County Assembly (3%).
   (b) The report also noted that Pension debt had accumulated over the years from KSh. 21.3 billion (18 per cent of the total unremitted funds, inclusive of interest, penalties, and actuarial deficit) relating to the defunct Local Authorities, which accrued during the pre-devolution period, was transferred to Ksh. 115.7 billion (82 per cent of the total unremitted funds) as at 31st October 2024.
2. The Committee, in its examination of the audit reports for the financial year 2024/2025 for the fifteen counties, observed that the total aggregated specific fiduciary risk related to pensions and pension arrears amounts to Kshs. 3,932,745,989.
3. The total aggregate specific pension arrears fiduciary risks cover Nyeri County Executive with long outstanding employee payables (including pensions totalling Ksh. 110,483,849;



Narok County Executive with unremitted retirement benefits contributions totalling Kshs 1,911,131,070; Bomet County Executive with Irregular Payment of Salaries and Personal Allowances (including overpayment of basic salary to former local authority staff, which constitutes a pensionable liability) and Unremitted Retirement Benefits Contributions amounting to Kshs 1,911,131,070

Committee Recommendations

1. All County Governments must provide a certificate of compliance from county pension schemes as proof of payment or non-payment of previous year's budget pension deductions to the Controller of Budget before release of Funds.
2. All County Governments and their entities must prepare and approve budgets that are consistent with the repayment plans. As a precondition for approving budgets, the CoB shall ensure that budgets incorporate the agreed repayment plans prior to approving county budgets. Furthermore, the CoB shall ensure that the provided budgets are used for the intended purpose.
3. A County Executive with a pension debt of 300 million or less shall repay the pension debt within one Financial Year effective FY 2025/26.
4. A County Executive with pension debt of Ksh. 1.5 billion and below shall with effect from the financial year 2025/26 make annual payments of at least Ksh. 300 million per year over a period of 5 years or until full settlement, whichever comes first.

5.0 Fiscal Responsibility: Unsustainable Wage Bill

Committee Observations

The Committee observed that many county entities have a wage bill significantly exceeding the 35% of total revenue threshold set by Regulation 25(1)(b) of the PFM (County Governments) Regulations, 2015. The total quantified wage bill fiscal risk exposure across the examined counties is Kshs. 39,847,949,657 (approx. Kshs. 39.85 billion). This figure represents the total expenditure on employee costs reported for the Financial Year 2024/2025, which in every case exceeded the statutory limit of 35% of total revenue, creating a significant and unsustainable fiscal risk.

In some instances, the wage bill consumed over 50% of total receipts. This high recurrent expenditure severely constrains the fiscal space available for development projects, threatening the objects of devolution under Article 174(f) of the Constitution.

Committee Recommendations

The Committee recommends that:

1. All County Governors must submit to the OAG and the Senate, within ninety (90) days, a time-bound action plan detailing specific measures to contain the wage bill and ensure strict adherence to the 35% statutory limit.
2. All County Governors must put in place measures to enhance their own-source revenue collection to increase the total revenue base, thereby reducing the wage-to-revenue ratio.
3. Pursuant to the High Court orders in *Matindi v Salaries and Remuneration Commission & another [2026] KEHC 755 (KLR)*, the Salaries and Remuneration Commission (SRC) is directed to submit to the Committee a detailed affidavit outlining time-bound strategies it has developed and is implementing to achieve a 35% public wage bill to revenue ratio and collaborative measures being jointly implemented in conjunction with the County Governments.
4. The Office of the Auditor-General should continue monitoring and specifically reporting on the wage bill ratio in subsequent financial years.

6.0 Budget Execution: Delayed Exchequer Releases and Under-Collection of Own-Source Revenue

Committee Observations

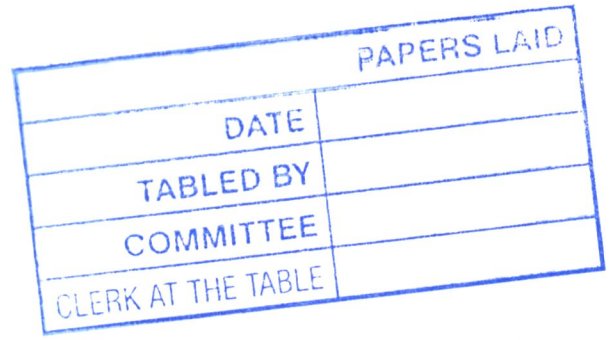
The Committee observed that budget implementation was consistently hampered by two factors:

1. Persistent delays by the National Treasury in disbursing equitable share and conditional grants to counties, often releasing substantial sums in the last quarter or after the close of the financial year. This contravenes Article 219 of the Constitution and Section 17(6) of the PFM Act, 2012.
2. Chronic under-performance by counties in collecting their own-source revenue (OSR), with many failing to meet their annual targets by significant margins, indicating weaknesses in revenue administration.

Committee Recommendations

The Committee recommends that:

1. The National Treasury must strictly comply with its constitutional and statutory mandate by ensuring timely and predictable release of funds to county governments in line with the cash disbursement schedules approved by the Senate.
2. All County Governors must develop and implement robust, data-driven revenue enhancement plans to improve OSR collection and meet annual targets, reducing over-reliance on national transfers.
3. All County Assemblies must exercise their oversight authority under Article 201 of the Constitution to ensure that annual budgets are realistic and based on credible revenue projections.



7.0 Human Resource Management: Non-Compliance with Ethnic Diversity and PWD Employment Quotas

Committee Observations

The Committee observed a systemic failure across counties to comply with legal frameworks on diversity and inclusion.

1. The ethnic composition of staff in many counties overwhelmingly (often over 90%) represents the dominant local community, in clear violation of Section 7(2) of the National Cohesion and Integration Act, 2008, which prohibits any public establishment from having more than one-third of its staff from the same ethnic community.
2. Most counties failed to meet the 5% statutory employment quota for Persons with Disabilities (PWDs), as mandated by Article 54(2) of the Constitution and Section 13 of the Persons with Disabilities Act, 2003.

Committee Recommendations

The Committee recommends that:

1. All County Public Service Boards (CPSBs) must strictly adhere to Section 65(1)(e) of the County Governments Act, 2012, and ensure that 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.
2. All CPSBs must develop and implement targeted affirmative action plans, as envisioned by Article 27(6) of the Constitution, to progressively achieve the 5% employment reservation for Persons with Disabilities.
3. The Standing Committee on National Cohesion, Equal Opportunity and Regional Integration is urged to undertake a post-legislative scrutiny on the application of Section 7(2) of the National Cohesion and Integration Act to county governments, given the unique demographic realities of some counties.

8.0 Payroll Management: Violation of the One-Third Basic Salary Rule

Committee Observations

The Committee observed that in almost every county, numerous employees earned a net salary of less than one-third of their basic pay, a direct contravention of Section 19(3) of the Employment Act, 2007. This was often attributed to new statutory deductions (e.g., Housing Levy, SHIF) and existing loan commitments, indicating a failure in payroll system controls.

Committee Recommendations

The Committee recommends that:

1. All County Public Service Boards, in coordination with their respective County Treasuries, must fully implement and configure their Human Resources Information

Systems (HRIS) to automatically lock out any loan or other commitments that would cause an employee's net pay to fall below the legal two-thirds threshold, as required by sound internal control systems under Regulation 155 of the PFM (County Governments) Regulations, 2015.

2. The Public Service Commission, in coordination with all CPSBs, should review Section C (3) of the Human Resource Policies and Procedures Manual and propose standardized mechanisms to ensure compliance with the one-third rule, reporting their findings to the Senate within 90 days.

9.0 Governance and Internal Controls: Failure to Act on Prior-Year Audit Issues and Establish Key Committees

Committee Observations

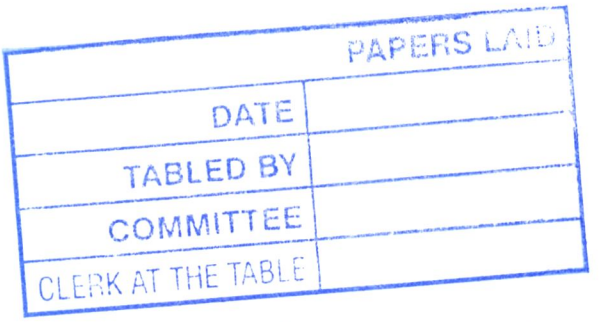
The Committee noted with concern that:

1. Most county entities failed to take adequate action on audit issues raised in previous financial years, even after reports were considered and adopted by the Senate. This persistent inaction is a violation of Section 53 of the Public Audit Act, 2015.
2. Many counties had not established critical governance structures such as functional Audit Committees (contrary to Regulation 167 of the PFM (County Governments) Regulations, 2015) and formal Risk Management Policies and Disaster Recovery Plans (contrary to Regulation 158), leaving them exposed to significant operational and financial risks.

Committee Recommendations

The Committee recommends that:

1. All Accounting Officers must comply with Section 53 of the Public Audit Act, 2015, by taking the necessary steps to implement the recommendations of the Auditor-General and the Senate. A comprehensive status report on the implementation of these recommendations must be submitted to the Senate and the OAG within ninety (90) days of the adoption of this report.
2. All County Governors must expedite the establishment and operationalization of Audit Committees as a matter of priority, ensuring they are adequately funded and resourced to perform their oversight function.
3. All Accounting Officers must urgently develop, adopt, and implement comprehensive Risk Management Policies, including fraud prevention mechanisms, and Business Continuity/Disaster Recovery Plans, as required by Regulation 158 of the PFM (County Governments) Regulations, 2015. Copies of the approved policies and plans must be submitted to the OAG within ninety (90) days.



4. The Salaries and Remuneration Commission (SRC) should review the compensation framework for Audit Committee members to ensure it is attractive enough to recruit and retain qualified and experienced professionals.
5. The Office of the Auditor-General to list all unresolved prior-year audit issues prominently in subsequent audit reports and to monitor the establishment and effectiveness of Audit Committees and risk management frameworks.

10. Payment of Salaries outside the IPPD

Committee Observation

The Committee noted that some Counties Executive were making payments of salaries for some of its employees outside the Integrated Personnel and Payroll Database (IPPD) System.

Committee Recommendations

The Committee recommends that;

1. The Senate notes that the process of issuance of Personal File numbers is inefficient in counties and therefore directs the National Government (State Department of Public Service) in conjunction in the Council of Governors (CoG) to prescribe and design an efficient human resource management system to be used by counties;
2. The County Governor should ensure that casual workers are engaged in line with the relevant laws and the approved staff establishment and provide a status update to the Auditor General within 60 days of adoption of this report;
3. Pursuant to Article 235 of the Constitution of Kenya, the Committee directs that the Cabinet Secretary (CS), Ministry of Public Service, Youth and Gender Affairs to develop regulations to provide guidance and clarity to county governments on engagement of casual employees, contracted workers, acting positions and a platform for management of county human resources; and
4. the Auditor General to monitor the matter in the subsequent audit cycle.

11. Payment to the Council of Governors (COG)

Committee Observation

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

Committee Recommendations

1. The Committee recommends that the irregular payments to the Council of Governors (COG) be stopped and further recommends the surcharge of any Governor, in their capacity as Chief Executive Officer, who continues to make the irregular contribution.
2. The EACC should oversee the recovery of all the public funds irregularly transferred to the Council of Governors (COG) by the Governor. This is in line with the Resolution of the Senate.

12. Delay and non-submission of documents
Committee Observation

The Committee noted that the County entities did not submit or made late submissions of the relevant documents to the Auditor General during the audit exercise contrary to section 62 of the Public Audit Act, 2015.

Committee Recommendation

The Committee recommends that the County Chief Executive Officer (CEO) undertakes administrative action(s) against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provide a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report. Where such failure has led to a Disclaimer opinion, the Committee recommends the sanctions outlined in Section 62(2) of the Public Audit Act, 2015.

13. Outstanding imprests
Committee Observations

The Committee noted that the County entities had substantial amounts of outstanding imprest by the close of financial year contrary to Regulations 93(5) of the Public Finance Management (County Government) Regulations, 2015 which requires a holder of a temporary imprest to account for the imprest within seven days after returning to duty station.

Committee Recommendation

1. The Committee recommends that the Accounting Officer(s) recover the outstanding imprests with interest as per provisions Regulation 93 (6) of the Public Finance Management (County Governments) Regulation.



2. The Committee further recommends the sanction and surcharge of Accounting Officers who fail to recover outstanding imprests in line with Regulation 93(7) of the PFM (County Government) Regulations, 2015.

14. Lack of a Risk Management Policy Framework

Committee Observations

The committee noted that a number of county entities did not have a risk management policy framework in place. The committee further observed that lack of risk prevention mechanism may expose the entities to various forms of risks.

Committee Recommendations

The Committee recommends that the Accounting Officer for all county entities should put in place a risk management policy and disaster recovery plan within sixty (60) days from the adoption of this report and submit the same to the Auditor General. The committee further recommends that the Auditor General to closely monitor the development, documentation and communication of these policies within the county entities in the subsequent audit cycles.

INTRODUCTION

Legal Framework

Article 174 of the Constitution sets out the objects of devolution and gives power to the people for self-governance through participation of the people in the exercise of decisions affecting them and managing their own affairs and development. Key to this feature is ensuring equitable sharing of resources.

Article 201 of the Constitution outlines the principles of public finance management to be observed at both levels of government. These include openness, accountability, public participation, prudent and responsible financial management.

Office of the Auditor-General

The Office of the Auditor-General is established under Article 229 of the Constitution. Pursuant to Article 229(4) the Auditor General audits and reports in respect of each financial year the accounts of all county governments. The reports are then submitted to Parliament in accordance with Article 229(7). The reports, once tabled, stand committed to the County Public Accounts Committee for consideration.

Sittings of the Committee

The Committee held meetings with the County Government entities from the Month of January 2026 where it considered the reports of the Auditor-General for various county entities.

The sittings were primarily investigatory and the Committee received evidence from the Governors as the Chief Executive Officers of the County pursuant to Article 179 (4) of the Constitution.

Issues for Determination

The main issues for investigation and determination were the various audit queries contained in the report of the Auditor-General on the financial operations of the various counties for the financial year 2024/2025

Guiding Principles

The main issues for investigation and determination were the various audit queries contained in the report of the Auditor-General on the financial operations of the various counties for the financial year 2024/2025. This report is issued pursuant to the requirements of

ACKNOWLEDGEMENTS

The Committee appreciates the Office of the Auditor General, The National Treasury, the Controller of Budget, The Institute of Certified Public Accountants of Kenya (ICPAK) and the Ethics and Anti-Corruption Commission for the support they offered to the Committee especially in providing references on various issues under consideration.

The Committee wishes to acknowledge the support it received from the Office of the Speaker and the Clerk of the Senate during the consideration of the Auditor-General's Reports for county governments. The Committee further appreciates the cooperation it received from the Governors who appeared before the Committee.

Final appreciation goes to the distinguished and dedicated members of the Committee and the Secretariat who actively participated and facilitated the proceedings of the Committee meetings.

Mr. Speaker Sir,

I wish to confirm that the resolutions of the Committee in this report were unanimous.

Mr. Speaker Sir,

It is therefore my pleasant duty and privilege, on behalf of the County Public Accounts Committee, to table this report and commend it to the House for debate and adoption pursuant to the provisions of the Senate Standing Order 223(6).

SIGNED: .....

DATE: 25/03/2026

SEN. MOSES OTIENO KAJWANG', CBS, MP

CHAIRPERSON

PAPERS LAID

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COMMITTEE	
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THE SENATE

THIRTEENTH PARLIAMENT – FIFTH (5TH) SESSION

ADOPTION OF THE REPORTS OF THE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE CONSIDERATION OF THE REPORTS OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS, THE RECEIVER OF REVENUE STATEMENTS AND THE COUNTY REVENUE FUND FOR FIFTEEN (15) COUNTY EXECUTIVES FOR THE FINANCIAL YEAR 2024/2025

Adopted by:

No.	Senator	Designation	Signature
1.	**Sen. Moses Otieno Kajwang', CBS, MP**	**Chairperson**	
2.	**Sen. Johnes Mwashushe Mwaruma, CBS, MP**	**Vice-Chairperson**	
3.	Sen. Fatuma Adan Dullo, CBS, MP	Member	
4.	Sen. (Dr.) Lelegwe Ltumbesi, CBS, MP	Member	
5.	Sen. Okong'o Mogeni, CBS, SC, MP	Member	
6.	Sen. Enoch Kiio Wambua, CBS, MP	Member	
7.	Sen. Samson Kiprotich Cherarkey, MP	Member	
8.	Sen. Mwenda Gataya Mo Fire, CBS, MP	Member	
9.	Sen. Edwin Watenya Sifuna, CBS, MP	Member	

Date..... 25/03/2026 .....

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CHAPTER ONE

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF VIHIGA COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Vihiga County Executive Hon. Wilberforce Ottichillo, EGH, appeared before the Committee on Monday, 26th Feb, 2026 to respond (under oath) to audit queries raised in the Report of the Auditor General on County Executive, Receiver of Revenue and County Revenue Fund of Vihiga County for the Financial Year 2024/25.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

Basis for Qualified Opinion

1. Failure to Capitalize Property, Plant and Equipment

The statement of financial performance statements reflects an amount of Kshs.1, 432,268,408 in respect of use of goods and services as disclosed in Note 8 to the financial statements. Included in the amount is expenditure of Kshs.307,636,974 incurred on rehabilitation of civil works and an expenditure of Kshs.303,085,635 incurred on constructions of civil works, all amounting to Kshs.610,722,609.

Review of records revealed that the two (2) expenditure items were of capital nature and should have been capitalized in accordance with the IPSAS 33 on transition to Accrual Basis of Accounting.

In the circumstances, the accuracy and fair presentation of the expenditure amounting to Kshs.610, 722,609 under use of goods and services could not be confirmed.

Management response.

The management acknowledged the Auditor's observation on the above subject matter and responds as follows;



During the Guidelines preparation of the financial statements for 2024-2025 financial year, we relied heavily on the General on Asset and Liability Management in the Public Sector from the National Treasury, National Asset and Liability Management Directorate. In the guidelines, part IV (I)E-Accounting for non-financial assets section 112 gives guidance on capitalization of assets and threshold and it states: the capitalization threshold is the value above which assets are capitalized and reported in the financial statements as non-financial assets as opposed to being expensed in the year of acquisition. The capitalization threshold should not be applied to the components of an asset but should be applied to the value of the capital asset as a whole.

All other expenditures shall be recognized as an expense in the period in which it occurred. In particular, expenses incurred in the maintenance or reinstatement of an asset that ensures that the useful operating life of the asset is attained shall be considered as operating expenses and shall not be capitalized, irrespective of the quantum of the expenses concerned.

Since we are in 1st year of transition to accrual basis of accounting and as per the IPSAS 33 (first time adoption) we are required to recognize the financial assets and liabilities, that is, current assets and liabilities as guided by the Treasury Circular No. 03/2025 part 2.3 and also develop policies of recognition. The county has since developed an assets and liability management policy which will guide on the capitalization and other assets management areas like identifying and revaluing, classifying of assets for them to be reported in the financial statement in the last year of the transition, which is FY 2026-2027.

Committee Observations

1) The Committee observed that the County Executive misapplied the provisions of IPSAS 33 on the transition to the Accrual Basis of Accounting. Expenditure of Kshs.610,722,609, which was capital in nature, was erroneously charged to the "use of goods and services" account instead of being capitalized as Property, Plant, and Equipment contrary to Section 163(2) of the PFM Act which requires consolidated financial statements to present a clear and comprehensible picture of the county government's financial position.

2) The Committee noted that the County has since developed the Vihiga County Assets and Liabilities Management Policy and Procedure Manual to guide future asset capitalization and classification,

Committee Recommendations

1. **The Committee recommends that the County Executive adjusts the financial statements for the Financial Year 2024/2025 in the subsequent period, in strict compliance with the**

Public Sector Accounting Standards Board (PSASB) standards and Treasury Circular No. 03/2025 on the transition from cash to accrual basis of accounting.

2. **The Office of the Auditor General to keep the matter in view and conduct follow-up audits on classification practices and verify the County's adherence to its newly developed Assets and Liabilities Management Policy in subsequent financial years.**

2. Unsupported Software License Renewal Expenditure

The statement of financial performance statements reflects an amount of Kshs.1,432,268,408 in respect of use of goods and services as disclosed in Note 8 to the financial statements. Included in the amount was Kshs.33,974,444 in respect of expenditure for office and general supplies and services out of which, Kshs.3,200,040 was incurred on software license renewal.

However, review of software license renewal records revealed that only the supplier invoice was provided for audit review with key supporting relevant documents missing such as needs assessment report, activation records or license user allocation to confirm which users or machines received the secondary licenses, delivery reports/service completion certificate to ascertain that the services were received, tested and accepted and evidence of system use or outputs tied to the renewed licenses to show that the system was in active use.

In addition, there was no evidence of a valid contract agreement to support the expenditure incurred on software license renewal contrary to Regulation 104(1) of the Public Finance Management (County Government) Regulations, 2015 which states that all receipts and payments voucher of public moneys shall be properly supported by pre-numbered receipt and payment vouchers and shall be supported by the appropriate authority and documentation.

Further, there was no documentary evidence to show that the Management reported the direct procurement to the Authority within fourteen (14) days after the notification of the award of the contract since the value exceeded five hundred thousand shillings (Kshs.500,000) and there was no approval by the Accounting Officer for use of the direct procurement method contrary to Regulation 90(1) (b) of Public Procurement and Asset Disposal Regulations, 2020 which provides that an Accounting Officer shall, within fourteen (14) days after the notification of the award of the contract, report any direct procurement of a value exceeding Kshs.500,000 to the Authority in a format provided by the Authority.



In the circumstances, the accuracy, completeness and regularity of expenditures on license renewal amounting to Kshs.3,200,040 could not be confirmed.

Management Response.

The management acknowledged the Auditor's observation on the above subject matter and responds as follows;

There was need to migrate from the old platform to new platform, ArcGIS which is a critical mission platform that supports data management, analysis, visualization, and collaboration across key projects and departments. The needs assessment was done and a report on the same is hereby attached for your review.

There are several user points at the GIS lab where the system is hosted and where the licence was installed. The five (5) user points are hereby provided with the serial numbers for your review.

A service delivery inspection of the licence was undertaken which confirmed that indeed the licence as installed met the needs of the user section as per the needs assessment and a report is hereby availed for your review.

The management entered into a valid agreement signed on 20th September, 2024 and the agreement document is available for verification.

The management reported the direct procurement of the licence on the PPRA portal since no any other vendor has the licence in Kenya. Evidence of the reporting is hereby availed for your review. (date reported)

Committee Observations

1) The Committee observed that the County Executive failed to provide critical supporting documents for a payment of Kshs.3,200,040 including a needs assessment report, delivery report or service completion certificates, and a valid contract agreement for audit verification at the time of the audit, contrary to section 62 of the Public Audit Act, 2015.

2) Further, the procurement did not comply with transparency requirements. There was no evidence provided that the Accounting Officer reported the direct procurement, valued at over Kshs.500,000, to the Public Procurement Regulatory Authority (PPRA) within fourteen days as mandated by Regulation 90(1)(b) of the Public Procurement and Asset Disposal Regulations, 2020.

Committee Recommendation

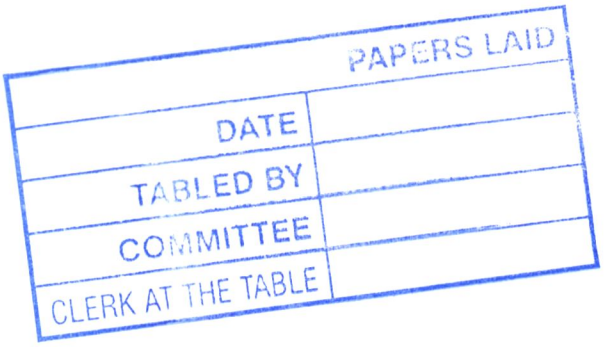
The Committee recommends that;

1. **The County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, and provides a status report to the Office of the Auditor General and Senate within ninety (90) days from the adoption of this report;**
2. **In line with Regulation 143 of the Public Finance Management (County Governments) Regulations, 2015, the Public Procurement Regulatory Authority (PPRA) undertakes an investigation into the procurement and payment process. Where any loss of public funds is established, the responsible officer(s) shall be charged and surcharged in accordance with Section 203(2) of the PFM Act (Cap. 412A) to recover the amount of the loss and provide a status report to the Senate within ninety (90) days from the date of adoption of this report.**
3. **The Ethics and Anti-Corruption Commission (EACC) undertake an investigation into the responsible officer(s) with a view to recommending their prosecution for committing the offences stipulated under Section 62(1)(b) and (c) of the Public Audit Act, Cap. 412B, and for violations of the provisions of Regulation 210(k) of the Public Finance (County Governments) Regulations, 2015 and provides a status report to the Senate within ninety (90) days from the adoption of this report.**

3. Unconfirmed Depreciation Charge

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects an amount of Kshs.15,898,111 in respect of depreciation of property, plant and equipment and amortization of the intangible assets. However, the depreciation charge and amortization were based on a draft policy that was yet to be approved by the County Assembly of Vihiga and Management has not given reasons for the delay in approval of the policy.

In the circumstances, the accuracy and completeness of the depreciation amount of Kshs.15,898,111 could not be confirmed.



Management Response

The management acknowledged the Auditor's observation on the above subject matter and responds as follows;

During the preparation of the financial statements for 2024-2025 financial year, we relied heavily on the General Guidelines on Asset and Liability Management in the Public Sector from the National Treasury, National Asset and Liability Management Directorate. In the guidelines, appendix 4: schedule of useful lives and depreciation gives depreciation and amortization rates for different classes of assets.

The amount of Kshs. 15,898,111 was for depreciation charged on assets procured during the year under review and whose values were readily available in our records.

The county has an approved assets and liabilities management policy which will guide on depreciation and amortization of all county assets in subsequent years.

Committee Observation

1) The Committee observed that the depreciation charge of Kshs.15,898,111 was calculated using an unapproved draft policy.
2) The Committee noted that the County Executive developed a Depreciation Charge and Amortization Policy and submitted to the County Assembly for consideration and approval.

Committee Recommendations

1. **The Committee recommends that the National Treasury, through the Public Sector Accounting Standards Board (PSASB), expedite the finalization and issuance of a standardized national policy on depreciation and amortization for all public entities. This policy, to be issued within ninety (90) days of the adoption of this report, must align with International Public Sector Accounting Standards (IPSAS) and provide clear guidance to all counties.**
2. **The Office of the Auditor General follow-up on this matter in the next financial year to confirm that the County Assembly has approved the County's Assets and Liabilities Management Policy and that the depreciation charge has been calculated and applied in full compliance with the approved policy.**

4. Long Outstanding Receivables

The statement of financial position reflects balance of Kshs.10,865,170 in respect of receivables from non-exchange transactions as disclosed in Note 13 to the financial statements. However, the following unsatisfactory matters were noted:

4.1. Outstanding Salary Advances

Included in the balance are salary advances of Kshs.1,865,170 out of which Kshs.1,775,438 were advances made in the year 2015 and 2017 to ten (10) members of staff. The staff members included four (4) former staff of the County Executive, one (1) current member of staff, one (1) former deceased member of staff, three (3) current sitting MCAs and one (1) former MCA. The Management of the Executive explained that a recovery of Kshs.85,168 for two (2) officers had been made. However, no evidence in form of pay slips was provided for audit review to support this explanation.

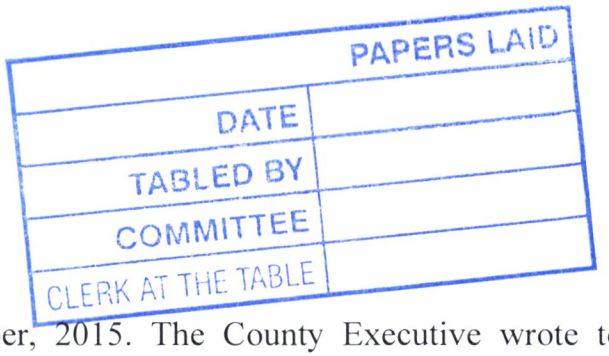
Further, no reconciliation had been provided to show the movement of the staff advances opening balance of Kshs.1,950,338 and the closing balance of Kshs.1,865,170.

In the circumstances, the accuracy and recoverability of the receivables from non-exchange transactions (staff advances) balance of Kshs.1,865,170 as at 30 June, 2025 could not be confirmed.

Management Response

The management acknowledged the Auditor's observation on the above subject matter and responds as follows;

Some of the long outstanding salary advances were advanced to Members of the County Assembly when the payroll was still managed centrally at the County Executive. The payroll



was separated in September, 2015. The County Executive wrote to the County Assembly requesting the recovery of the outstanding advances from the members of the county assembly. The Assembly asked for the dully filled and signed salary advance forms for them to affect the recovery.

Demand letters were also done by the office of the County Attorney to Mr. Sande Mukuna and Mrs. Florence Khaguli, who also wrote back requesting for copies of the salary advance forms.

It is important to note that the County experienced an office fire incident in 2nd December, 2016 where these forms were stored.

Since the efforts to recover has been hampered by lack of these vital documents, the management is considering to initiate the write off process as provided in law.

However, the recovery schedule and pay slips for the two officers whose recoveries were on the payroll are hereby attached for your verification.

The reconciling figure between kshs. 1,959,338 and kshs. 1,865,170 was the amount recovered from the two staff as highlighted by the Auditor, of kshs. 85,168.

Committee Observations

The Committee observed that:

1) Outstanding salary advances of Ksh 1,865,170, some dating back to 2015 remains unrecovered and lack sufficient documentation, with only Ksh 85,168 reportedly recovered at the time of audit.

2) Records for some these advances were reportedly destroyed in a fire, complicating recovery and legal enforcement efforts.

3) The Committee noted that the management indicated that some of the advances comprised unrecovered imprests. This is a serious breach of Regulation 93(6) of the PFM (County Governments) Regulations, 2015, which mandates immediate recovery of imprests from an officer's salary upon failure to account.

Committee Recommendations

1. **The Committee recommends that the accounting officer surcharges the accounting officers who failed to recover the imprest, with interest at the prevailing Central Bank**

Rate, shall be recovered from their dues or personal accounts from the deceased officer, in accordance with paragraph 93(6) of the Public Finance Management (County Governments) Regulations, 2015.

2. **The Committee further recommends that the Directorate of Criminal Investigations investigate the breach of Regulation 93(7) of the Public Finance Management (County Governments) Regulations, 2015, by the Accounting Officer for failing to recover outstanding imprests, with interest at the prevailing Central Bank Rate, shall be recovered from their dues or personal accounts where criminality is established, the matter should be referred to the Director of Public Prosecutions for prosecution.**

4.2. Recoverability of Amount Due from the County Assembly

Note 13 to the financial statements also reflects a balance of Kshs.10,865,170 in respect of receivables from non-exchange transactions. Included in the balance was Kshs.9,000,000 in respect of transfers due from County Assembly. However, review of receivables' records revealed that the County Executive transferred Kshs.38,000,000 to the County Assembly on 25 February, 2021 and Kshs.6,000,000 on 23 November, 2021 totaling to Kshs.44,000,000, being funds paid from deposit and retention account to bridge a shortfall on County Assembly's Car Loan and Mortgage account. However, only Kshs.35,000,000 had been refunded as at 30 June, 2025 leaving a balance of Kshs.9,000,000.

In the circumstances, the recoverability of the amount advanced to the County Assembly amounting of Kshs.9,000,000 as at 30 June, 2025 could not be confirmed.

Management Response

The management acknowledged the auditor's observation on the above subject matter and responds as follows;

The County Executive wrote a letter to the County Assembly on the amount in question. The Assembly responded to the letter and committed to budget for it in FY 2025/2026 to enable the refund. The County Executive expects the Assembly to budget the same in the 2nd supplementary budget since this was not captured in the original budget of FY 2025/2026.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Committee Observations

The Committee observed that:

1) The Committee observed that Kshs.9,000,000 advanced to the County Assembly in Financial Years 2021 and 2023 remains unrecovered. The advance was drawn from the deposit and retention account, which holds funds belonging to contractors and supplier's contrary to section 109(2) and 109(4) of the PFM Act, which requires all money raised or received by the county to be paid into the County Revenue Fund and used only for appropriated purposes.

2) The Committee noted a further irregular advance of Kshs.5,000,000 for a housewarming party for the County Assembly Speaker. This expenditure was clearly not in the public interest and constitutes wasteful and unauthorised expenditure as defined in the PFM Act.

3) The Committee noted that the County entity did not submit the relevant documents to the Auditor General during the audit exercise contrary to section 62 of the Public Audit Act, 2015.

Committee Recommendations

1. **In line with Section 96(1) of the PFM Act, the Committee recommends that the County Executive Committee Member for Finance immediately halts any further unauthorized transfers and ensures the recovery of the full Kshs.14,000,000 (Kshs.9 million + Kshs.5 million) from the County Assembly and provides a status update to the Office of the Auditor General and the Senate within ninety (90) days of the adoption of this report;**

2. **The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, and provides a status report to the Office of the Auditor General within (90) days from the adoption of this report;**

3. **The Committee recommends that the Ethics and Anti-Corruption Commission (EACC) conduct a thorough investigation into these unauthorized and irregular transfers to establish any culpability for economic crimes and provide a status update to the Office of the Auditor General and the Senate within ninety (90) days of the adoption of this Report**

4. **The Committee recommends that the responsible officer(s) who authorized the irregular and wasteful expenditure be surcharged in accordance with Section 65 of the Public Audit Act, Cap. 412B, for their failure to recover public funds.**

5. Long Outstanding Trade Payables

The statement of financial position and as disclosed in Note 16 to the financial statements reflects a balance of Kshs.1,710,935,139 in respect of trade and other payables. The balance includes trade payables of Kshs.1,480,433,982 comprising of Kshs.973,405,663 or 65% for the previous financial years' and Kshs.507,028,283 or 35% for the current year. However, the County Executive risks incurring additional losses in form of interest and penalties arising from continued delay in the settlement of the payables. In addition, failure to settle debts during the year in which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

In the circumstances, the accuracy and completeness of the long outstanding payables balance of Kshs.1,710,935,139 as at 30 June, 2025 could not be confirmed.

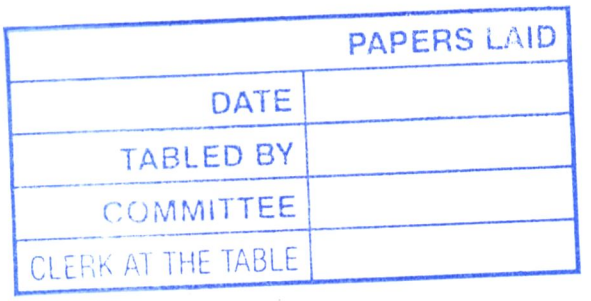
Management Response

The management acknowledged the Auditor's observation on the above subject matter and responds as follows;

At the time of preparation of the financial statements of the year under review, County Pending Bills Committee had a draft pending bill report of Kshs. 1,480,935,139 as captured in the financial statements. This was later verified and Kshs. 1,058,675,821 determined as the correct trade payable as at 30th June, 2025. This will be adjusted accordingly in the subsequent period.

The County Executive of Vihiga is committed to settle these accrued payables in two financial years, that is, by the end of FY 2026/2027. In the financial year 2025/2026, management has provided for Kshs. 589,477,169 in the approved supplementary budget.

Committee Observations



The Committee observed that:

1) As at June 2025, trade payables amounted to Ksh 1,710,930,513, with 65% relating to prior financial years and 35% to the current financial year.

2) The Committee noted the management's assertion that the figure has been reduced to Kshs.1,058,675,821 post-verification. However, this revised figure lacks supporting documentation and therefore requires independent verification by the Auditor-General to confirm its accuracy and legality.

Committee Recommendations

The Committee therefore recommends that:

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

The Committee further recommends that—

i. **pursuant to the provisions of Regulation 41(2) & (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;**

ii. **the Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when approving exchequer releases;**

iii. **County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) & (3) of the Public Finance Management (County Governments) Regulations;**

iv. **Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates;**

v. **County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects;**

vi. **County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets; and**

vii. **The Office of Controller of Budget and the Senate will monitor compliance and apply sanctions if payment plans are not honoured.**

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total revenue budget and actual amounts on comparable basis of Kshs.6,390,648,472 and Kshs.5,751,275,738 respectively, resulting in an under-funding of Kshs.639,372,734 or 10% of the budget. Similarly, the County Executive spent Kshs.5,459,386,518 against actual revenue of Kshs.5,751,275,738 resulting in an under-expenditure of Kshs.291,889,220 or 5% of the realized revenue. Management has attributed the low absorption to late disbursement of the exchequer by The National Treasury.

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

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

Management response.

The management acknowledged the Auditor's observation and responds as follow;

(i) Under-funding

The County Executive appreciates the National Government of having disbursed its all-equitable share within the financial year, even though larger percentage disbursed late. However, the management budgeted for some funds expected from the donors, but these were not realized as was budgeted for, where only Kshs. 129,633,699 was received against the expected Kshs. 769,006,433 in respect to donor funded projects as tabulated below:

NO	DESCRIPTION	EXPECTED	ACTUALS	VARIANCE
1	RMFL	104,335,372.00	37,535,760.00	66,799,612.00
2	COMMUNITY HEALTH PROMOTION	43,380,000.00		43,380,000.00
3	DANIDA	16,015,507.00	7,166,250.00	8,849,257.00
4	NAVCDP	158,015,152.00	29,305,638.00	128,709,514.00
5	KDSP II	37,500,000.00		37,500,000.00
6	UIG	35,000,000.00	32,309,300.00	2,690,700.00
7	NUTRITION INTERNATIONAL	2,613,932.00		2,613,932.00

8	FLLoCCA	316,350,444.00	11,476,449	304,873,995
9	VILLAGE POLYTECHNICS	21,234.00		21,234.00
10	FLLoCCA	22,000,000.00	11,840,302.00	10,159,698.00
11	UDG	18,278,289.00		18,278,289.00
12	BASIC SALARY ARREARS CGHW	15,496,503.00		15,496,503.00
TOTAL		**769,006,433.00**	**129,633,699.0**	**639,372,734.00**

This significantly attributed to under-funding.

(ii) Under- Expenditure

This was majorly caused by late exchequer releases where the County Government received Kshs. 2,223,027,419 or 39% of the total equitable share in the fourth quarter, and hence could not fully absorbed. As a result, the variance Kshs. 291,889,220 was captured in the financial statements as cash and cash equivalent.

Committee Observations

The Committee observed that;

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

Committee Recommendations

The Committee therefore recommends that:

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

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

Other Matter

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, respectively. Review of the status during the audit of the County Executive in the current year under review revealed matters that remained unresolved as at 30 June, 2025.

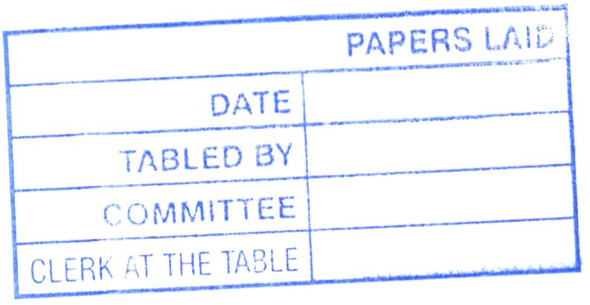
Management Response

The management acknowledged the auditor's observation on the above subject matter and responds as follows;

Several issues from prior year's audit report highlighted by the Auditor were addressed by the management as it was indicated in the implementation status report shared to the office of the Auditor General as well as the Senate. Below is the summary of the status report.

S/No.	Audit Issue	Status
1	Non-Disclosure of Commission Earned from Payroll Services Rendered	Currently the county discloses the commissions earned from payroll as part of OSR- Resolved.
2	IFMIS Data Analysis	IFMIS data was reconciled and confirmed with the Auditor - Resolved.

S/No.	Audit Issue	Status
3	Transactions in System Payments but not Processed in Payment Details	The transactions were reconciled and confirmed with the Auditor - Resolved.
4	Transfer to Other Government Agencies	These were addressed and shared with the Auditor - Resolved
5	Long Accounts Receivables-Outstanding Imprests	Resolved.
6	Amount Due from the County Assembly	Not resolved.
7	Outstanding Salary Advances	Not resolved.
8	Budgetary Control and Performance	This remains a recurring issue till the revenue targets are met and disbursements from national treasury are done on time- Not resolved.
9	Pending Bills	The county continues to budget for pending bills in each financial year and instituted measures to minimize accrual of more bills-not resolved.
10	Non-Achievement of Annual Development Plan and Budget Targets	The county re-budgeted for all the unpaid projects during that year- resolved.
11	Late exchequer Releases	Not resolved
12	Irregularities in the Construction of a Modern Funeral Home	The funeral home was completed and handed over, currently in use- resolved
13	Delays in Completion of the Governor's and Deputy Governor's Residences	The residences were completed and handed over, currently in use- resolved
14	Irregular Procurement of Motor Vehicle Insurance	▪ The security documents were availed. ▪ The county paid the balance of the premium in 2024-2025FY - Resolved



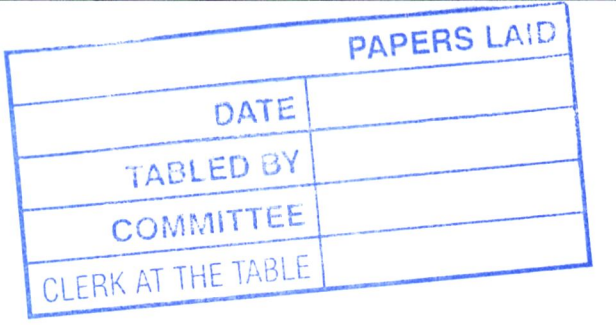
S/No.	Audit Issue	Status
15	Stalled Project of Construction of Eco-Toilet	The construction of Eco-toilet at cheptul market was terminated due to the inability by the contractor to comply with the contract terms-resolved.
16	Irregularities in the Proposed Construction and Completion of Hospital Plaza	The project is currently ongoing and at 90% completion stage-not resolved.
17	Irregularities in Procurement of Non-Perishable Foodstuffs	The county adopted framework contract to avoid stock out that may lead to un-procedural procurement- resolved.
18	Cost-Benefit Analysis of the Revenue Automation System	The revenue automation system is a five year contract (60 months) and the cost benefit will be assessed at the end of the period. However, the improved revenue collection is an indicator of cost for money- not resolved.
19	Pending Works by Vendor on Revenue Automation System	Integration with other county systems ongoing-resolved.
20	Unutilized Point of Sales (POS) Machines	The POSs were accounted for-resolved.
21	High Pending Bills Related to External Advocates and Legal Costs	The high bills related to external advocates were accumulated before the office of the county attorney was adequately resourced - resolved.
22	Non-Compliance to Climate Change Regulations	Regulations adhered to - resolved.
23	Irregular Payment to Council of Governors	The payments were sanctioned by the COG-resolved.
24	Non-Compliance with the Persons with Disabilities Act, 2013	Not resolved
25	Regularity of Human Resource	The county has frozen further recruitment, and enhanced revenue collection to

S/No.	Audit Issue	Status
	Management Practices	achieve the threshold of 35% emoluments against revenues. Not resolved
26	Weak Controls over IFMIS Payments Module	These were addressed and shared with the Auditor - Resolved
27	Weaknesses in Management of Drugs and Medical Supplies	The management of drugs at the referral hospital was digitized for early awareness on expiries and stock outs- resolved.
28	Weaknesses in the Stores Management	The county health information system (CHIS) was upgraded to accurate reliable reports on all the drugs received by the county referral hospital-resolved.
29	Expired Medical Drugs	The county received authority from the regulatory body and disposed the expired drugs as per the established procedures-resolved.
30	Dormant Bank Account	Most dormant bank accounts related to the inactive bursary accounts which were rendered in-operation when the county stopped issuing bursaries. They have since been closed- resolved.
31	Weakness in IT Internal Controls System	The county has an approved ICT policy - resolved.
32	Lack of Fully Operational Audit Committee	The audit committee was constituted, gazzeted and currently working- resolved.

Committee Observation

The Committee is concerned that several serious audit issues from prior years remain unresolved. These include;

i. non-recovery of amounts due from the County Assembly,



ii. non-compliance with the Persons with Disabilities Act,

iii. unsustainable wage bill, and high pending bills.

Committee Recommendations

The Committee Recommends that—

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

Basis for Conclusion

1. **Regularity of Human Resource Management Practices**

Review of the County Executive human resource management practices revealed the following unsatisfactory matters:

1.1. Non-Compliance with the Law on Fiscal Responsibility

During the year under review, employees' cost amounted to Kshs.2,790,128,784 or 52% of the total receipts which exceeded the set limit of thirty-five percent (35%), an indication that the high wage bill may not be sustainable. This was contrary to Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the County Executive Committee Member with the approval of the County Assembly shall set a limit on the County Government's expenditure on wages and benefits for its public officers pursuant to Section 107(2) of the Act and the limit set under paragraph (a) above, shall not exceed thirty-five percent (35%) of the County Government's total revenue.

Management Response

Management has taken note of the Audit concerns and responds as follows:

The County Government of Vihiga appreciates provisions of the law as set out under section 25(1)(a) of the Public Finance Management (County Governments) Regulations, 2015 which require personnel emoluments not to exceed 35% of the total revenue for the County. Indeed, it is further acknowledged that during the year under review, the County's expenditure on staff remuneration exceeded the set threshold due to factors beyond the County immediate control. These factors included minimum staffing undertaken for health facility structures which had been build out of local community needs as stated in the County Integrated Development Plan (CIDP), recruitment of staff for key functions like agriculture which were nearly being grounded due to the dwindling number of technical staff in the department, statutory salary adjustments arising from SRC salary awards, limited staff attrition especially in non-core areas relative to respective mandates of the departments, high salary levels for the staff inherited from the defunct local authorities, slow growth in the County's own source revenue and equitable share of revenue allocation which did not correspond proportionately with recurrent expenditure for salary and allowances despite the constant upward trajectory of salary due to annual increments, staff promotions, among others.

Other factors which have over time compounded the County's wage bill scenario include the introduction of Affordable housing levy with a matching employer contribution of 1.5% of gross salary and enhanced NSSF contributions with a matching employer contribution of KShs.1,080. These obligations on the County Government were introduced by the National Government without a corresponding increase in the equitable share of revenue allocation hence increasing the wage bill.



In view of the above wage bill scenario, the County has taken several measures to mitigate the spiraling wage bill, including the following:

a) A freeze on employment following resolution of the County Executive Committee and the emphasis on developing relevant human resource plans, including recruitment plans to guide any future hiring needs restricted to critical and essential positions only once the freeze is reviewed after July 2026 (Annex 1)

b) Development and enactment of the Vihiga County Public Service Board Act which sets an integrated legal framework within which to address human resource matters with clear consequences on non-compliance (Annex 2)

c) Development and approval of locum policy by the County Executive Committee and implementation of the same for the purpose of establishing a structured and transparent framework for the recruitment, engagement, remuneration, and management of locum health workers, ensuring continuity of service delivery during staff shortages or emergencies periods. This policy regulates the number of locum staff hence ensuring that the regular staff are first optimally engaged before engaging locum staff, who hitherto have significantly contributed to the wage bill rise. The locum policy was approved and is currently in use (Annex 3)

d) Reviewed Staff Establishment and Organizational Structure; to ensure that staff numbers are aligned to work demands and that the governance and reporting framework provide synergy and minimize conflicts / redundancies so as to assure of optimal utilization of staff skills (Annex 4)

e) Digitization of Human Resource Records and Establishment of a robust human Resource Database (Annex 5)

f) Institutionalizing Performance Management, Contracting and Staff Performance Appraisal System as a measure of enhancing accountability at individual and cost-centre level (Annex 6)

g) Prioritizing internal advertisement as a means to filling vacant positions as opposed to the outright recruitment from the open labour market. The net effect of implementing the strategy is a reduced cost to recruitment by way of salary top-up for the higher skills and competencies which may be found within the existing County establishment (Annex 7)

The County Public Service Board and all the Authorized Officers have been informed of the resolutions / directives of the County Executive Committee aimed at progressively reducing staff costs to fit within the given statutory limits. The County continues to monitor its compliance to the relevant provisions of the Public Finance Management Act and the attendant regulations.

Committee Observations

The Committee observed that;

1) The Committee observed that the County Executive's wage bill for FY 2024/2025 was Kshs.2,790,128,784, representing 52% of its total revenue which was above the threshold of 35% of total receipts contrary to Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015.
2) The County Executive has implemented a freeze on employment, particularly in non-critical departments, and has revised organizational structures to ensure that staffing levels are aligned with core mandates.
3) Digitization of human resource records has been initiated to improve real-time data for better staffing decisions.

Committee recommendations

The Committee recommends that—

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

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

(i) **time-bound strategies it has developed and is implementing to achieve a 35% public wage bill to revenue ratio;**

(ii) **collaborative measures being jointly implemented in conjunction with the County Governments; and**

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

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

1.2. Non-Compliance with the Law on Staff Ethnic Diversity

During the year under review, the total number of employees was three thousand, two hundred and seventy-two (3,272), out of which three thousand and eight-nine (3,089) or 94% of the total number were members of the dominant ethnic community in the County. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community".

Management Response

Management has taken note of the Audit concerns and responds as follows:

The County Government of Vihiga acknowledged the audit observation regarding non-compliance with Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, which requires employment in the County to represent the diversity of the people of Kenya, partly by ensuring that not more than one third of employees are from the same ethnic community.

The current situation in the County has been an outcome of various historical and operational factors. Among the factors is that majority of staff in the lower cadres who are currently in

service were recruited during the first administrative regime of county governments which served as a transition phase from local authorities to County governments. Apparently, borrowing from local authority practices, recruitment was largely localized and hence most persons employed during the time were from Vihiga County. Location of Vihiga County in a region with a predominantly homogeneous population has limited the pool of applicants from other communities, particularly for lower cadre and specialized positions. There has also been limited turnover of staff thus limiting the County's opportunity to re-balance staff composition towards achieving the prescribed ethnic diversity threshold.

Despite the competitive nature of the recruitment process from the open labour market, majority of the applicants have been from the dominant community in the County. Noting that most positions advertised are generally of lower cadres, for example ECDE teachers and Market Cleaners, economic constraints and cost of living appear to be deterrents to potential applicants from communities residing far away from the county

However, despite the above challenges, the County has instituted several measures to progressively achieve compliance. These include: advertising vacancies nationally to attract applicants from diverse communities as well as development and enactment of the Vihiga County Public Service Board Act, 2025 which provides a legal framework directly placing responsibility for enforcement of affirmative and equity considerations on the Board for the purpose of legal compliance as detailed under part IX of the Act on Equity, affirmative action and implementation of employment equity in the County Public Service (Annex 8)

As a County, we reaffirm our commitment to compliance with the National Cohesion and Integration Act by ensuring that future staffing decisions adhere to statutory requirements.

Committee Observations

1) The committee observed that the County Executive had a total of 3,272 employees out of which 3,089 or 94% were from the dominant local community in the County contrary to the provisions of the National Cohesion and Integration Act, 2008 which stipulates that at least 30% of employees should be from communities other than the

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

Committee Recommendations

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

The committee recommends that: -

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

1.3. Lack of Annual Recruitment Plan

The County Executive recruited two hundred and ninety-eight (298) officers in the financial year 2024/2025. However, the County Public Service Board did not have annual recruitment plan to guide the recruitments. Further, no evidence was provided as proof that budgetary availability was being sought before recruitments were made. This was contrary to Section 59(1) (g) of the County Governments Act, 2012 which requires the County Public Service Board of a County to facilitate the development of coherent, integrated human resource planning and budgeting for personnel emoluments in Counties.

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

Management Response

Management appreciates the observation by the Auditors and wish to respond as follows:

The County acknowledged that it has not yet developed a consolidated annual recruitment plan. As detailed in annex 1, the matter is being addressed by the respective Departments, during which time (up to 30th June 2026) the Vihiga County Executive Committee has declared a freeze on employment. As resolved and communicated by the County Executive Committee, all recruitments from July 2026 onwards shall be allowed by the County Public Service Board only if supported by an approved annual recruitment plan.

However, in relation to the audit period, Management had put in place measures and complementary governance structures to ensure that matters of recruitment planning are adequately and proactively addressed through the respective Departmental Human Resource Advisory Committees (DHRAC) and thereafter, the recruitment needs (in the form of a job indent) are escalated to the County Executive Committee for approval before being conveyed to the County Public Service Board by office of the County Secretary. Confirmation of budget is normally part of the recruitment process consideration and the same is enshrined in the letter to the Board conveying approval. A sample of a job indent and relevant commitments by the County Executive is provided.

Committee Observation

1) The Committee noted that the recruitment of 298 officers was carried out without an approved budget which constituted an act of improper conduct as spelt out in section 156(4) of the Public Finance Management Act, Cap 412A which states that a public officer engages in improper conduct if the officer makes or permits an expenditure that is unlawful or has not been properly authorised by the entity concerned.

2) The Committee further observed that the recruitment of the 298 officers constituted a loss of public funds as per the definition outlined in regulation 138 of the Public Finance Management (County Government) Regulations which defines a loss as payments made or liabilities incurred without statutory, administrative or other authority.

3) The Committee noted that the County Executive did not have an approved staff establishment to guide on the recruitment and placement of staff.

Committee Recommendation

1. **The Committee recommends that the County Public Service Board expedite development and approval of its staff establishment and a status report should be submitted to the Auditor General for verification and Senate within ninety (90) days of the adoption of this report.**

2. **the EACC undertakes investigations of the county officers involved in the recruitment of 298 officers with a view to establishing any breach of law and recommending criminal prosecution for loss of public money.**

1.4. Non-Compliance with One Third of Basic Salary Rule

PAPERS LAID

DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Review of the staff payroll for the month of June, 2025, revealed that the net salaries for fifty-six (56) officers were less than one third of their respective basic salaries. This was contrary to Section C (3) Human Resource Policies and Procedures Manual for the Public Service, May, 2016 which provides that public officers shall not over-commit their salaries beyond two thirds (2/3) of their basic salaries.

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

Management Response

Management takes note of the Auditor's observation and responds as follows:

The fifty-six (56) officers cited as having net salaries below one third (1/3) of their basic salaries were initially compliant to the one-third **rule** before the introduction of Social Health Insurance Fund deductions, the Affordable Housing Levy and revised NSSF contributions. There has been no corresponding adjustment to gross salary hence the negative impact on net take home salary.

The key statutory changes that affected net pay include:

1. NSSF deduction which increased from KShs. 200 to KShs. 1,080 following implementations of the NSSF Act, 2013 (Tier I);
2. Affordable Housing Levy, introduced in July 2023 at rate of 1.5% of gross salary; and
3. Social Health Insurance Fund (SHIF) contribution of 2.75% of gross salary, which replaced the previous fixed NHIF rates from October 2024.

Despite the introduction and revision of these statutory deductions, the officers' gross salaries remained unchanged, thereby affecting compliance with the one-third rule.

Following an internal review and audit, Management identified the non-compliance and, in November 2025, the Payroll Office formally notified the affected officers and initiated a payslip restructuring exercise to ensure compliance with Section C (3) of the Human Resource Policies and Procedures Manual for the Public Service, May 2016.

Management therefore commits to continued monitoring of payroll deductions and timely adjustment of staff commitments to ensure sustained compliance to the one-third salary rule.

Committee Observation

1) The Committee observed that fifty-six (56) county staff were earning less than a third of their basic pay contrary to section 19(3) of the Employment Act 2007.

2) The Committee noted that this breach was triggered by the introduction of new statutory deductions (e.g., Housing Levy, SHIF) by the National Government without a corresponding review of the legal protection for employees' net pay.

Committee Recommendations

The Committee therefore recommends that -

Committee Recommendations

1. The County Public Service Board, in coordination with the County Treasury, fully implement the Human Resources Information System (HRIS) to automatically lock out any loan commitments that would cause an employee's net pay to fall below the legal threshold, as required by sound internal control systems under Regulation 155 of the PFM (County Governments) Regulations, 2015.

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

2. Non-Adherence to Climate Change and Financing Requirements

During the year under review, the Climate Change and Financing of the County Executive of Vihiga for the year under review revealed the following unsatisfactory matters:

i. There was inadequate Integration of Climate Change Action Plan into County Strategies as most departments did not capture environmental sustainability or green economy clearly as required.

ii. The County lacks a comprehensive climate risk register and a fully functional warning system across departments despite having a participatory climate risk assessment report.

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

The risk register would enable the County to have real-time, accessible and community-responsive early warning system.

iii. There was no clear value for money metrices on climate change. No documented cost benefit analysis or benchmarking report provided for audit to determine the economic efficiency or environmental effectiveness of the projects undertaken out of the Kshs.253,700,000 allocated in the budget.

iv. Lack of Greenhouse Gas Emissions (GHG) Tracking and Adaptation Outcomes Reporting System and Monitoring, Reporting and Verification (MRV) system hence non-compliance with national and global obligations.

v. There was no evidence of sustainability measures, maintenance budgets, monitoring and evaluation post funding of the completed projects or institutional frameworks to support continued functionality after the end of initial funding.

vi. There was no evidence of benefit-sharing agreements or community development contracts, particularly for projects situated on community or public land i.e., in the case of carbon-related or natural resource-based interventions—such as afforestation, reforestation, or water conservation structures there was no Community Development Agreements (CDAs) availed for audit, as required under the Climate Change (Carbon Markets) Regulations, 2024. Further, there were no monitoring tools or mechanisms to track whether agreed-upon project benefits such as water access, improved ecosystems, or livelihood support actually reached the targeted beneficiaries or communities.

vii. Five (5) projects out of the sixteen (16) climate-related projects with potential environmental impacts such as irrigation infrastructure lacked National Environment Management Authority (NEMA) licenses and certificates.

viii. There were delayed exchequer disbursements hence the Fund's activities as planned in the Annual Work Plan were not carried out as per the Paris Agreement. This points to the

risk that the County Government will not achieve its targets as highlighted in the Vihiga County Climate Change Action Plan 2023-2027. Further, this would have a negative effect on the Country's ability to attain the Sustainable Development Goal Number 13 on Climate Action.

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

Management Response:

(i) Most departments in the County Government of Vihiga have integrated climate change, environmental suitability and green economy through various explicit and implicit climate actions through the CIDP 2023-2027 as indicated in the table below:

Sn.	Department	Climate change and sustainability actions mainstreamed in CIFP 2023-2027
1.	Agriculture Livestock and Fisheries	Mainstreams climate change as outlined on pages: 60, 97, 150, 167
2.	Transport and Infrastructure	Mainstreams climate change as outlined on pages:: 77 and 62
3.	Health Services	Mainstreams climate change through its intent to: 1) Strengthen preventive and promote healthcare: Promote environmental Health Services 2) Promote Environmental health and health education programs
4.	Environment, Water Energy, Natural Resources and Climate Change	Mainstreams climate change as outlined on pages: 60, 133, 134,
5.	Physical Planning, Lands,	Mainstreams climate change as outlined on

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

	Housing and Urban Development	pages: 102 and 107
6.	Education, Science and Technical Vocational Training	Mainstreams climate change as outlined on pages: 133 and 155
7.	Commerce Tourism and cooperatives	Mainstreams climate change as outlined on pages: 83
8.	Gender, Culture Youths, Sports, and Social Services	Mainstreams climate change as outlined on pages: 89
9.	Public Serves and Administration	Mainstreams climate change as outlined on pages: 62

The CIDP 2023-2027 is herewith attached for your reference.

(ii) The referred Participatory Climate Change Risk Assessment report comprehensively documents climate risks across all sectors hence adequately serves as the county climate risk register consequently, there is no need for a separate climate risk register.

The risks as identified in the Participatory Climate Risk Assessment Report shall form the basis for an early warning system as planned in the FY 2025/2026.

(iii) The projects are in response to the Climate Risks as per the participatory climate risk assessment and are in line with the County Climate Change Action plan, which outlines actions to build resilience of communities against climate change. The real value for the monies invested is in the socio-economic, environmental and climate change resilience benefits that accruing to the communities from the projects as verified during the field visits during the audit.

(iv) The County Government of Vihiga has instituted measures towards Greenhouse Gas inventory reporting as envisaged under section 15 of the Climate Change Act, 2016. Towards this, the County has anchored Greenhouse Gas Inventory reporting in the newly enacted Climate Change Act, 2025.

Section 35 of the Act states that "The County Directorate of Climate Change in consultation with National Climate Change Directorate shall lay framework for estimation of Greenhouse Gas Emission for compilation and reporting of activity data within the county as guided by relevant national policies."

Based on the above, the County Government of Vihiga shall establish the requisite framework and commence reporting on Greenhouse Gas Inventories in the subsequent financial years having legally provided for it in the Act enacted in the current financial year.

(v) The County Government of Vihiga has put in place measures to ensure sustainability of completed climate change projects through planning, budgeting for and execution of maintenance of completed projects.

In the period under review, the Climate Change Fund allocated Kenya shillings three million to facilitate the maintenance of various completed projects.

Furthermore, the fund budgeted for the establishment and capacity building for Ward Climate Change Planning Committees and other community based committees to monitor and oversee the management of Completed projects in line with Section 22 of the Vihiga County Climate Change Act 2025. Twenty five ward climate change planning committees were established and trained in the period under review .

Management committees were established for: Kegondi Water Project, Ebukhaya Water Project, Mwala Kaptik Water Project, Kaila Water Project and MMakhondo Ipali Water Project.

(vi) Schedule Four of the Climate Change (Carbon Markets) Regulations, 2024 guides the formulation of Community Development Agreement for Carbon Registered projects. The projects implemented by the county in the period under review, including natural resource-based interventions are not yet registered as carbon projects in line with the Carbon Markets Regulations, 2024 hence the Community Development Agreements as envisaged under the Regulations, 2024 does not apply to them.

There was multi-stakeholder monitoring and evaluation of all the projects by both the ward climate change planning committee members who filled the beneficiaries' templates and also by the directorate through the M&E officer using the kobo toolbox. All these were used to fill the Project Status report which documents the number of beneficiaries.

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

The Project Status report is attached detailing the number of beneficiaries. (Folio 2).

(vii) Eleven projects that had either been completed or ongoing (including the Irrigation infrastructure project) had the requisite NEMA Licenses as observed in the findings.

The five projects that did not have their licenses had not commenced by the time of audit, pending their full licensing by NEMA.

(viii) The county notes that delayed disbursements of funds regarding both the FLLoCA Program grants and the County Climate Change Fund Contributions affect implementation of activities and risks hindering achievement of targets highlighted in the Climate Change Action Plan, 2023-2027.

Delays in exchequer and NT FLLoCA Program disbursements, which are both factors beyond Vihiga County Government's control led to delayed disbursement into the climate change Fund.

Committee Observation

The Committee observed several instances of non-compliance with climate change regulations and laws, including inadequate integration of climate action plans into county strategies, lack of a comprehensive climate risk register and early warning system, and the absence of clear value-for-money metrics for climate change initiatives. These failures contravene the obligations placed on all State Organs by Article 69 of the Constitution to ensure sustainable exploitation, utilization, management, and conservation of the environment.

Committee Recommendations

1. **The Committee directs the County Executive to ensure full and adequate integration of the Vihiga County Climate Change Action Plan (2023-2027) into all departmental strategies and programmes, in compliance with the Climate Change Act, 2016. A status update on implementation shall be submitted to the Senate and the Office of the Auditor-General within ninety (90) days.**

2. **The County Executive is directed to develop and operationalize a comprehensive climate risk register and establish a fully functional early warning system, as required for prudent risk management, within one year.**

3. **The Office of the Auditor-General undertakes a special audit on the implementation of the Financing Locally-Led Climate Action (FLLoCA) programme across all forty-seven (47) counties. The audit should assess value for money, compliance with regulations, and effectiveness of the programme in achieving its objectives. A report shall be submitted to the Senate within one year.**

3. Delayed Construction of Hospital Plaza

Records provided for audit revealed that County Executive entered into an agreement with a firm for the construction of Hospital Plaza at Vihiga County and Referral Hospital at contract sum of Kshs.395,172,568 on May, 2021.The project was to be completed within a period of three (3) years. The project was for construction of a six (6) floor Hospital Plaza from foundation to completion including installation of two (2) lifts, terrazzo on ramp and stairs, installation of solar water piping system, gypsum ceiling, aluminum windows and doors, nurse call system wiring and equipment's, oxygen and vacuum equipment, electrical and mechanical fittings, external works including laying of cabro at parking, generator installation, general painting works, floor tiling and roofing and concrete gutters.

The status report indicated that the total works certified to date amounts to Kshs.223,271,130, representing 56% of total cost as per interim payment certificate no.10. However, the contract agreement had already expired in May, 2024 and there was no evidence of request for renewal from the contractor or availability of a current contract. Hence the contractor was in breach of the contract. The last site meeting (No.11) by the Project Management Team was held on May, 2024, indicating that no other meeting had been held since expiry of the contract agreement.

Further, physical inspection in the month of June, 2025 revealed that main structure had been done to completion including exterior painting works, roofing and concrete gutters. The interior works were on-going and the contractor was on site doing installation for the second lift as the first one had already been installed, tiling partly done from first floor to 6th floor, terrazzo done on ramp and stairs, water tanks installed, gypsum ceiling works ongoing, wiring ongoing,

PAPERS LAID

DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

painting and skimming ongoing. However, some other works were yet to start including, external works, mechanical fitting and generator installation.

In addition, the project was behind schedule with a total of thirteen (13) months having elapsed from the completion date of May, 2023.

In the circumstances, delay in completion of the project increases the risk of cost escalation and denies the citizens of the Vihiga County of the much-needed service delivery and value for money may not be obtained from the expenditure of Kshs.223,271,130 already spent on the project.

Management Response

The management acknowledged the auditor's observations on the above subject matter and would like to state as follows:

That the Contractor had applied for an extension of Contract through a letter dated 24th February 2025 giving reasons as to why he required the extension.

Upon receiving the letter requesting for extension of contract, the Contract Implementation team convened a meeting through which they reviewed and approved the request to extend the contract by twelve months as per the minutes dated 6th May 2025 and a letter by the Chief Officer Health approving the same. There has been granted an extension of the contract period to 25th May 2026 after the Contract Implementation Team reviewed a request from the Main Contractor, recommended an extension of twelve months, and subsequently this was approved by the Chief Officer Health Services

That the department has a strong Contract Implementation Team in place working towards completion of the works. See the minutes attached showing the members of the Contract Implementation Team. That the CIT has had several site meetings, one as recently as 5th December 2025 to inspect the works and check on the progress.

That the department has allocated Ksh 75,000,000 for completion of the plaza in this financial year 2025/2026.

Furthermore, the contractor is on site and works are ongoing. As per the most recent technical report, the following works are being executed: External works have commenced, including excavation works for an Accident and Emergency Unit and Parking areas. Piping and Manholes

for the sewerline is also ongoing. Terrazo works to all floors is complete and being polished. Mechanical fittings are also ongoing on site.

Committee Observations

1) The Committee observed that the Hospital Plaza was completed at a cost of Kenya Shillings 223,271,130 but remains non-operational..
2) A critical contract extension letter dated 16 May 2024 was produced only one day prior to the meeting before the Senate Committee contrary to section 62 of the Public Audit Act, 2015.

Committee Recommendations

1. **The County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, and provides a status report to the Office of the Auditor General within (90) days from the adoption of this report.**
2. **The Committee recommend the County Executive to immediately establish a robust project management and monitoring system, as provided for in the Public Finance Management Act and the Public Finance Management (County Government) Regulations, 2015, to ensure proper project conceptualisation, planning, execution, and timely completion and provides a status report to the Office of the Auditor General within (90) days from the adoption of this report.**
3. **The Office of the Auditor-General to keep this matter in view and verify the final cost and completion date of the project in the next audit cycle.**

4. Construction of County Aggregation and Industrial Park

The Department for Commerce, Tourism & Cooperatives awarded a contract to a Company at a contract sum of Kshs.496,028,151 for the construction of County Aggregation and Industrial

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Park as indicated on the letter of award dated 23 August, 2023. The project was to be completed within nine (9) months, effective 26 September, 2023 as per the contract agreement dated 29 September, 2023. However, the following unsatisfactory matters were noted:

i) There was no communication from the Project Management Team to the Contractor on non-performance of the contract as per the agreement signed on 29 September, 2023.

ii) The Contractor provided an updated performance bond dated 25 March, 2025 expiring on 26 March, 2027 from an insurance agency of which the Management had not confirmed its authenticity.

iii) A total of Kshs.52,038,575 had been paid to the contractor being valuation of three (3) certificates as tabulated below:

Certificate	**Date**	**Amount (Kshs.)**
1	20/12/2023	14,038,376
2	24/05/2024	20,801,382
3	25/04/2025	17,198,817
Total		**52,038,575**

Project inspection in the month of June, 2025 revealed the following observations:

i. The Contractor was not actively on site and the materials on site did not indicate any major works ongoing hence the project had stalled.

ii. Steel framework had been done on two (2) warehouses and walling done a quarter way on 2 walls only.

iii. Foundation wall had been done on two (2) warehouses awaiting framework installation. The other ware house trenches had been dug out but no works done as they had started filling up.

In the circumstances, the value for money in the construction of the County Aggregation and Industrial Park could not be confirmed.

Management Response

The Management acknowledged the Auditor's observation on the above subject matter and responds as follows:

i. The contract Implementation Team constantly raised issues around the pace of the project and the need for updated work plans during site meetings attended by the contractor and/or his representatives, and these were captured in minutes. Furthermore, the contractor via a letter dated 5th April 2024, titled "Early Warning notice and application for extension of time" had indicated reasons for their delay in implementing the works and had sought an extension of time. Both the early warning notice letter and the contract extension approval are attached.

ii. The authenticity of the Performance Bond had been verified by Director of Supply Chain Managements' office as per the attached communication (e-mail) from Star Discover Insurance Company Limited.

iii. All payments are only made after evaluation of works done are submitted by the contractor, measured by our quantity surveyors, and certified. Only measured works and material on site are considered with no advances provided for. As such payments made so far stretch only as far as what has been implemented on site.

Committee Observations

The Committee observed that; -

1) The Committee observed that the County Aggregation and Industrial Park (CAIP) project, valued at Kshs.496,028,151, had stalled, with only Kshs.52,038,575 (10.5%) of the contract

PAPERS LAI
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

sum spent and no significant progress on site. This is a failure in project implementation and constitutes a risk of not achieving value for money, contrary to Section 149(1) of the PFM Act.

2) The County Executive holds a 40-year lease agreement with Kenya Railways, with payments scheduled to be completed by December 2026, thereby securing land tenure for the project.

Committee Recommendations

The Committee recommends that;

1. **The Committee recommends that, to achieve the primary objective of the County Aggregation Industrial Project (CAIP), which is to foster growth in manufacturing and investments through agro-industries while sustainably enhancing the productivity of the agriculture sector, the National Government should actively engage with County Governments. This engagement should empower Counties to identify and prioritize initiatives that promote inclusive and decent job creation, as well as increase farmers' incomes through participatory approaches. Consequently, this will establish a collaborative platform enabling farmers, processors, exporters, research institutions, industrial bodies, and Government entities to engage effectively in agro-industrial development.**
2. **The Committee recommend the County Executive to immediately establish a robust project management and monitoring system, as provided for in the Public Finance Management Act and the Public Finance Management (County Government) Regulations, 2015, to ensure proper project conceptualisation, planning, execution, and timely completion and provides a status report to the Office of the Auditor General within (90) days from the adoption of this report.**
3. **The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within (90) days of the adoption of this report.**
4. **The Auditor General should continue monitoring the issue in subsequent financial years.**

5. Construction of Bumira E.C.D.E Classroom

The Department for Education and Vocational Training awarded a contract for the construction of Bumira E.C.D.E Classroom at a sum of Kshs.1,775,752 on 21 November, 2024 for a period of three (3) months. The contract was for construction of the main structure from foundation, walling, roofing, plastering and general painting works.

Physical inspection of the project in the month of June, 2025 revealed that the contractor had already completed the required works as per the bill of quantities. However, it was found out that the contractor did not use the recommended natural stones for walling and instead mixed them with substandard molded soil that had already started peeling off two (2) months after completion of the project.

Further, the floor had visible cracks even before the project was put to use, a clear indication that the works done were sub-standard.

In the circumstances, value for money incurred in the construction of the classrooms could not be confirmed.

Management Response

The management has noted auditor's observations and wish to respond as follows:

The CIT inspected the works as soon as the contractor had requested for payment. At the time of inspection there was no visible defects and the CIT having inspected the works from foundation to roofing could not have seen the walling defects. This being a latent defect the CIT has recommended water proof plaster to the lower side of the walling and normal render on other areas. It is also likely that the contractor used machine cut stones of varying quality and a few were of poor quality hence the flaking, however, the contractor has not in any instance used moulded soil for moulded works.

The Contractor was recalled for the latent defect and made good the defects shown,The retention money has also been retained to date for any defects as per contractual provisions.

Committee Observation

1) The Committee observed that the contractor for the Bumira E.C.D.E Classroom, valued at Kshs.1,775,752, delivered sub-standard works, with walls peeling and floors cracking shortly after completion. This is a clear breach of contract and a failure by the County's project

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

implementation team to conduct proper supervision, resulting in poor value for money and contravening **Section 149(1) of the PFM Act**.

2) The Committee was informed by the Office of the Auditor General that the defects had since been rectified by the contractor.

Committee Recommendations

1. **The Committee recommend the Accounting Officer to ensure that the retention money for the contractor is withheld until the Office of the Auditor General verifies that all rectification works have been completed to the required standard and are free of defects.**
2. **The Office of the County Governor to prioritise completion of existing and stalled projects and provide a budget for their completion and provide a status update to the Auditor General within (90) days of the adoption of this report.**

6. Inconsistency of Carriageway on Opening and Maintenance of Roads

During the audit year, several road maintenance projects were carried out in Vihiga County. Physical inspection conducted in the month of June, 2025 revealed that significant inconsistencies concerning the width/carriageway of access roads were ranging between 3.0 to 3.5 meters. However, the Bills of Quantities (BQs) for roads did not specify carriageway width which according to National Construction Authority (NCA) should be 4.5 meters.

This was contrary to Section149. (1) (a) and (b) of Public Finance Management Act, 2015 (County Government) 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 law.

Management Response

The management acknowledged the Auditor's observations on the above subject matter and responds as follows;

Vihiga County is a predominantly rural county characterized by historically narrow road reserves, most of which were established through community access paths rather than planned engineering corridors. The majority of access roads traverse existing settlements, farmland, and communal land, with average road reserves of approximately 6 metres, compared to the ideal 9 metres required to safely accommodate a 4.5-metre carriageway, side drains, and shoulders.

The County Government acknowledges National Construction Authority standards. However, full compliance is constrained by physical, social, and fiscal realities, including absence of gazetted reserves, high population density along road corridors, and limited budgets for land acquisition and compensation.

To mitigate these constraints, the Department applies context-sensitive engineering solutions, including structured public participation to seek voluntary corridor expansion, optimization of available corridor width, increased gravel thickness and compaction standards, and continuous technical supervision.

Carriageway width remains a key input in quantity computations. Quantities for grading and graveling are derived from the achievable width, road length, and approved gravel thickness, ensuring transparency and traceability in Bills of Quantities and payments.

Going forward, the County is progressively integrating GIS-based road inventory and classification to document existing road widths, reserves, and constraints, and to support realistic planning, supervision, and audit verification.

Committee Observation

The Committee observed that road projects were constructed with carriageway widths of 3.0 to 3.5 meters, contrary to the National Construction Authority (NCA) standard of 4.5 meters. This inconsistency between the approved design and the actual work delivered constitutes a breach of contract and results in the public not receiving the value of services contracted for, a direct violation of **Section 149(1)(a) and (b) of the PFM Act**.

Committee Recommendations

The Office of the Auditor General conducts a comprehensive technical audit of all road projects implemented under the affected contracts to determine the full extent of the non-compliance with approved designs and contractual specifications, and establish responsibility for any breach of contract and provide a status update to the Senate within (90) days of the adoption of this report.

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

7. Hire of Road Maintenance Equipment

The County Executive awarded tender at a contract sum of Kshs.90,769,560 for hire of road maintenance equipment. The contract was for one (1) year renewable. The contract agreement was signed on 23 December, 2024. Review of expenditure records indicated that Kshs.11,346,195 had been paid to the contractor as at the time of audit. The hired equipment was as detailed below:

Item	Quantity/Physical Unit
Excavator	1
Motor Grader	1
Single Drum Roller	1
Tipper Trucks	4

The Department of Transport and Infrastructure purchases murram from various quarry points from which the hired tracks are loaded and taken to the various roads under the program. However, the following unsatisfactory matters were noted:

i. An approved work plan with specification of activities on roads done was not provided for audit review;

ii. The Department of Transport and Infrastructure does not maintain registers both at the quarry point (Emmaloba Quarry, Luanda South) and at the various roads. In the absence of the said registers, it was not possible to ascertain whether all murram picked are utilized on the intended roads;

iii. The roads done under the program do not have sign boards indicating required information such as client, supervising engineer and year of funding and

iv. The hired equipment's are not labelled with stickers for the County Government of Vihiga for identification.

This was contrary to Section149. (1) of the Public Finance Management Act, 2012 (County Government) which requires an accounting officer is accountable to the county assembly to ensure that the resources of the entity for which the officer is designated are used in a way that (a) lawful and authorized; and (b)effective, efficient, economical and transparent.

In the circumstances, Management was in breach of law.

Management Response

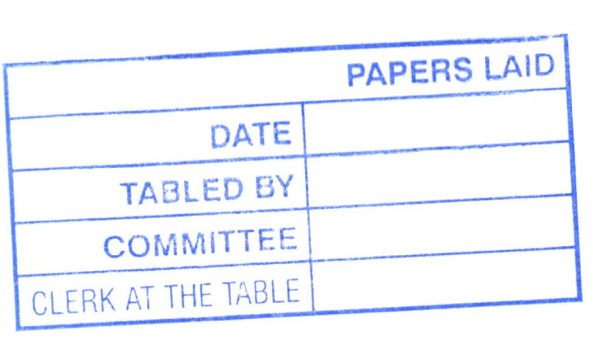
The management acknowledged the Auditor's observations on the above subject matter and responds as follows;

The hire of road maintenance equipment was undertaken as a cost-effective intervention to enhance road maintenance capacity in our rural county with limited owned plant and an extensive gravel road network.

An approved work plan was developed and shared with the audit team. Implementation is undertaken in phases, with each phase culminating in a completion report detailing roads covered, activities undertaken, and estimated costs.

Gravel quantities are measured and certified on site upon placement and compaction. Vehicle movement from quarry sites to project roads is monitored through a Fleet Management System, providing a digital audit trail. The County acknowledges the need to strengthen quarry and site registers and has initiated standardization of loading and delivery records.

With respect to project signage, the County notes persistent theft and vandalism of metallic publicity boards in rural areas. As a mitigation measure, the County is transitioning to GIS-based road identification, where road sections are digitally tagged with GPS coordinates, project details, year of intervention, funding source, and supervising unit. This provides a secure and auditable alternative to physical signage.



The hired equipment is privately owned and registered. Permanent branding with County insignia is therefore not feasible. However, the Department is exploring temporary identification measures and enhanced digital tagging within the fleet management system.

In conclusion, the County confirms that resources were utilized for their intended purpose and that systems are being progressively strengthened to reflect rural operating realities, enhance transparency, and improve auditability.

Committee Observation

The Office of the Auditor General informed the Committee that the matter was satisfactorily addressed.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

8. Irregularities in the Registration of Persons with Disabilities and Approvals of Tax Exemptions

Review of files for staff registered under Persons with Disabilities (PWDs) revealed that thirty (30) members of staff files were incomplete as they lacked the necessary documentation such as Disability cards, KRA Tax Exemption Certificates and Medical Assessment Reports.

This was contrary to Section 35(1)(a) of The Disabilities Act, 2025 which provides that in order to facilitate access by persons with disabilities to the services set out under this part, the Council shall register on a continuous basis person with disabilities, to whom it shall issue disability identification cards in such form as it may determine.

In the circumstances, Management was in breach of law.

Management Response

Management has taken note of the audit observation and responds as follows:

The thirty (30) officers identified as Persons with Disabilities (PWDs) had been duly recognized within the payroll system; having submitted disability identification cards issued by the National Council for Persons with Disabilities and which management considered as conclusive evidence of due registration as provided under section 35(5) of the PWD Act of 2025. However, some of their personal files were incomplete due to missing supporting documentation, among them being KRA Tax Exemption Certificates, and Medical Assessment Reports.

Upon identification of the above gap during the audit review, Management formally requested the affected officers to submit the missing documents as had been guided by the Auditors. The documents were subsequently received, filed in the respective officers' personal files and forwarded to the Audit team for verification.

Management has further strengthened internal controls by ensuring that registration under PWD status and approval of tax exemptions are only affected upon receipt and verification of all mandatory supporting documents, in compliance with Section 35(1)(a) of the Persons with Disabilities (PWD) Act, 2003 and section 56 of the PWD Act of 2025.

Management will continue to periodically review staff records to ensure sustained compliance with applicable laws and regulations.

Committee Observation

1) The Committee observed that personnel files for 30 employees registered as Persons with Disabilities (PWDs) lacked mandatory supporting documentation, including Disability Cards and KRA Tax Exemption Certificates. This contravenes Section 35(1)(a) of the Persons with Disabilities Act, 2003 (now 2025), which requires proper registration and documentation for accessing special services and exemptions.

2) the County Executive failed to submit relevant documents on time to the Auditor General during the audit exercise contrary to Section 62 of the Public Audit Act, 2015.

Committee Recommendation

1. **The County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, (Cap. 412A) and provides a status report to the Office of the Auditor General within ninety (90) days of the adoption of this report.**

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

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

3. **The Ethics and Anti-Corruption Commission (EACC) undertake an investigation into the responsible officer(s) with a view to recommending their prosecution for committing the offences stipulated under Section 62(1)(b) and (c) of the Public Audit Act, Cap. 412B, and for violations of the provisions of Regulation 210(k) of the Public Finance (County Governments) Regulations, 2015 and provides a status report to the Senate within ninety (90) days from the adoption of this report.**

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

The financial statements Sabatia Sub-County Hospital for the year ended 30 June, 2025 and prior years were not submitted to the Auditor-General as required by Section 164(4)(a) of the Public Finance Management Act, 2012 and Section 47(1) of the Public Audit Act, 2015 which provide that within three (3) months after the end of each financial year, the accounting officer for an entity shall submit the entity's financial statements to the Auditor-General.

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

Management Response.

The management acknowledged the audit query and wishes to respond as follows;

The failure to prepare and submit financial statements for the Level 4 Sub-County Hospital (Sabatia) for the period under review was because the hospital was undergoing transitional arrangements following its elevation to Level 4 status, which affected the timely establishment of appropriate financial reporting structures and assignment of accounting responsibilities.

Management has since taken corrective measures to address the matter. These include the designation of an accountant for the hospital and commencement of preparation of the subsequent financial statements.

Committee Observation

The Committee observed that the financial statements for Sabatia Sub-County Hospital for FY 2024/2025 and prior years were not prepared or submitted for audit. This is a direct and serious violation of **Section 164(4)(a) of the PFM Act** and **Section 47(1) of the Public Audit Act, 2015**, which mandate the timely preparation and submission of financial statements for all public entities.

Committee Recommendation

1. **The Committee recommend the County Executive Committee Member for Health/Finance and the relevant Accounting Officer to immediately prepare the financial statements for Sabatia Sub-County Hospital for FY 2024/2025 and all outstanding prior years, and submit them to the Office of the Auditor-General within ninety (90) days of the adoption of this report.**
2. **The Institute of Certified Public Accountants (ICPAK) takes action(s) against CPA. James Atemba (M/No. 24296) and CPA. Keverenge S Joseph (M/No. 3762) for failure to submit the entity's financial statements to the Auditor General which constitutes professional misconduct pursuant to Section 8 (a) and 30 of the Accountants Act CAP 531 and reports to the Committee and the Auditor General within 90 days of adoption of this report.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion.

Basis for Conclusion

1. **Weaknesses in Revenue Collection Management System**

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

Review of procurement and payment records revealed that the County Executive had made payments to a vendor to the level of 89% of the contract sum of Kshs.58,777,600 for the supply of a Revenue Automation System. However, review of the Revenue Collection Management System records and documents revealed that key deliverables such as full system automation, system handover, integration with other County systems such as the IFMIS, HRIS, HMIS, GIS, G-PAY), training of end-users and security configuration such as firewall installation remain incomplete.

Further, the vendor continues to host the County's revenue data on their cloud infrastructure, limiting the County's control and ownership of its data.

In addition, the earlier technical recommendations such as the implementation of multi-filter functionalities to allow the generation of detailed analytical reports across sub-categories of revenue streams, have not been addressed by the service provider.

In the circumstances, the effectiveness of the internal controls and reliability of the revenue collection management system could not be confirmed.

Management Response

The management acknowledged the Auditor's observations on the above subject matter and responds as follows;

I. **Full Automation.** All the Revenue Streams anticipated in the contract have been fully automated. The clients are able to make payments through Paybill, USSD, bank account deposits and STK push. The service provider has executed items 1-7 under the scope of service of the agreement. The draft escrow agreement and Maintenance contract have been provided for legal input before execution

II. **System Handover.** The contact period as per clause 2,2 on page 19 and Clause 1,5 (duration) on page 7 is valid for 60 months from 2nd June 2023. The obligations of the service provider for the contract period as listed in clause 3.1; a-m. The vendor has continued to provide support and maintenance of the system as per clause 3.1.j of the contract.

III. **Integration with other systems**;

The Revenue system is being Integrated with the following;

a) County Hospital Information System (CHIS)

b) Lands Information Management System (LIMS)

Training of end users. This was carried out at the beginning of the contract and completed by September 2023. Continuous training is ongoing driven by demand including technological advancement

Firewall installation was done and completed as annexed a report on the status update on server room and firewall installation dated 27th November 2024.

The Data is held on the Cloud server hosted by the vendor. The Principal ICT Officer has access to the data. Further the Data is mirrored in the local server with the Principal ICT Officer having Super access credentials as contained in the scope of works as per appendix iv of the contract.

ii. We are currently able to produce reports as envisaged on page 29 under reports and enquiries of the contract. The reports based on criteria and role based will be concluded during this extension period. The vendor has obligation to offer support and maintenance as listed under part 3 (j) on page 11 of the contract. He will continue to provide support to generate reports not anticipated earlier.

Committee Observation

The Committee observed that despite significant payments (89% of the contract sum) made to a vendor for a Revenue Automation System, several key deliverables, including full system integration and handover, remain incomplete. The vendor's continued hosting of county data limits the County's ownership and control, posing a risk to data security and sovereignty. This indicates a failure of contract management and oversight by the responsible officers, as required under Sections **68(2)(d) and (e) of the PFM Act**.

Committee Recommendation

The Committee recommends the County Executive Committee Member for Finance to ensure the full integration of the Revenue Automation System with all other county systems (IFMIS, HRIS, HMIS, GIS, G-PAY) and to finalize the complete handover of the system to the county, including full ownership and control of its data, as per the contract

PAPERS LAI
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

terms and provides a status report to the Office of the Auditor General within ninety (90) days of the adoption of this report.

Lack of Risk Management Policy

Review of the internal controls of the County Executive revealed the Risk Management Policy had not been developed and there were no fraud prevention mechanisms put in place. Further, Operational and Disaster Recovery Plans were also not provided. This was contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 that require the Accounting Officer to develop risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.

In the circumstances, the County Executive was not in a position to identify risks, rank them and allocate adequate resources to mitigate them.

Management Response

The management acknowledged the audit observations and responds as follows;

During the audit exercise, the Management of the County Executive had not developed a risk management policy, implemented fraud prevention mechanisms, or established operational and disaster recovery plans. However, based on the audit report, the management has now developed the County Risk Management Policy, incorporating fraud risk assessment, prevention, detection and response strategies.

Committee Observation

The Committee was informed by the Office of the Auditor General that the approved Risk Management Policy had been provided.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

2. Lack of Follow-Ups on Internal Audit Recommendations

Review of the County Executive Internal Audit Directorate reports revealed that follow-up on internal audit recommendations was not consistently conducted. As a result, there was no assurance that Management action plans developed in response to audit findings have been effectively implemented.

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

Management Response

The management acknowledged the findings and responds as follows,

The management through internal audit unit makes follow up of previous audit findings for each audit review conducted as per the attached sample report for Amatsi water services company limited.

Committee Observation

The Committee observed that follow-up on internal audit recommendations was not consistently conducted, as required by **Regulation 165(1) of the PFM (County Governments) Regulations, 2015**.

Committee Recommendation

The Committee recommends that the County Executive Committee Member (CECM) for Finance undertake administrative action against the accounting officer, in accordance with section 156(2) of the Public Finance Management Act, for the breach of Regulation 165(1) of the Public Finance Management (County Governments) Regulations, 2015 and provide a status report on the actions taken to the Office of the Auditor General within ninety (90) days from the date of adoption of this report.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

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

REPORT ON THE FINANCIAL STATEMENTS

Basis for Qualified Opinion

1. Unreconciled Receivables from Non-Exchange Transactions

The statement of financial position and as disclosed in Note 13 to the financial statements reflects a balance of Kshs.3,191,837 in respect of receivables from non-exchange transactions which relates to amount due to CRF from receiver of revenue. However, review of receiver of revenue financial statements revealed that amount collected and yet to be disbursed to CRF amounted to Kshs.4,292,641, resulting in an unexplained difference of Kshs.1,102,804.

In the circumstances, the accuracy and completeness of receivables from non-exchange transactions balance of Kshs.3,191,837 could not be confirmed.

Management Response

The management acknowledged the Auditor's observation and wish to respond as follows;
The variance highlighted between the two set of records were as a result of time difference where the ROR reported the collections and sweeps to CRF as of 30th June 2025, whereas CRF and based on the communication by the National Treasury as well as CoB, the cutoff date was 14th July, 2025.
Below is the reconciliation of the time difference between the ROR and CRF;

RECONCILLIATION OF TIME DIFFERENCE BETWEEN ROR AND CRF		
	Amount Kshs.	
Reported receivable in CRF	**3,191,837**	
Add: Receipts from previous year 2023/2024	1,612,136	
Add: Sweep by ROR but reported by CRF in previous year 2023/2024	2,025,200	
Add: collection between 1st July to 14th July 2025	6,428,062	
Total	**13,257,235**	
Less: Sweeps to CRF between 1st to 14th July	(8,964,594)	
Cash and cash equivalent in ROR	**4,292,641**	

Committee Observation

The Office of the Auditor General informed the Committee that the variance arose due to timing differences, which were subsequently reconciled and satisfactorily explained.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

2. Variances between the County Revenue Fund and Receiver of Revenue under Own Source Revenue

The statement of cash flows reflects an amount of Kshs.189,706,363 in respect of own source revenue received from Receiver of Revenue (ROR). However, the statement of revenue and disbursement for receiver of revenue reflect an amount of Kshs.184,379,104 in respect of own source revenue disbursed to CRF, resulting in unexplained and unreconciled variance of Kshs.5,327,259.

In the circumstances, the accuracy and completeness of the own source revenue received from Receiver of Revenue amounting to 189,706,363 could not be confirmed.

PAPERS LAID	
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TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Management Response

The management acknowledged the Auditor's observation and wish to respond as follows;
The variance highlighted between the two set of records were as a result of time difference where the ROR reported the collections and sweeps to CRF as of 30th June 2025, whereas CRF and based on the communication by the National Treasury as well as CoB, the cutoff date was 14th July, 2025. Below is the reconciliation;

RECONCILLIATION OF TIME DIFFERENCE BETWEEN ROR AND CRF		
	Amount Kshs.	
Reported OSR in CRF as of 14th July 2025	**189,706,363**	
Add: Sweeps reported by ROR but not reflected in the CRF at the end of FY 2024/2025	1,612,136	
Add: Sweep by ROR in FY 2024/2025 but was reported by CRF in previous year 2023/2024	2,025,200	
Total	**193,343,699**	
Less: Sweeps to CRF between 1st to 14th July	(8,964,594)	
Sweeps to CRF by ROR as of 30th June,2025	**184,379,104**	

Committee Observation

The OAG informed the Committee that the variance arose out of the timing differences which were reconciled and explained

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

Emphasis of Matter

1. Late Disbursement of Funds

The statement of financial performance as disclosed in Note 6 reflects an amount of Kshs.5,714,284,568 in respect of exchequer releases. However, review and analysis of the County Revenue Fund Bank statements revealed an amount of Kshs.2,260,563,179 or 39.6% was disbursed to the County Executive in the fourth quarter of the financial year resulting to delay in implementation of budgeted programs.

Late disbursements affected the implementation of planned activities and may have impacted negatively on service delivery to the residents of Vihiga County.

Management Response

The management acknowledged the Auditor's observation on the above subject matter and is fully in agreement with the Auditor.
The National Treasury should ensure a timely disbursement of funds to County Governments as provided in law to enhance service delivery to the citizens.

Committee Observation
The Committee noted underperformance of the budget due to late exchequer releases.

Committee Recommendations
The Committee recommends that:

1. **The National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act;**
2. **The County executive puts in place measures to enhance its own generated Revenue in order to meet its revenue target and address revenue shortfalls; and**
3. **The County Assembly to exercise their powers as outlined in Article 201 of the Constitution to ensure budgets are realistic and espouse people's aspirations.**

2. Budgetary Control and Performance

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

The statement of comparison of budget and actual amounts reflects total revenue budget and actual receipts on comparable basis amounting to Kshs.7,105,896,878 and Kshs.6,465,823,708 respectively resulting in under realization of Kshs.640,073,171 or 9% of the total revenue budget. Similarly, Management made actual payments amounting to Kshs.5,997,828,974 against actual receipts of Kshs.6,465,823,708 resulting in an under absorption of Kshs.467,994,734 or 7% of the available funds.

In the circumstances, the under realization and under absorption may have affected the planned activities and impacted negatively on service delivery to the public.
My opinion is not modified in respect of these matters.

Management Response
The management acknowledges the audit observation and wishes to response as follows;
That, the under realization of Kshs. 640,073,171 was as a result of County Government failing to receive all its donor funded projects funds as was budgeted for.
Another reason included in the budgeted figure is the appropriation in Aid that does not go through the CRF account.
On the other hand, the under absorption of the budget was majorly occasioned by late disbursement of funds from National Treasury where a total of kshs. 2,341,184,659 were disbursed towards the end of fourth quarter.

Committee Observations
1) The Committee observed that there was non-implementation of budgeted projects by the County Executive during the year due to late exchequer releases by the National Treasury. The delay in project implementation will deny the county residents the required service delivery accruing from those projects.
2) The committee further observed that there is delay/non release of donor funds to county governments which affects county budget implementation timeline.

Committee Recommendations
The Committee recommends that;
1. **The National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, 2012;**

2. **The County executive puts in place measures to enhance its own generated revenue to meet its revenue target and address revenue shortfalls; and**
3. **The Committee recommends that the National Treasury align donor funding with the County's budget implementation timeline to mitigate risks arising from the non-release of budgeted donor funds, which often lead to stalled projects and accumulation of pending bills.**

Other Matter

Unresolved Prior Year Matters

In the prior year's audit report, issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the County Revenue Fund in 2024/2025 revealed that the following three (3) issues remained unresolved:

	Financial Year	**Audit Issue**
1	2023/2024	Late disbursement of funds to the County Executive
2	2023/2024	Closing Fund Balance
3	2023/2024	Budget Control and Performance

Management Response

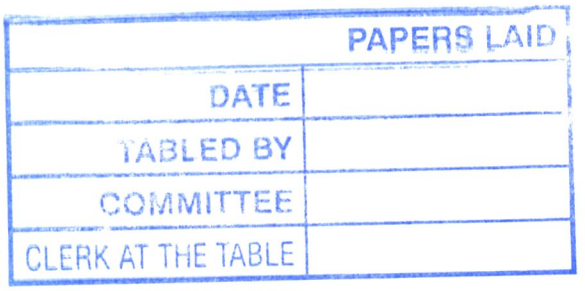
The management acknowledges the auditor's observation on the above subject matter and responds as follows;

The issues highlighted above as unresolved, are as a result of;

1. County Government not receiving its equitable shares on time as provided in law

2. Time reporting different between the County Revenue Fund (CRF) and Receiver of Revenue (ROR)

3. Late disbursement of exchequer by National Treasury and failure to receive all donor funded projects fund as budgeted for.



Committee Observations

1) The Committee observed that there was late disbursement of funds by the National Treasury during the financial year 2023/2024.
2) The committee noted variances in the closing balances between the County Revenue Fund (CRF) and Receiver of Revenue (ROR) due to differences in reporting timeline.

Committee Recommendations

1. **The National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, 2012;**
2. **The County Executive should reconcile the two sets of records and provide status report to the Auditor General within sixty (60) from the adoption of this report; and**
3. **The Committee recommends that the National Treasury align donor funding with the County's budget implementation timeline to mitigate risks arising from the non-release of budgeted donor funds, which often lead to stalled projects and accumulation of pending bills.**

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

REPORT ON THE REVENUE STATEMENTS

Qualified Opinion

Basis for Qualified Opinion

1. Understatement of Transfers to County Revenue Fund

The statement of revenue and disbursements and as disclosed in Note 22 to the revenue statements reflects an amount of Kshs.184,379,104 in respect of disbursement to County Revenue Fund (CRF). However, the County Revenue Fund statement of financial performance

reflects an amount of Kshs.189,706,363 in respect of own source revenue receipts from receiver of revenue resulting in unreconciled variance of Kshs.5,327,259 between the two (2) sets of statements.

In the circumstances, the completeness and accuracy of the disbursements to CRF balance of Kshs.184,379,102 could not be confirmed.

Management Response

The management acknowledged the auditors finding and responds as follows;

The difference arose due to the timing of the financial year closure between the Receiver of Revenue (RoR) and the County Revenue Fund (CRF). The RoR closure of the financial year was 30th June 2025, however, the CRF operated under the extended closure period of 14th July 2025. The collection received between 1st -14th July 2025 was reflected in the CRF records and not in the RoR statements, leading to the variance.

The reconciliation is as shown below;

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

Reconciliation between ROR and CRF	Date of sweep	Amount (Kes)	Total
As reported by ROR			**184,379,104**
Less: Sweeps reported by CRF in FY 2023/2024 but recorded by ROR in the FY 2024/2025 due to difference in cut off dates **(appendix 1.1)**	8/7/2024		(2,025,200)
Less: Sweeps reported by ROR but had not reflected in the CRF statement as at the close of the financial year (appendix 1.3 and 1.5)	19/5/2025		(1,612,136)
Add: Sweeps to CRF for the period 1st to 14th July 2025 not reported by ROR **(appendix 1.2 and 1.4)**	3/7/2025	5,199,184	
	4/7/2025	147,788	
	8/7/2025	1,340,827	
	10/7/2025	54,535	
	14/7/2025	2,222,260	8,964,594
As reported by CRF			**189,706,363**

Committee Observation

The Office of the Auditor General informed the Committee that the variance arose due to timing differences, which were subsequently reconciled and satisfactorily explained.

Committee Recommendation

The Committee recommends that the matter be marked as resolved.

2. Long Outstanding Receivables from Non-Exchange Transactions

The statement of financial position and as disclosed in Note 26 to the revenue statement reflects balance of Kshs.37,665,504 in respect of receivables from non-exchange transactions comprising of single business permit and land rates amounting Kshs.16,103,250 and Kshs.21,562,254 respectively. However, the opening statement as at 1 July, 2024 reflect balance of Kshs.21,562,254 in respect of land rates which have been long outstanding for over one (1) year. Management have not shown any effort of recovery of the debts casting doubt on recoverability of the debts.

In the circumstances, the accuracy, completeness and recoverability of the long outstanding land rates amounting to Kshs.21,562,254 could not be confirmed.

Management response

The management acknowledged the finding and responds as follows;

The management has initiated enforcement mechanism by issuing demand notices, as a result we've managed to collect kshs.415,210 as of 31st of December 2025. For the non-responsive, the management will initiate legal repossession as per section section 7(6) of the Vihiga County Finance 2024.

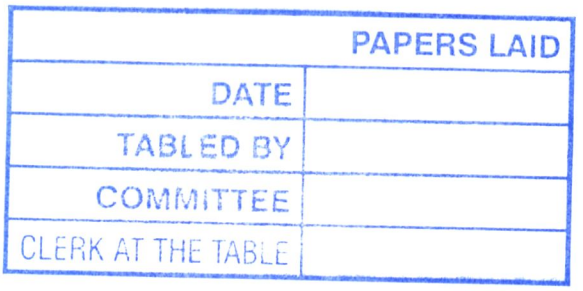
Committee Observation

The Committee observed that enforcement measures were implemented by the County Executive through the issuance of demand notices; however, a number of defaulters remained non-responsive despite these notices.

Committee Recommendations

The Committee recommends that the County Executive put in place appropriate measures to ensure the timely recovery of receivables. Further, the Committee recommends that the Auditor General review and report on the status of the receivables in the subsequent audit cycle.

Other Matter



Unresolved Prior Year Matters

In the prior year's audit report, several issues were raised under the Report on Revenue statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Receiver of Revenue - County Government of Vihiga in 2024/2025 revealed that the following matters remained unresolved.

Management Response

The management acknowledged the Auditor's observation and responds as follows;
Most of the issues raised in the prior year's audit report were addressed by the management as shown in the status column below

No.	Audit Issue	Status
1	Understatement of Rent Revenue Collections	The rent deductions are done through payroll (check off). The cases of under collection are due to the 1/3 rules on the payslip.
2	Inaccuracies in Single Business Permits Collections	This was Caused by the mismatch between the calendar year and the financial year. We however implemented enforcement measures to collect the arrears for the calendar year 2024 declared by June 30th 2024 - Addressed
3	Understated Arrears Under County Stalls	This was corrected and reported correctly in the 2024/25 audit - Addressed
4	Unsupported Arrears of Revenue	The arrears schedule was provided during the audit for the financial report for the FY 2024/25. Addressed
5	Non-Disclosure of Commission Earned from Services Rendered in Processing Payroll Deduction for Third-Party Institutions	Commission was listed as a separate stream in the FY 2024/25 - Addressed
6	Unreconciled Transfers to County Revenue Fund	Arises due to end of year date differences between CRF and RoR. The differences were reconciled. - Addressed

7	Budgetary Control and Performance	The streams which did not meet the budgeted annual target in the FY 2023/24 met their target in the FY 2024/25, except for the hire of machinery
8	Unresolved Prior Year Matters	Resolved
9	Low Target Setting on Revenue Collections	We have adopted the Centred Moving Average to set the Own Source Revenue target - Addressed
10	Failure to Surrender FM Radio Advertising Receipts	Funds swept at the closure of FY 2024/25 - Addressed
11	Outdated Valuation Roll in Revenue Collection	Valuation roll prepared to by the Executive and submitted to County assembly for approval
12	Inactive E-Services on the Vihiga County Website	The link is active, and clients are able to pay for parking - Addressed
13	Weaknesses in Management of Single Business Permit	The calendar year runs from January to December, while the financial year July to June. At the time of the closure of the FY, there were outstanding arrears which the county applied enforcement measures to collect the funds - Addressed
14	Failure to Have a System that Identifies Paid and Outstanding Invoices.	The system is now able to identify paid and unpaid invoices - *Addressed*
15	Lack of Inspection Unit Reports	Inspection reports shared during the audit for the FY 2024/25. - Addressed
16	Under performance in Issuance of Single Business Permits	The county met and exceeded the target for Single Business Permit for the Financial Year 2024/25 by achieving KShs 51,201,022 against a target of Kshs 36,161,680 - Addressed
17	Ineffective Internal Controls on Revenue Collection (Hire of Machinery	Internal controls have been initiated on hire of machinery.

Committee Observation

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

The Committee observed that the County Executive had not taken action on the following issues raised in the Report of the Auditor-General for the Financial Year 2023/2024:

i. Understatement of rent;
ii. Unreconciled transfers to the County Revenue Fund;
iii. Outdated valuation rolls; and
iv. Hire of machinery.

Committee Recommendations

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

1. Irregular Hire of Machines and Equipment

Note 20 to the revenue statements discloses expenditure of Kshs.1,170,030 on hire of County assets comprising of hire of machines & equipment and hire of County stadia/ground amounting to Kshs.1,110,030 and Kshs.60,000 respectively. Included in the hire of machines and equipment balance are unpaid invoices amounting to Kshs.1,040,030. Management has not explained how long the amounts have been outstanding and why the machines were hired before payment contrary to Section 8(1) of the Vihiga County Finance Act, 2024 which provides that a person who wishes to use a County machine shall first apply for a permit to the relevant department of the County Government in the prescribed form on payment of the fee prescribed in subsection (2) of this Section.

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

Management response

The management acknowledged the audit finding and responds as follows;

The machines were hired out to provide services to county awarded projects on the understanding that this will be paid once the contractors are paid their dues. The contractors are included on the list of service providers awaiting payment.

Name	**Contract details**	**Contract sum KShs**	**Amount due to county for hire of Machine-Kshs**
Deslico Enterprise Limited	Maintenance of vohovole-Chamilu road	3,822,548	532,790
Golden Crest Limited	Opening of Inanga-Wamuzumu Road	2,639,630	180,930
Keluva General Services Limited	Rehabilitation of Lubanga-Butiti Spring Road	208,331	42,840
Fridoca Solutions Limited	Maintainance of Musikura-Chemongo Road	3,477,771	83,470

However, we are engaging them to pay and so far, we have recovered a total of KShs 200,000 and we are following up the balance.

Committee Observations

1) The Committee observed that the County Government purchased machinery for road maintenance but, instead of utilizing the machinery directly, opted to contract private entities to maintain the roads using the same machinery.
2) The Committee further noted that Section 8(1) of the Vihiga County Finance Act, 2024, requires that any person wishing to use county machinery must first apply for a permit from the relevant County Government department in the prescribed form and pay the fee specified under subsection (2) of the section.

Committee Recommendation

1. **The Committee recommends that the Ethics and Anti-Corruption Commission (EACC) conduct an investigation into the acquisition and use of the machinery to determine**

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

whether there was a possible loss of public funds, and to recommend prosecution of any culpable officer(s).

2. **The Committee further recommends that the County Executive ensure that all outstanding debts are fully recovered.**

2. Failure to Issue Notices to Tenants and Under Collection of Rent

The statement of revenue and disbursements and as disclosed in Note 17 to the revenue statements reflects Kshs.14,191,315 in respect of property rent which includes revenue from County housing amounting to Kshs.4,490,075. Review of records maintained by the Department of Physical Planning, Lands, Housing and Urban Development revealed 100% occupancy. However, rent payment records show that only 53% of the tenants were paying rent. Management had not issued three (3) months notices to the tenants who were not paying rent contrary to Section (3) of the Vihiga County Finance Act, 2024 which provides that a person who defaults to pay the rent prescribed under this section shall be issued with three (3) months' notice and be liable to eviction from the premises without other notice on the expiry of the sixth month.

Further, payroll deductions records for rent in respect of County housing revealed that some members of staff were irregularly under-paying rent for occupied houses as tabulated below:

House No.	Estate	Payroll Deductions (Kshs)	Chargeable Rent Per Finance Act (Kshs)	Under Billing (Kshs)
MBALE/MED/(MG4)	Mbale Rural Training	10,000	15,000	5,000
MBALE/MED/6C(MG6C)	Vihiga Referral Hosp.	2,500	6,000	3,500
MBALE/MED/7C(MG7C)	Vihiga Referral Hosp.	2,500	6,000	3,500
MBALE/MED/(LG1A)	Mbale Rural Training	1,500	4,000	2,500
MBALE/MED/(LG1C)	Mbale Rural Training	1,500	4,000	2,500

MBALE//MED/(MG1B)	Mbale Rural Training	4,000	6,000	2,000
MBALE/MED/7B(MG7B)	Vihiga Referral Hosp.	4,000	6,000	2,000

This was contrary to Section 7(1) of the Vihiga County Finance Act, 2024 which provides that; a person occupying a plot, stall or a building leased or rented out by the County Government shall pay rent, at the rate specified in the last column of the relevant Part of the Fourth Schedule.

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

Management response

We acknowledged the auditors finding and respond as follows;

Rent is collected through payroll deductions. The seven identified above are those whose payslip cannot accommodate the full deductions due to 1/3 rule. The instruction is with payroll to affect the deductions when the payslips allow.
On the other hand, some of the houses have been converted to offices and a few are vacant. The management is updating the register to incorporate the changes.

Committee Observation

1) The Committee noted that the Accounting Officer elected not to collect rent arrears, contrary to the requirements of Section 7(1) of the **Vihiga County Finance Act, 2024**.

2) The Committee further observed that, whereas Section 7(3) of the **Vihiga County Finance Act, 2024** provides that a person who defaults in paying the prescribed rent shall be issued with a three-month notice and may be evicted from the premises without further notice upon the expiry of the sixth month, the Accounting Officer chose not to exercise the authority of eviction. This failure resulted in a loss of County funds.

Committee Recommendations

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

1. **The Committee recommends that the County Governor directs the accounting officer to surcharge any responsible officer and ensures the recovery of all outstanding and accruing rent arrears, in accordance with section 65 of the Public Audit Act.**
2. **The Committee further recommends that the Accounting Officer exercises the powers conferred under section 7(3) of the Vihiga County Finance Act, 2024, to evict all tenants who have rent arrears in default for more than three months.**

3. Outdated Valuation Roll Applied for Revenue Collection

As previously reported, the statement of revenue and disbursements and as disclosed in Note 7 to the revenue statements reflects an amount of Kshs.938,182 in respect of land rate revenue. Examination of documents provided for audit revealed that the valuation roll/land register was last updated in 2005. However, the County Government of Vihiga has been basing its revenue collection on the same despite not updating these records. Consequently, the valuation, accuracy and completeness of the applicable rates may not be reliable.

This was contrary to Regulation 63(1)(a) of the Public Finance Management (County Governments) Regulations, 2015 which states that an accounting officer and a receiver of revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for, all County Government revenue.

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

Management Response

The management acknowledged the auditors' findings and responds as follows;

The valuation roll was prepared and forwarded to the Vihiga County Assembly for approval vide letter dated 25th March 2024.

Committee Observation

The Committee noted that the County Executive had not updated their valuation roll as required under Section 3 of the Valuation for Rating Act CAP 266 thus leading to under-collection property rates.

Committee Recommendation

1. **The Committee recommends that the County executives should expedite updating of valuation roll in accordance with Section 3 of the Valuation for Rating Act CAP 266 so as to reflect current market values for optimal revenue collection and comply with the guidelines of the Public Sector Accounting Sector Boards of reporting in the FY 2023/2024; and**
2. **The Auditor General should review the matter and report in the subsequent Audit cycle.**

Basis for Conclusion

Failure to Undertake Internal Audit Reviews

During the year under review, it was noted that there was no internal audit review of the Receiver of Revenue – County Government of Vihiga activities contrary to section 153(1) of the Public Finance Management (County Government) Regulations, 2015 which require that the internal Auditor shall review the effectiveness of the financial and non-financial performance management system of the entities.

In the absence of constant reviews by the internal audit unit the effectiveness of internal control and risk management in relation to the entity could not be confirmed.

Management response

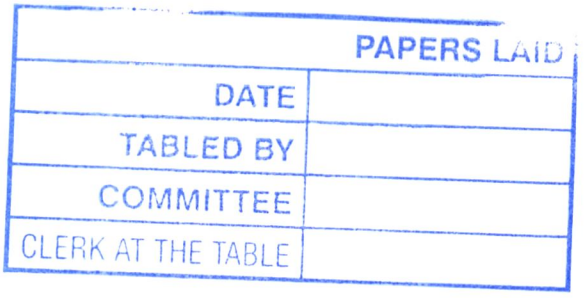
The management acknowledged the audit finding and responds as follows;

During the year, the internal audit unit prioritized high risk areas in the county executive and its other entities. However, a comprehensive annual work plan that ensures the receiver of revenue is audited has been developed and scheduled to be audited in January 2026.

Committee Observation

The Committee noted that although the Internal Audit Department had a verified Annual Work Plan for the Financial Year 2025/2026, the planned audits had not yet been undertaken at the time of review.

Committee Recommendation



The Committee recommends that the County Executive ensures that the audit function is adequately resourced to effectively carry out its mandate as provided under Section 155 of the Public Finance Management Act, 2012, and submits a status report to the Senate within ninety (90) days from the adoption of this report.

CHAPTER TWO

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF NYERI COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2024/2025

The Governor of Nyeri County Executive Hon. Mutahi Kahiga, appeared before the Committee on Wednesday, 4th February 2026 to respond (under oath) to audit queries raised in the Report of the Auditor General on County Executive, Receiver of Revenue and County Revenue Fund of Nyeri County for the Financial Year 2024/25.

Basis for Qualified Opinion

1. Lack of Land Ownership Documents

1.1 Official Residence of the Governor

The statement of financial position and as disclosed in Note 26 reflects property, plant and equipment balance of Kshs.506,369,499. Included in this amount are additions of Work-In-Progress (WIP) amount of Kshs.43,235,257, 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 verification.

In the circumstances, the accuracy, completeness and ownership of the work-in-progress amount of Kshs.42,449,829 could not be confirmed.

Management Response

The process of obtaining ownership documents is ongoing as evidenced by the County Government's request to the National Land Commission, the Commission's response seeking further information and the County's subsequent reminder dated 2nd December, 2025 to fast-track the approval as illustrated below;

The COK 2010, Article 67 (2) (a) provides that National Land Commission has the function "to manage public land on behalf of the National and County Governments". In this regard the County Government of Nyeri has written to the Commission seeking authority to prepare Part Development Plan (PDP) for the land to facilitate formal allocation and titling (Annex 1 Letter from Nyeri County Government to NLC).

The Commission wrote back and requested to be provided with the current status of the land for their perusal, information and action. (Annex 2 Letter from NLC to State Dept of Housing). Due to delay in taking action the County wrote a reminder on 2nd December, 2025 in pursuit of fast-tracking permission to prepare the Part Development Plan (PDP) to enable the titling process. Once the authority is obtained, the rest of the process will flow smoothly

Committee Observations

The Committee observed that;

1) The Committee observed that the County Government commenced and substantially completed construction of the Governor's official residence, incurring expenditure of Kshs.

PAPERS LAID

DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

42,449,829, on a parcel of land for which it does not hold a title deed or certificate of lease. This action is contrary to the principles of prudent and accountable management of public assets, undermining the verification of ownership, accuracy, and completeness of the work-in-progress balance as required by Section 104(1)(g) of the Public Finance Management (PFM) Act, 2012, which mandates the County Treasury to act as custodian of the county's assets.

2) The lack of title exposes public funds to potential loss and the asset to ownership disputes and the risk of irregular allocation, violating the constitutional principles of accountability and prudent use of public money under Article 201 (d) and (e).

Committee Recommendations:

1. **The Committee recommends that the County Executive, in accordance with Article 67(2)(a) of the Constitution which mandates the National Land Commission (NLC) to manage public land on behalf of county governments, intensifies its engagement with the NLC to fast-track the issuance of a title deed for the land. A progress report on this process shall be submitted to the Office of the Auditor-General and the Senate within ninety (90) days of the adoption of this Report.**
2. **The County Executive is directed to fully implement the findings and recommendations of the Inter-Governmental Technical Relations Committee (IGTRC) on the transfer of assets and liabilities from defunct local authorities and provide a status update, including a clear timeline for resolution, to the Auditor-General within ninety (90) days.**
3. **The National Land Commission (NLC) is urge to prioritize the processing and issuance of title deeds for all public land occupied by county governments, in line with its mandate under Article 67 of the Constitution, to ensure legal certainty and accountability for public assets.**
4. **The Office of the Auditor-General to continue reviewing this matter in subsequent audits until full compliance and resolution are achieved, as part of its mandate under Article 229 of the Constitution.**

1.2 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 13b includes transfer of Kshs.42,224,555

to the Nyeri County Aggregated and Industrial Park Project. It was noted that a Contractor was awarded contract for the project at cost of Kshs.589,292,137. As at the time of audit in the month of September, 2025, an amount of Kshs.93,164,980 had been incurred on the project. However, the project was initiated without a certificate of lease or title deed. In addition, the audit verification in the months of May and September, 2025 established that the construction stalled in May, 2025, at lintel and walling levels with warehouse structures having no roof as the contractor cited failure to pay value of work certified by the County Executive. The WIP was not included in the property, plant and equipment amount.

In the circumstances, the accuracy and completeness of the property, plant and equipment amount of Kshs.506,369,499 could not be confirmed. In addition, the construction of County Aggregation and Industrial Parks at a cost of Kshs.589,292,137 may be at risk of ownership disputes.

Management Response

This parcel of land is legally owned by the County Government of Nyeri and available for development through a judgement in the favor of the County Government of Nyeri date 17th April 2014 at Environment and Lands Court Nyeri. (Annex 4 copy of judgement) The County Government will undertake, land subdivision with assistance of The National Land Commission so that CAIP can have its own land title deed.

The CAIP was a project to be funded jointly by the County Government and the National Government where each was to contribute Kshs 250m totaling to Kshs 500m. (Annex 5 Approved CGAAA 2025) The County Government contributed Kshs 100m but the National Government has not made any disbursements to date. The amount of Kshs 93,164,980 paid was part of the County counterpart funding. Therefore, failure by the National Government to disburse funds has led to the delay in settlement of the raised certificates for certified works.

Further, the amount of WIP was not capitalized during the period under review but was captured as an expenditure under Transfers to Other Government Entities. Following the auditor's recommendation, this amount will be capitalized during the three years transitional period after valuation of assets since the County has adopted the phased approach in transitioning to accrual basis of accounting.

Committee Observations

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

1) The Committee observed that the construction of the Nyeri County Aggregation and Industrial Park (CAIP), valued at Kshs. 589,292,137, commenced and stalled at lintel level due to the National Government's failure to disburse its conditional allocation of Kshs. 250 million.

2) The Committee further observed that, the project was initiated on land without a certificate of title, despite the County Government holding a court judgement affirming ownership. This situation contravenes the principle of sound project conceptualization and exposes the significant public investment to potential ownership disputes, violating the requirement for accountability in the use of public funds under Article 201 of the Constitution and Section 104 of the PFM Act, 2012. The failure of the National Government to release funds as per the approved County Government Additional Allocation Act, 2025, directly caused the stalling of a critical development project.

Committee Recommendations:

1. **The Committee recommends that, in order to achieve the primary objective of the County Agro-Industrial Project (CAIP) which is to foster growth in manufacturing and investments through agro-industries while sustainably enhancing the productivity of the agriculture sector, the National Government should actively engage with County Governments. This engagement should empower Counties to identify and prioritize initiatives that promote inclusive and decent job creation, as well as increase farmers' incomes through participatory approaches. Consequently, this will establish a collaborative platform enabling farmers, processors, exporters, research institutions, industrial bodies, and Government entities to engage effectively in agro-industrial development;**
2. **The County Executive establishes a project management and monitoring System to help in proper project conceptualization, planning, execution and timely completion of projects as well as realization of value for money as provided for in the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 within ninety (90) days of the adoption of this report;**
3. **The County Executive, in collaboration with the National Land Commission, should fast-track the land subdivision and issuance of a title deed for the CAIP within sixty days from the date of adoption of this Report, and provide evidence of the same to the Auditor-General and the Senate Public Accounts Committee.**
   the National Treasury should ensure timely release of funds to county; and

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

2. Voided Payments

Analysis of the Integrated Financial Management System (IFMIS) system payments indicated that two hundred and eighty-three (283) transactions with a value of Kshs.230,423,834 were voided during the year. However, no evidence was provided to confirm that the Controller of Budget was informed of the voiding of the payments so as to make necessary adjustments and approval.

In the circumstances, the accuracy and regularity of the voided transactions amount of Kshs.230,423,834 could not be confirmed.

Management Response.

The management has taken note of the 283 voided transactions with a value of Kshs 230,423,834 as indicated in the audit findings. It's important to note that the voided transactions occurred under two scenarios i.e. before a request for withdrawal of funds from the CRF which does not necessitate the notification of OCOB as no requisition has been raised, and after a request of approval for withdrawal of funds from the CRF by the OCOB whereby the office is notified via a letter of recall. Consequently, all these transactions were notified to the National Treasury for issuance of voiding rights.

Note* there was no diversion of funds, as all the payments had adequate budgetary provisions within the approved estimates.

Committee Observations

1) The Committee observed that 283 transactions valued at Kshs. 230,423,834 were voided in the IFMIS system. The County Government failed to provide sufficient evidence that the Controller of Budget (CoB) was notified of these voided transactions to facilitate necessary adjustments, as required by the CoB's oversight role under Article 228 of the Constitution.
2) The voiding practice obscures the audit trail, hinders effective oversight, and raises concerns about the regularity and accuracy of financial transactions, contravening Section 79(2)(b) of

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

the PFM Act, 2012, which requires public officers to ensure resources are used in a lawful and authorized manner.

Committee Recommendations:

1. **The Committee recommends that the County Governor takes administrative action against the relevant accounting officers for failure to maintain a proper audit trail and for potentially circumventing established financial controls, as provided for under Section 74 of the PFM Act, 2012.**
2. **The Controller of Budget, in exercising its mandate under Article 228 of the Constitution to formally liaise with the Auditor-General to conduct a forensic review of the voided payments to ascertain their legality, regularity, and whether they constituted an attempt to divert public funds. A report on the findings should be submitted to the Senate within six months.**
3. **The National Treasury to reconfigure the IFMIS system, in collaboration with the Central Bank of Kenya, to prevent the voiding of approved transactions without an automatic and secure notification to the CoB and Auditor-General. This should be done within six months of the adoption of this report, in line with its mandate under Section 12 of the PFM Act, 2012.**
4. **The Committee recommends that the Ethics and Anti-Corruption Commission (EACC) expedite investigations into the voided payments, guided by Section 58(1)(c) of the Ethics and Anti-Corruption Commission Act, 2011, to determine if any elements of corruption or economic crime exist.**

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final budget of Kshs.8,207,408,969 against actual receipts of Kshs.7,486,210,205 resulting to a shortfall of Kshs.721,198,764. Further, the Executive spent Kshs.7,251,269,505 against receipts of Kshs.7,486,210,205 resulting to under expenditure of Kshs.234,940,700.

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

Management Response

For the Financial Year ended 30th June 2025, the County recorded an actual receipt of Kshs 7,496,210,205 of the budget resulting to a shortfall of Kshs. 721,198,764 which is attributed to, non-disbursement of the expected conditional grants as provided for in the approved resource basket based on the County Governments Additional Allocation Act, 2025.

Further, out of the targeted Own Source Revenue (OSR) of Kshs. 800 million, the County realized Kshs. 684 million, representing a performance rate of 85.5%. thus, an underperformance in OSR. coupled with the underfunding by the donors constrained the County's ability to fully absorb the budgeted amount of Kshs. 8.2 billion.

In addition, the County Government was not able to fully absorb the budget due to delay in release of funds by the National Treasury leading to accounts payables (pending bills) amounting to Kshs 342m. Therefore, the underperformance of budget was mainly due to exogenous factors.

Committee Observations

1) The Committee observed that the County Executive's budget performance was significantly affected by a revenue shortfall of Kshs. 721,198,764 and an under-expenditure of Kshs. 234,940,700. This was primarily attributed to the National Treasury's delayed disbursement of equitable share and conditional grants, contrary to the clear timelines set out in Article 219 of the Constitution and Section 17(6) of the PFM Act, 2012, which require transfers to be made without undue delay.

2) Additionally, the county's underperformance in own-source revenue (OSR) at 85.5% of its target indicates weaknesses in revenue administration, impacting the county's ability to finance its planned activities and deliver services effectively.

Committee Recommendations:

1. **The Committee recommends that the National Treasury strictly complies with its constitutional and statutory mandate under Article 219 of the Constitution and Section 17(6) of the PFM Act, 2012, by ensuring timely and full disbursement of funds to county governments in accordance with the approved cash disbursement schedule.**
2. **The County Executive is directed to put in place immediate and effective measures to enhance its own-source revenue collection, including strengthening its revenue administration systems, to meet its annual revenue targets and reduce over-reliance on national government transfers, in line with the fiscal responsibility principle in Section**

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

107(2)(a) of the PFM Act, 2012. A detailed revenue enhancement plan shall be submitted to the Auditor-General and the Senate within ninety (90) days.

Other Matter

Unresolved Prior Year Audit Issues

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the County Executive in 2024/2025 revealed that the following matters as shown in the **Appendix I** remained unresolved.

	Financial Year	**Audit Issue**	**Implementation status**
1	2023/2024	Budgetary Control and Performance	• Continuous effort to realize the ex revenue as per the budget lines to ca intended expenditure • Delayed exchequer release continuously affected budget absorp • Payment of pending bills for the that accumulated in the FY 2023-20
2	2023/2024	Delayed Exchequer Disbursements	Delayed exchequer was disbursed in 2024-2025. However, subs disbursements continue to be delayed.
3	2023/2024	Pending Bills	Out of Kshs 192,269,444 declared, 178,280,662 was paid during the year review, thus led to an outstanding p bills amount of Kshs 13,988,782 whi provided for in the FY 2025-2026 Bud has since been paid.
4	2023/2024	Regularity of Human Resource Management Practices (a) Expenditure on Employee Cost Beyond Legal Limit (b) Unremitted Payroll Deductions	a) Continuous monitoring of wa and emphasis on raising revenue b) This related to the employe

			party deductions such as w organization's which are not def the IFMIS System. The (Government of Nyeri is contin encouraging the organizatio formerly define with the (Treasury.
		(c) Non-Compliance to the Law on Staff Ethnic Diversity	c) Broadening advertisement c by embracing social media to e reach in addition to the major da
		(d) Non-Compliance with a Third of Basic Salary Rule	d) Resolved at senate level
		(e) Failure to Meet Recruitment Thresholds for Persons with Disabilities	e) Continuous emphasis for PW apply for available vacancies
		(f) Salaries Paid Outside the IPPD Payroll	f) Resolved
5	2023/2024	Failure to Adhere to the Effectiveness of Implementation of Audit Recommendations	The County has been implementir recommendations as most of the issue recur in the subsequent audits.
6	2023/2024	Non-Compliance with the Law on Development Expenditure	The County has always been setting more than 30% in its budgetary allocat development but due the revenue sl that was attributed to the lack of Jun equitable share and failure by the do release the expected conditional grants projected budget, affected budget abso
7	2023/2024	High Cost of Electricity for Street Lights	Continuous efforts to transition conventional electricity sources to cle renewable energy alternatives as arti in the Nyeri CIDP III on developme

Committee Recommendations

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

Long Outstanding Employee Payables

The statement of financial position as at 30 June, 2025 reflects trade and other payables 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. However, 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) Public Finance Management Regulations (County Government), 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, It is not clear why they were not cleared as the first charge in the subsequent financial year. This was contrary to Regulation 41(2) of the Public Finance Management Regulations (County Government), 2015.

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

Management Response

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

			solar park.
8	2023/2024	Use of Asbestos for Roofing of the County Rental Houses	The County is gradually replacing a while taking cognizance of environ considerations and budget availability.
9	2023/2024	Irregular Payments to the Council of Governors	These payments are consistent with th and policy framework gov intergovernmental relations i.e articles 189 of the COK 2010, the Intergovern Relations Act 2012 and the Cour Governors charter
10	2023/2024	Motor Vehicle Assessment Reports for Insurance	Resolved at senate level
11	2023/2024	Debt Management Statement Timelines	Resolved at senate level
12	2023/2024	Performance of County Budget and Economic Forum (CBEF)	Resolved at senate level
13	2023/2024	Lack of Approved Building Plans	Resolved at senate level
14	2023/2024	Idle Medical Equipment at Narumoru Level 4 Hospital	Resolved at senate level
15	2023/2024	Failure to Submit Financial Statements for Donor Funded Projects	Resolved at senate level
16	2023/2024	Failure to Maintain an Updated Fixed Assets Register	Resolved at senate level
17	2023/2024	Failure to Implement Risk Management Policy	Resolved at senate level

Committee Observation

The Committee observed that several material audit issues from the Financial Year 2023/2024 remain unresolved, as detailed in Appendix I of the report. This persistent recurrence of issues, particularly in budgetary control, human resource management, and compliance, demonstrates a systemic failure by the County Executive to fully implement previous audit recommendations. This is a direct violation of Section 53 of the Public Audit Act, 2015, which requires entities to take action on Auditor-General's reports, and undermines the principles of accountability and good governance enshrined in Article 10 and 201 of the Constitution.

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

The County Government of Nyeri has been having unresolved employee's payables dating back to the transition period and this issue was resolved recently. Subsequently, the management has commenced a gradual settlement plan for the outstanding employee payables, having paid pension of Kshs 45 M in the 2024/2025 FY. Currently, the County has an outstanding employee payable of Kshs 71m relating to pensions that has been provided in the 2025/2026 Supplementary Budget.

This pension was due to Youth Polytechnic Instructors and Health Officers seconded to the County Government during transition and it was not clearly stipulated whether the pension was to be catered for by the parent Ministry or the County Government. After further consultation it was established that the pension scheme was to be catered for by the County Government after appointing the Scheme Provider.

Despite officers using their own funds, the County adheres to Regulation 93(4)(d) of the Public Finance Management (County Governments) Regulations, 2015, by ensuring that Accounting Officers confirm the availability of adequate funds against the relevant expenditure items before approving any expenditure. Officers may undertake official activities without funds despite being approved due to the following reasons;

In most instances, County Departments receive invitations to participate in meetings, trainings, and workshops at very short notice. The systemic delay in releasing the equitable share of revenue from the National Treasury intensifies existing challenges, as the process of requisitioning and obtaining approval for the transfer of funds from the Office of the Controller of Budget is already lengthy and may take more than a fortnight. As a result, officers are often unable to access the requisite funds in time to facilitate their participation in such activities.

Consequently, officers may therefore be required to use their own resources pending reimbursement to participate in critical capacity building forums, intergovernmental engagements, and other time bound PFM activities. This approach ensures the County's representation in essential national and regional engagements, continuity of service delivery, and compliance with directives issued by higher levels of government, even when funding delays occur.

Committee Observations

The Committee observed that the County Executive has accumulated long-outstanding employee payables and pension arrears amounting to Kshs. 110,483,849, some dating back to FY 2019/2020. This contravenes Regulation 41(2) of the PFM (County Governments) Regulations, 2015, which requires that outstanding debts of a previous financial year be a first charge on the County Revenue Fund in the subsequent year.

The Committee further observed that public officers were required to undertake official duties using personal funds due to delays in fund releases, and subsequently sought reimbursement. This practice, while explained by cash-flow challenges, is contrary to Regulation 93(4)(d) of the PFM (County Governments) Regulations, 2015, which requires an Accounting Officer to ensure adequate funds are available against the relevant expenditure items before an official journey is made.

Committee Recommendations

The Committee therefore recommends that:

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

The Committee further recommends that—

i. pursuant to the provisions of Regulation 41(2) & (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

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

Regularity of Human Resource Management Practices

Lack of Annual Recruitment Plans

The audit review of positions filled during the period indicates 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 provide evidence on implementation of internal controls with reference to the provision of approved annual recruitment plans in accordance with Public Service Commission requirements.

However, even though Management had explained that all County Departments have 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 proof provided indicating that this was followed in the year under review.

In the circumstances, compliance with annual recruitment planning could not be confirmed.

Management Response

Management acknowledges the observation by the Auditor General and provides the following clarification and corrective measures:

Clarification on the Observation:

During the period under review, the County Public Service Board undertook recruitments based on duly approved departmental requests arising from workforce gaps occasioned by retirements, resignations, transfers, and newly created positions aligned to emerging service delivery needs.

Although recruitment activities were informed by departmental staffing requests and available budgetary provisions, the formal consolidated Annual Recruitment Plan document was not finalized and submitted to the County Public Service Board as required. This was mainly attributed to delays in the submission of departmental human resource plans.

Notwithstanding this, all recruitment exercises conducted during the period were based on the approved staff establishment, budget allocations, and in compliance with the principles of merit, equity and transparency as outlined in the County Governments Act and Public Service Commission Regulations.

Corrective and Preventive Actions:

The County Public Service Board has since strengthened its human resource planning processes to ensure full compliance with Section 59(1)(g) of the County Governments Act, 2012, and the provisions of the HR Policies and Procedures Manual.

A standardized format for departmental human resource plans has been developed to guide the identification of staffing needs and facilitate the consolidation of an Annual Recruitment Plan aligned to the County Integrated Development Plan (CIDP), Annual Development Plan (ADP), and approved personnel emoluments budget.

All County departments have been directed to submit their human resource plans by 30th June of each financial year to allow timely preparation and approval of the consolidated Annual Recruitment Plan.

A control measure has been instituted requiring that no recruitment shall be processed unless it is supported by an approved Annual Recruitment Plan.

The County Public Service Board, in collaboration with the County Treasury and the Directorate of Human Resource Management, will continue to integrate human resource planning with the

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

budgeting process to enhance accountability and ensure prudent staff establishment management.

A monitoring and evaluation framework has been established to track the implementation of approved recruitment plans and ensure all staffing activities are aligned with approved plans and budget provisions.

Committee Observation

The Committee observed that the County Public Service Board recruited 256 persons without a consolidated and approved annual recruitment plan. This is contrary to Section 59(1)(g) of the County Governments Act, 2012, and undermines the principles of structured human resource planning, budget discipline, and transparency in public appointments. This lack of planning can lead to unsanctioned growth of the wage bill and haphazard staffing.

Committee Recommendation:

The Committee recommends that the County Public Service Board ensures full compliance with Section 59(1)(g) of the County Governments Act, 2012, by developing and approving a consolidated Annual Recruitment Plan. No recruitment shall be undertaken in any subsequent financial year unless it is provided for in the approved Annual Recruitment Plan, which must be aligned with the approved budget and the County Integrated Development Plan.

Salaries Paid Outside Integrated Personnel and Payroll Database (IPPD) System

Analysis of sampled payroll data of between the month of July, 2024 and December, 2024 revealed that two hundred and ninety-six (296) persons in the Finance and Health Departments were paid a total 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.

In the circumstances, Management was in breach of the guideline as outlined in the circular.

Management Response

Explanation of the cause

The County Government of Nyeri had newly recruited officers who didn't have personal file numbers, including the interns. Consequently, during the quoted period (i.e. July 2024 and December 2024), which was the transition period from the IPPD to the HRIS KE, the remuneration of the affected employees had to be made outside the IPPD since they were already in service.

Immediate Correction

During the period, requisitioning of the payroll numbers was done and to date all employees including interns have been issued with payroll numbers and integrated in HRIS –Ke system and no employee is being paid through manual Payroll except salary arrears for officers deleted from payroll / officers who have left service, Community Health Promoters (CHPs), Gratuity for staff on contract, Pension CPF and extraneous allowances for the Governors security officers who are not County Government employees.

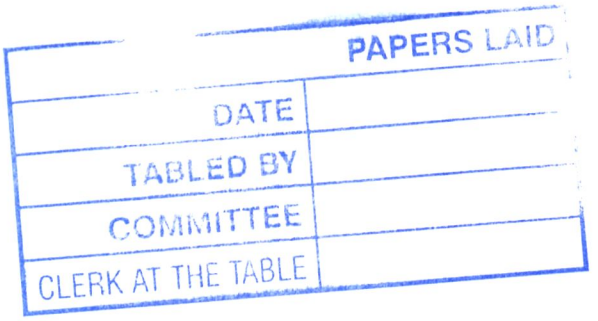
Committee Observation

The Committee observed that 296 employees, including interns and newly recruited staff, were paid a total of Kshs. 19,213,386 through manual vouchers outside the IPPD system. This practice contravenes National Treasury guidelines (e.g., Circular No.16/2020) designed to ensure centralized control of personnel emoluments, prevent fraud, and maintain data integrity. While the County has since integrated these officers, the initial practice created a significant internal control weakness.

Committee Recommendations:

The Committee therefore recommends that; –

The Senate notes that the process of issuance of Personal File numbers is inefficient in counties and therefore directs the National Government (State Department of Public Service) in conjunction in the Council of Governors (CoG) to prescribe and design an efficient human resource management system to be used by counties;



The County Governor should ensure that casual workers are engaged in line with the relevant laws and the approved staff establishment and provide a status update to the Auditor General within 60 days of adoption of this report;

Pursuant to Article 235 of the Constitution of Kenya, the Committee directs that the Cabinet Secretary (CS), Ministry of Public Service, Youth and Gender Affairs to develop regulations to provide guidance and clarity to county governments on engagement of casual employees, contracted workers, acting positions and a platform for management of county human resources; and

the Office of the Auditor General to monitor the matter in the subsequent audit cycle.

Integrated Personnel and Payroll Database (IPPD) System not Aligned to Approved Staff Establishment

A review of IPPD system established 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.

In the circumstances, Management did not fill positions as per the staff establishment.

Management Response

Review of Staff Establishment to Optimize Staffing Levels

The County Government reviewed its Staff Establishment on June 2025 to run from 2025-2028. The previous Staff Establishment expired on 2024 as it was running for a span of four years effective 2021-2024. Following its expiry, there was a need to review the current staffing levels and roles. The review entailed analyzing the current staffing levels relative to operational needs and workload, identification of positions that could be consolidated or restructured to eliminate redundancies, streamlining organizational structures to enhance efficiency and reduce

administrative overheads, so as to reduce the wage bill without compromising service delivery quality.

There are some designations in the Integrated Personnel and Payroll Database (IPPD) System that cannot be aligned to the Staff Establishment, for example designations of staff from the defunct local authorities which are referred to as 'salary to self'. This translates that the officers shall hold the same designation until they exit from the County public service or upon upgrading of the qualifications. The aforementioned designations do not have Scheme of Service therefore has no clear career progression. In some instances where the duties have been overtaken by technology for example that of Telephone Operator, the officers have been assigned other duties like customer care which is crucial in hospital setups.

To resolve the above, the County Public Service Board has been harmonizing and integrating the staff into the mainstream public service. Officers with the prerequisite qualifications in the respective Scheme of Service have/are being harmonized. Further, the Board provided for designations in the Staff Establishment as they are in their respective Schemes of Service for example Labourers have been provided for as Support Staff.

Committee Observation

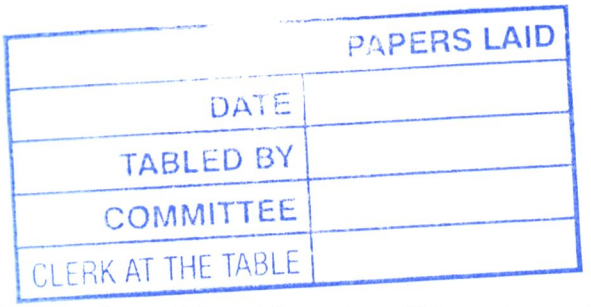
The Committee observed that 323 designations in the IPPD system, covering 2,987 employees, are not aligned with the county's approved staff establishment. This misalignment, largely attributed to staff inherited from defunct local authorities, creates an opaque human resource structure, obscures career progression paths, and undermines the integrity of the staff establishment as a tool for workforce planning and control. This contravenes the principles of an organized public service.

Committee Recommendations:

The County Governor should ensure that casual workers are engaged in line with the relevant laws and the approved staff establishment and provide a status update to the Auditor General within 60 days of adoption of this report;

Pursuant to Article 235 of the Constitution of Kenya, the Committee directs that the Cabinet Secretary (CS), Ministry of Public Service, Youth and Gender Affairs to come up with Regulations to provide guidance and clarity to county governments on engagement of casual employees, contracted workers, acting positions and a platform for management of county human resources;

The Committee recommends that the County Public Service Board, in accordance with the provisions of the County Governments Act and the Public Service Commission Act, expedites



the harmonization and integration of the affected staff into the mainstream County Public Service; and

the Office of the Auditor General to monitor the matter in the subsequent audit cycle.

Failure to Meet Recruitment Thresholds for Persons with Disabilities

The County Public Service Board recruited ninety (90) employees during the year under review. However, no Persons Living with Disability were recruited contrary to the provisions of part B.23 (2) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which sets a threshold of 5% of positions to be filled by Persons with Disability and Section 59(3)(a) of the Employment Act, 2007 which states that no employer shall discriminate directly or indirectly against a prospective employee inter alia, on grounds of disability.

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

Management Response

The County is committed to fostering a diverse and representative workforce and leadership structure. Its affirmative action measures specifically promote the inclusion of persons living with disabilities (PWDs) in recruitment and leadership roles. These measures are anchored in the Constitution of Kenya, notably Article 27, which guarantees equality and freedom from discrimination, and Article 56, which mandates affirmative action for marginalized groups.

All job postings are crafted to attract a diverse pool of candidates. Language explicitly encouraging applications from underrepresented groups is included for example, stating that the County Government of Nyeri is an equal opportunity employer and that persons with disabilities are encouraged to apply. Advertisements are widely disseminated through local newspapers, the County website, and the offices of the National Council for Persons with Disabilities (NCPWD) to reach qualified candidates.

However, it is noted that, in many cases, responses from persons with disabilities remain low.

Committee Observation

The Committee observed that despite recruiting 90 employees during the year, the County Public Service Board failed to recruit any persons with disabilities (PWDs). This is a direct contravention of Section 54(2) of the Constitution, which mandates the State to ensure the progressive implementation of the principle that at least five percent of members of the public in elective and appointive bodies are persons with disabilities, and Article 232(1)(i) on affording adequate and equal opportunities for appointment, training, and advancement. It also violates Part B.23(2) of the Human Resource Policies and Procedures Manual for the Public Service, 2016.

Committee Recommendation:

The Committee recommends that the County Public Service Board, as a matter of urgency, develops and implements a targeted affirmative action plan, as envisioned by Article 27(6) of the Constitution, to attain the 5% employment reservation for Persons with Disabilities. The plan must set specific, measurable targets for the next recruitment cycle and demonstrate how the Board will proactively reach out to and attract qualified PWDs.

Lack of Staff Ethnic Diversity

Review of employee records for the County Executive provided for audit revealed that, the dominant ethnic community employed constituted 93.6% (3,443) out of the total population of 3,675 employees. This is 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, an examination of payroll records and a list of new recruitments conducted under the year 2024/2025, revealed that the County Public Service Board recruited ninety (90) employees. However, eighty-five (85) or 94% were from the dominant ethnic community while six (6) or 6% employees were from other communities. 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

PAPERS LAID

DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

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.

Management Response

The County Public Service Board recognizes the importance of fostering diversity and inclusivity in its recruitment processes. It has been noted that, despite broad advertising efforts, only a small proportion of applicants come from non-dominant communities. In response, the Board diligently considers this limited representation during candidate selection to ensure compliance with legal mandates promoting equitable opportunities.

To progressively address and reduce this disparity, the Board has implemented targeted measures, including:

Explicitly Stating Commitment to Diversity: All recruitment adverts clearly communicate the Board's commitment to diversity and inclusion, encouraging applications from underrepresented groups.

Consideration of Non-Dominant Communities: During the selection process, special consideration is given to candidates from non-dominant communities, aiming to enhance their representation in the workforce.

Broadening Advertisement Channels: Recruitment opportunities are advertised not only locally but also in national newspapers and other media platforms to reach a wider and more diverse pool of applicants.

These efforts reflect the Board's commitment to creating a workforce that mirrors the Country's rich cultural and social diversity, thereby promoting social cohesion and equal opportunity for all citizens.

Committee Observation

The committee observed that the County Executive had a total of 3,675 employees out of which 3,443 or 93.6% were from the dominant local community in the County. This is contrary to the provisions of the National Cohesion and Integration Act, 2008 which stipulates that at least 30% of employees should be from communities other than the dominant one.

Committee Recommendations:

The committee recommends that;

the County Executive adheres to section 65(1)(e) of County Governments Act and ensures that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county; and

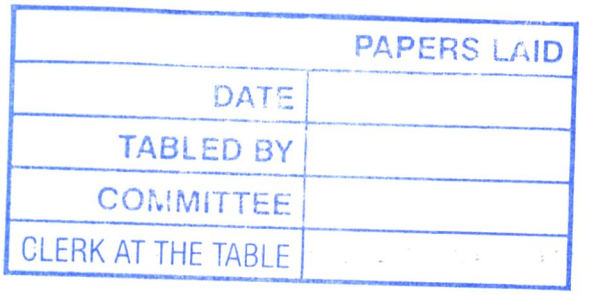
The Committee recommends that the Standing Committee on National Cohesion, Equal Opportunity and Regional Integration undertake a post legislative scrutiny on the application of Section 7(2) of the National Cohesion and Integration Act (Cap. 7N) to County Governments

Inclusion of Retired Officers in The Payroll

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 is contrary to public sector guidelines on retirement age.

In the circumstances, Management was in breach of public sector guidelines on retirement age.

Management response



The affected officers had exited service with pending administrative and clearance issues and, as such, were not formally cleared at the time of retirement. Consequently, while their records were temporarily retained in the Integrated Personnel and Payroll Database (IPPD) system and reflected in the staff register for administrative tracking, they were not being paid any salary during the period of retention.

Subsequently, authority was granted by the County Public Service Board vide reference letter CGN/CPSB/HRM/VOL.1/618/ dated 11th November 2025. To regularize the matter. Upon receipt of this authority, the affected officers were formally cleared and their records were duly deleted from the Hris-Kenya system, in accordance with established human resource management and payroll control procedures.

Attached for audit verification are the Last Pay Certificates (L.P.C.) for the concerned officers and a card from the National Council for persons with Disability Reg. No, NCPWD/P/7653 who retire at the age of Sixty-five years.

S/No	Officer's Name	Payroll-Num	Age	REMARKS
1	Miss Muriuki, Mercy Nyawira	1979216474	63 yrs	Retirement Notice, Cleared and Deleted.
2	Mr Makwaganda, Fred Oyieno	1980142125	68 yrs	Required Boards Authority
3	Mr Kamau, Philip Ndegwa	1981118763	64 yrs	Required Boards Authority
4	Miss Kanyogoro, Juliah Wamuyu	1983035288	63 yrs	Retirement Notice, Cleared and Deleted.
5	Mrs Ndegwa, Shelmith Waruguru	1984001313	64 yrs	Special need. KRA EXEMPTION
6	Mr Ndiritu, Benson Mundia	1984057615	65 yrs	Special Need
7	Njogu, Bernard Kabiru	1985047312	63 yrs	Retirement Notice, Cleared and Deleted.
8	Miss Ndoria, Mary Wainuku	1988012772	61 yrs	Retirement Notice, Cleared and Deleted.
9	Mr Kihumba, John Macharia	1988061323	61 yrs	Retirement Notice Deleted
10	Dr Mithamo, Agnes Wawira	1988083008	63 yrs	Special need.
11	Mr Perminus,	19860006177	63 yrs	Required Boards Authority

	Alfred Kinyua			
12	Mr Wambugu, David Ndigirigi	19890017740	64 yrs	Required Boards Authority
13	Mr Gituku, John Macharia	20010005124	61 yrs	Appealed to the Public Service Commission for cancellation of retirement. Boards decision upheld.
14	Mrs Mathenge, Loise Wangui	20170064123	65 yrs	Retirement Notice, Cleared and Deleted. Disability card
15	Mrs. Munanu, Lucy Wakarindi	20181460836	61 yrs	Retirement Notice, Cleared and Deleted.

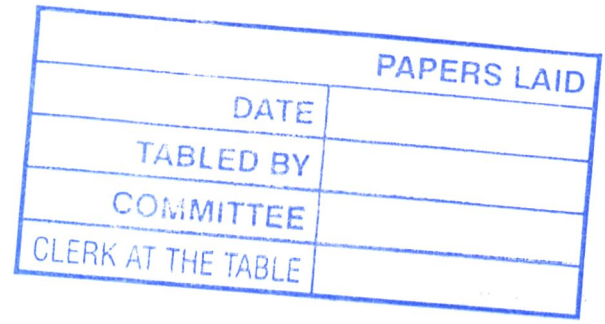
Committee Observation

The Committee noted that fifteen officers who had attained the mandatory retirement age were still reflected in the payroll. While management clarified that most were not being paid pending clearance, their presence on the payroll is an anomaly that creates a risk of irregular payments and misrepresents the county's human resource data. The retention of a 68-year-old officer, beyond even the extended retirement age for PWDs, indicates a serious lapse in internal controls. This contravenes public service guidelines on retirement and the principle of orderly exit from service.

Committee Recommendation:

The Committee recommends that the County Public Service Board and the County Department of Human Resource Management establish a robust and automated system to identify officers approaching mandatory retirement age at least one year in advance. This will ensure that Last Pay Certificates are processed promptly and that officers are formally cleared and removed from the payroll immediately upon retirement, in compliance with public service regulations.

High Wage Bill



The statement of financial performance for the year ended 30 June, 2025 and Note 9 to the statements reflects employee cost expenditure amount of Kshs 4,493,693,474 out of the budgeted revenue of Kshs. 9,004,034,684 translating to 50% of the revenues. This is contrary to Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which states that the county government's expenditure on wages and benefits for its public officers, shall not exceed thirty-five (35) percent of the county government's total revenue.

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

Management Response

The elevated compensation expenditure is attributed to the following key factors:

Inherited Workforce from Defunct Authorities and National Government

Following the implementation of devolution, the County Government inherited over 500 employees from defunct local authorities, in addition to more than 2,500 employees previously under the National Government. These staff members were primarily based in the former Central Province Headquarters and the eight (8) districts.

A significant number of these employees were already serving in senior positions, which translated into higher salary obligations from the outset of devolution. This legacy burden continues to exert sustained pressure on the County's wage bill.

Recruitment to Support Devolved Functions

The establishment of County Governments and the transfer of devolved functions necessitated the recruitment of technical personnel, as the inherited workforce did not possess adequate expertise in certain critical areas. To effectively deliver on its mandate, the County has had to employ additional staff including the newly recruited ECDE teachers, contributing to an increase in overall personnel costs.

Nationally Negotiated CBAs and Salary Increments

The nationally negotiated Collective Bargaining Agreements (CBAs), particularly for medical personnel, led to significant salary increments. These agreements were concluded without consideration of county-specific fiscal constraints, thereby further inflating the County's wage bill.

iv. Taking Services Closer to Mwananchi

The wage bill has been program-driven, arising from the County Government's commitment to decentralizing services to the lowest administrative units in line with the Constitution of Kenya 2010.

To manage its high wage bill, the County Government of Nyeri has implemented several strategic measures. The County Government has instituted a comprehensive strategy to improve Own Source Revenue (OSR) and diversify revenue inflows, including funds from donors and development partners. The key components of this strategy include:

(i) Enhanced Enforcement: Strengthening compliance through rigorous monitoring, auditing, and follow-up actions against defaulters to minimize revenue leakages.

(ii) Capacity Building: Continuous training and professional development programs for revenue officers to improve efficiency, accuracy, and customer service standards in revenue collection.

(iii)Stakeholder Engagement: Strengthening partnerships with community leaders, businesses, and other stakeholders to enhance cooperation and support for revenue initiatives.

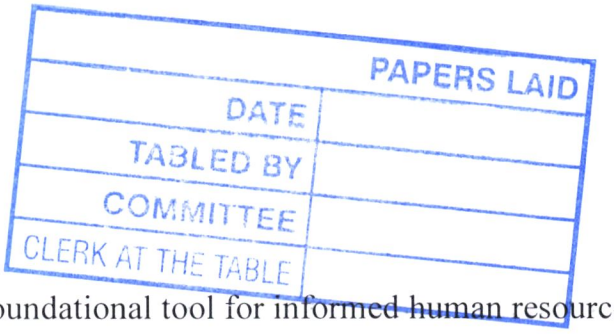
(iv) Skills Audit: The County Public Service Board, together with the Department of County Public Service Management and with technical assistance from the Ministry of Public Service, Performance and Delivery Management (State Department of Public Service), is conducting a thorough skills audit. This initiative seeks to:

Identify existing skills and competency gaps across all departments,

Align individual capabilities with the County's strategic goals and service delivery requirements,

Inform targeted training and recruitment to address critical skills shortages,

Support succession planning and talent management to build a sustainable workforce.



The skills audit will serve as a foundational tool for informed human resource planning and capacity enhancement.

(v) Review of Staff Establishment to Optimize Staffing Levels

In collaboration with the Kenya Devolution Support Programme (KDSP), the County is undertaking a comprehensive review of its staff establishment. This process will:

Analyze current staffing levels relative to operational needs and workload,

Identify positions that can be consolidated or restructured to eliminate redundancies,

Streamline organizational structures to enhance efficiency and reduce administrative overheads,

Optimize the wage bill without compromising service delivery quality.

The review is expected to foster a leaner; more agile workforce better aligned with the County's fiscal realities and strategic objectives.

(vi) Internal Recruitment and Redesignation

The County Public Service Board is prioritizing internal recruitment to fill vacant posts, ensuring that existing employees are promoted or transferred into roles that best fit their skills and experience. This approach:

Minimizes additional payroll costs by utilizing the existing workforce,

Boosts staff morale and motivation through career advancement opportunities,

Ensures continuity and institutional memory in key operational areas,

Allows for effective redeployment of human resources in line with evolving service demands.

(vii) Hiring Freeze on Non-Essential Positions

To manage costs prudently, the County Executive Committee, in coordination with the County Public Service Board, has imposed a hiring freeze on non-essential and non-priority positions. Recruitment going forward will be strictly based on:

Departmental priority needs,

Strategic alignment with County development plans,

Budget availability and fiscal sustainability.

Additionally, the County has outsourced some critical services, including security and cleaning, to professional firms. This strategy helps to:

Reduce fixed salary and benefits costs,

Leverage specialist expertise and improve service quality,

Provide greater operational flexibility and cost control.

(viii) Translation of Terms of Service

As part of the drive to optimize the wage bill, the County is converting employees from contract terms to permanent and pensionable status. This transition is projected to:

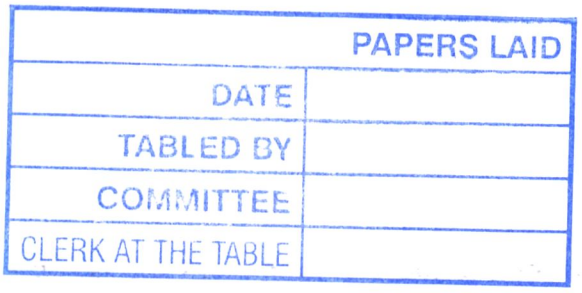
Reduce employer gratuity contributions from 31% to 15%, translating into significant cost savings,

Improve employee job security and morale, enhancing productivity and retention,

Align employee benefits with statutory pension requirements, promoting long-term financial sustainability.

Committee Observation

The Committee observed that the County Executive's wage bill during the FY 2024/2025 stood at 50% of its total receipts. This affected the budgetary allocations available for development projects.



Committee recommendations

The Committee recommends that—

the management should provide to the Auditor General and the Senate the measures it will put in place to contain the high wage bill within ninety (90) days of the adoption of this report;

the management should strictly adhere to the provision of paragraph 25(1)(b) of the PFM (County Government) Regulations, 2015 which stipulate that the county wage bill should not exceed 35 per cent of the county total revenue;

the County Executive puts in place measures to enhance its own source revenue collection in order to address the wage bill gap;

That pursuant to the High Court orders issued in *Matindi v Salaries and Remuneration Commission & another [2026] KEHC 755 (KLR)*, the Salaries and Remuneration Commission submits to the Committee a copy of the court ordered affidavit detailing the following—

time-bound strategies it has developed and is implementing to achieve a 35% public wage bill to revenue ratio;

collaborative measures being jointly implemented in conjunction with the County Governments; and

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

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

1. Excessive Budget Allocation to the County Assembly of Nyeri

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 Kshs.184,055,800 extra to the County Assembly. 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.

Management Response

The allocation to the County Assembly was based on the County Allocation of Revenue Act (CARA), 2024, which provided a ceiling of Kshs. 710.5 million and formed part of the County Assembly's approved budget. In addition, the County Assembly had accrued obligations amounting to Kshs. 31.5 million from FY 2023/2024, resulting in a recurrent allocation of Kshs. 742.0 million. Further, a development allocation of Kshs. 54.7 million brought the total approved allocation for the County Assembly to Kshs. 796.6 million, as highlighted in the audit report.

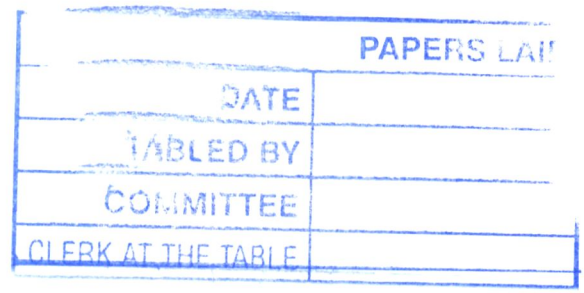
However, the amount appropriated as balance brought forward and the development allocation does not form part of the ceiling and hence the allocation was strictly adherent to the approved County Allocation of Revenue Act, 2024 ceiling. Therefore, while the Public Finance Management (County Governments) Regulations, 2015 discourage allocating more than 7% of the County's total revenue, or more than twice the personnel emoluments to the County Assembly, the adjustment made was guided by the provisions of the approved County Allocation of Revenue Act (CARA) which was necessary to strengthen institutional capacity.

Committee Observations

1) The Committee observed that the allocation to the County Assembly of Kshs. 796,625,715 constituted 9% of the county's total revenue, exceeding the 7% ceiling provided for in Regulation 25(1)(f) of the PFM (County Governments) Regulations, 2015.

2) While the management's explanation references the County Allocation of Revenue Act (CARA) and the inclusion of prior year balances and development allocation, the statutory ceiling is intended to ensure fiscal prudence and balance between the legislative and executive arms. The breach of this clear regulatory limit indicates a disregard for fiscal responsibility principles.

Committee Recommendation:



The Committee recommends that the Senate Standing Committee on Finance and Budget should consider review of Regulation 25(1)(f) of the Public Finance Management (County Governments) Regulations, 2015 and ensure that it is consistent with the county assembly ceilings as provided for by County Allocation of Revenue Act (CARA).

2. Non-Compliance with the Reporting Template

The financial statements presented for audit did not comply with the reporting template as the cover page of the financial statements indicated that the financial statements were Transitional IPSAS financial statements/prepared in accordance with the accrual basis of accounting method under the International Public Sector Accounting Standards (IPSAS) instead of indicating one option that was adopted. Further, Note 2 to the financial statements under the statement of compliance and basis of preparation of financial statements did not specify that these were transitional financial statements including the transitional provisions it had applied.

In the circumstances, the financial statements did not comply with the reporting template as prescribed by the Public Sector Accounting Standards Board.

Management response.

The County prepared the financial statements using the reporting templates issued by the Public Sector Accounting Standards Board (PSASB), note 2 of the financial statements on compliance discloses that the financial statements were first time adoption.

Committee Observation

The Committee observed that the financial statements submitted by the County Executive Committee Member for Finance did not comply with the reporting template prescribed by the Public Sector Accounting Standards Board (PSASB). The ambiguity in the cover page regarding the basis of preparation (IPSAS Accrual vs. Transitional IPSAS) is a material non-compliance that obscures the financial position and performance of the county and hinders comparability. This contravenes Section 194(1)(d) of the PFM Act, 2012, which mandates PSASB to prescribe formats for financial statements.

Committee Recommendation:

The Committee recommends that the County Executive Committee Member for Finance ensures that all future financial statements are prepared strictly in accordance with the formats and standards prescribed by the Public Sector Accounting Standards Board under Section 194 of the PFM Act, 2012. The Auditor-General is requested to specifically report on any non-compliance with reporting templates in future audits.

6. Failure to Retain Facilities Improvement Funds (FIF) at the Hospitals

Review of revenue records obtained from Level 4 and Level 5 health facilities in the County revealed that seven (7) health facilities collected a total 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.

In the circumstances, Management was in breach of the law. In addition, failure to reimburse the total amount transferred by the facilities negatively impacted on service delivery by the health facilities.

Management Response:

According to the Facilities Improvement Financing Act, 2023, Section 29 under part IV of miscellaneous provisions states that "A county government may enact legislation to give further effect to the provisions of this Act in the respective county".

It is in this context that Nyeri County Government decided to continue using it's already existing Nyeri County Health Services Fund Act, 2021 and it's regulations which was enacted by the county assembly and implemented in the year 2021.

The objectives and purposes of the Fund are;

a) improve the quality of health care services.
b) ensure facilities have better access to financial resources.
c) ensure health facilities are more responsive to medical and public health emergencies.
d) ensure an amount totaling to not less than twenty per cent of the monies are set aside for disbursement and are equitably allocated to primary health services.

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

Therefore, the difference of Kshs. 150m is as a result of the Nyeri County Health Services Fund Revenue Model which states that a 3% will be set aside for fund administration, then the remaining amounts will be retained at a rate of 80% by the collecting facility, and 20% to be shared equitably by all primary health services.

Nyeri County affirms that the retention of a 3% administrative fee and the 80/20 revenue distribution under the Nyeri County Health Services Fund Act, 2021 are fully lawful and constitutionally supported. Articles 186 and 191 of the Constitution, together with Part 2 of the Fourth Schedule, empower counties to legislate, collect, and manage revenue for health service delivery. Sections 132–136 of the County Governments Act, 2012, and the Public Finance Management Act, 2012, further require that such funds be managed transparently, accountably, and in a manner that supports effective service delivery. The 3% fee covers fund administration costs, while the 80/20 split ensures both facility level autonomy and equitable support for primary health facilities.

These provisions are consistent with the Facilities Improvement Financing Act, 2023, which recognizes facility level retention and equitable use of health facility revenues but allows counties flexibility in allocation formulas. Nyeri County remains committed to harmonizing reporting, accounting, and audit standards with national frameworks while maintaining the autonomy granted by the Constitution to manage its health services fund efficiently and equitably.

It's important to note that, the Facilities Improvement Financing Act, 2023 is properly understood as framework legislation, intended to;

a) Promote uniform standards of financial accountability;
b) Enhance equitable access to health services; and
c) Enable retention and use of health facility revenues across all counties.

The Act **does not expressly repeal or invalidate** county health financing laws, nor does it purport to take over county health service delivery functions which is already devolved.

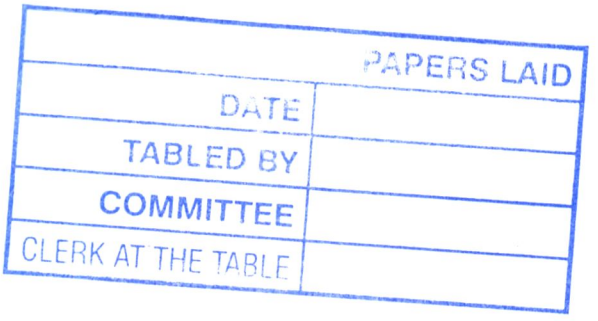
Committee Observations

1) The Committee observed that the County Executive transferred Kshs. 150,041,563 collected from health facilities to the central County Health Services Fund, and failed to remit it back to the facilities. This action directly contravenes the national legal framework, specifically Section 5(1) of the Facilities Improvement Financing Act, 2023, which mandates that all monies raised by or on behalf of public health facilities be retained in the Hospital Facilities Improvement Financing Account.

2) The reliance on the Nyeri County Health Services Fund Act, 2021, which contradicts the national law, is in breach of the principle of hierarchy of laws, and negatively impacts service delivery by denying facilities the resources they generated.

Committee Recommendations:

1. **The Committee recommends that the County Executive Committee Member for Health immediately initiate the process of aligning the Nyeri County Health Services Fund Act, 2021, with the provisions of the national Facilities Improvement Financing Act, 2023, as required by Article 191 of the Constitution to resolve the conflict of laws. A draft of the amending legislation shall be submitted to the County Assembly within ninety (90) days.**
2. **Pending the harmonization of the law, the Committee directs the County Executive to comply fully with Section 5(1) of the Facilities Improvement Financing Act, 2023, by ensuring that 100% of the revenue raised by or on behalf of health facilities is retained in those facilities' respective Hospital Facilities Improvement Financing Accounts for their direct use, to safeguard service delivery.**



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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

Basis for Opinion

Variance in the Receivables from Non-Exchange Balance

The statement of financial position and as disclosed in Note 16 to the financial statements reflects receivables from non-exchange balance of Kshs.4,834,460. However, the balance differs with payable-due to the County Revenue Fund of Kshs.681,347,865 as disclosed in Note 34 to the Receiver of Revenue financial statements resulting to an unreconciled variance of Kshs.676,513,405.

In the circumstances, the accuracy, completeness and fair presentation of receivable from non-exchange transactions balance of Kshs.4,834,460 could not be confirmed.

Management Response

The amount of Kshs. 4,834,460 recognized in County Revenue Fund (CRF) as receivables was made up of bank balances totaling to Kshs. 4,741,295 and bank charges amounting to Kshs. 93,165.

The payables due to County Revenue Fund reported in the Receiver of Revenue Financial Statements consist of collected revenue amounting to Kshs. 4,741,295 bank balances at the close of the period and arrears of revenue amounting to Kshs. 676,606,570.

The arrears of revenue were represented by Land Rates arrears amounting to Kshs. 606,188,728 and house and stalls rent arrears Kshs. 54,803,431 and Refuse Disposal Fees arrears amounting to Kshs. 15,614,411. These were potential receipts in the Receiver of Revenue Financial Statements disclosed in the statement of arrears but could not be recognized in the County Revenue Fund since there is no full control of the assets in the CRF. The Revenue arrears (land rates, rent, refuse fees) represent potential economic benefits to the receiver of revenue but do not meet the control criterion at the CRF and are therefore disclosed but not recognized as receivables.

Committee Observations

The Committee observed as follows:

1. The existence of a material unreconciled variance of Kshs. 676,513,405 between the financial statements of the County Revenue Fund and the Receiver of Revenue constitutes a fundamental failure in the preparation and consolidation of county government financial reports. This contravenes the Accounting Officer's responsibility under Section 149(1) of the PFM Act, 2012.

   Further, it fails to meet the requirement for the County Treasury to consolidate all county government entity statements under Section 163 of the PFM Act, 2012, to present a true and fair view of the county's financial position as required by the Constitution's principles of public finance under Article 201.
2. The Committee observed that the management response correctly identifies that revenue arrears (e.g., land rates, rent) should be treated differently from cash or cash equivalents. However, the PFM framework requires that these arrears be recognized and disclosed in a manner that ensures transparency and accountability. By not reconciling these figures, the county has not only created a variance but has also failed to accurately present the county's total financial assets and potential revenue streams. This undermines the fiscal responsibility principles outlined in Section 107 of the PFM Act, 2012, particularly the need for transparent financial management and prudent fiscal risk management.

Committee Recommendation:

1. **The Accounting Officer, in collaboration with the County Treasury and all receivers of revenue, is hereby directed to immediately undertake a comprehensive reconciliation of all financial figures, with specific focus on the variance between receivables and**

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

payables. A detailed reconciliation statement must be prepared, explaining the composition of the Kshs. 676,606,570 in arrears, and submitted to the County Assembly and the Auditor-General within 90 days. This is in compliance with Sections 149 and 163 of the PFM Act, 2012, which mandate the preparation of accurate financial statements that reflect a true and fair financial position of the entity

2. **The Accounting Officer shall ensure that all stocks of accountable documents, whether maintained manually or otherwise, are securely kept. Such documents shall be issued strictly in accordance with the daily operational requirements of the service, and accurate, complete, and up-to-date records of their receipt, custody, and issuance shall be maintained at all times.**

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

REPORT ON THE REVENUE STATEMENTS

Qualified Opinion

Basis for Qualified Opinion

1. **Variance with County Revenue Fund Amounts**

The statement of financial position and Note 34 to the revenue statements reflects payables - due to County Revenue Fund balance of Kshs.681,347,865. However, balance differs with receivables from non-exchange transactions balance of Kshs.4,834,460 as disclosed in Note 16

of the financial statements of the County Revenue Fund resulting to a variance of Kshs.676,513,405.

In the circumstances, the accuracy, completeness and fair presentation of payables due to the County Revenue Fund balance of Kshs.681,347,865 could not be confirmed.

Management Response

The amount of Kshs. 4,834,460 recognized in CRF as receivables was made up of bank balances totaling to Kshs. 4,741,295 and bank charges amounting to Kshs. 93,165.

The payables due to County Revenue Fund reported in the Receiver of Revenue Financial Statements consist of collected revenue amounting to Kshs. 4,741,295 bank balances at the close of the period and arrears of revenue amounting to Kshs. 676,606,570.

The arrears of revenue were represented by Land Rates arrears amounting to Kshs. 606,188,728 and house and stalls rent arrears Kshs. 54,803,431 and Refuse Disposal Fees arrears amounting to Kshs. 15,614,411. These were potential receipts in the Receiver of Revenue Financial Statements disclosed in the statement of arrears but could not be recognized in the County Revenue Fund since there is no full control of the asset in the CRF.

Committee Observation

The Committee observes that the failure to reconcile the payables due to the County Revenue Fund (Kshs. 681,347,865) with the receivables recognized in the County Revenue Fund (Kshs. 4,834,460) is a material misstatement. This contravenes the principle of accurate and transparent financial reporting as enshrined in Article 201(a) of the Constitution. Furthermore, it fails to meet the requirement for the accounting officer to prepare financial statements that present a true and fair view, as obligated under Section 149(2)(b) of the PFM Act, 2012, and Regulation 22(1)(c) of the PFM Regulations, 2015.

Committee Recommendation

1. **The Accounting Officer is directed to immediately conduct a comprehensive reconciliation of the variances between the Receiver of Revenue and the County Revenue Fund statements.**

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

2. **The Accounting Officer must ensure that future financial statements are prepared in strict compliance with the accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) to guarantee accuracy, completeness, and fair presentation, as required by Regulation 101(4) of the PFM Regulations, 2015.**

2. Outstanding Collections from Stalls and House Rent

Review of arrears of property rent revealed an outstanding balance of Kshs.54,803,431 relating to stalls and houses. This was an increase from Kshs.32,640,683 in the prior year, representing a 40% increase. While the County has instituted measures such as issuance of demand notices and carrying out evictions to recover the arrears, the outstanding balance continues to rise, indicating that the measures have not been effective in addressing the problem. Further, there was no evidence of a comprehensive debt recovery strategy, including tenant profiling, repayment plans, or enforcement of legal action against chronic defaulters.

In the circumstances, the recoverability of the outstanding rent balance of Kshs.54,803,431 remains doubtful, exposing the County to the risk of revenue loss.

Management response

The increase in house and stall rent arrears from Kshs. 32,640,683 to Kshs. 54,803,431 was due to a change in the classification of market stalls that were previously classified under market fees but in embracing accrual accounting, they were correctly placed under houses and stalls.

Rent arrears recovery measures are being instituted by the County to ensure that the dues are fully settled. These measures include robust enforcement for compliance, arbitration and negotiation and legal action. Demand Notices have continually been issued to defaulters. Waiver on penalties for houses and stalls will also be considered.

Committee Observation

The Committee notes that despite management's response, the 40% increase in rent arrears (to Kshs. 54,803,431) indicates a failure in revenue collection effectiveness. The absence of a comprehensive and documented debt recovery strategy, including tenant profiling, repayment plans, and legal enforcement against defaulters, amounts to a dereliction of the duty to protect

county resources. This inaction exposes the County to significant revenue loss and contravenes the fiscal responsibility principle of prudent management as per Section 107(2)(f) of the PFM Act, 2012.

Committee Recommendation

1. **The County Executive Committee Member for Finance must, within 90 days, develop, adopt, and submit to the Senate and the County Assembly a comprehensive debt recovery policy. This policy must include clear timelines for issuing demand notices, enforcement mechanisms, and legal action against chronic defaulters.**
2. **The Accounting Officer is directed to conduct a bi-annual review of the effectiveness of these recovery measures and report the status of the arrears to the County Assembly, as part of the quarterly reporting obligations under Section 166 of the PFM Act, 2012.**

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budgeted at Kshs.800,000,000 against actual receipts of Kshs.682,737,300 on a comparable basis.

This resulted in an under-collection of Kshs.117,262,700, representing 14% of the targeted revenue. The short fall in revenue may be an indicator of revenue leakages and inefficiencies in revenue collection.

The under-performance may have affected planned activities at the County Government.

Management Response

The County Government had a combined target of Kshs. 1,636,295,127 comprising of Own Source Revenue (OSR) target of Kshs. 800,000,000 and Health Services Fund target of Kshs. 836,295,127. The total revenue collection for the Financial Year 2024/2025 was Kshs. 1,451,939,176 comprising of Own Source Revenue Kshs. 682,737,300 and Health Services Fund Kshs. 769,201,876. This was 89% of the targeted revenue despite the fact that the County was owed over Kshs. 400 M by SHA during the period under review.

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

The County put in efforts and structures to ensure that the Own Source Revenue target of Kshs. 800,000,000 was achieved. Despite the efforts, revenue from Land Rates was adversely affected by the continued failure by the National Treasury to remit Contribution in Lieu of Rates (CILOR) to the County amounting to Kshs. 372,970,322 an amount which continues to accrue to date.

Further efforts include updating of the valuation roll where the rate struck has been set through the Finance Bill 2025 enacted by the County Assembly. This broadens the revenue base by increasing the Rateable property owners leading to increased revenue.

The issuance of Waivers for penalties and interest accrued on land rates was instituted to encourage compliance and eviction of defaulters for house rent arrears.

Committee Observation

The under-collection of Kshs. 117,262,700 (14% of the target) is a significant deviation from the approved budget. This under-performance, attributed partly to external factors like CILOR, also points to potential internal inefficiencies and revenue leakages. This compromises the County's ability to finance its planned programs and contravenes the fiscal responsibility principle requiring that county governments' recurrent expenditure does not exceed its total revenue, as set out in Section 107(2)(a) of the PFM Act, 2012.

Committee Recommendation

1. **The County Treasury, in coordination with the County Executive Committee Member for Finance, should conduct a root-cause analysis of the revenue shortfall. This analysis should identify specific areas of leakage, underperforming revenue streams, and administrative bottlenecks.**
2. **The County must strengthen its revenue mobilization strategies, including fast-tracking the implementation of the updated valuation roll to address the CILOR dependency, in line with the power to impose property rates under Article 209(3) of the Constitution.**
3. **The National Treasury should ensure timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate.**
4. **the County Executive puts in place measures to enhance its own generated revenue in order to meet its revenue target and address revenue shortfalls**

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Basis for Conclusion

1.0 Delay in Remittance of Funds from County Revenue Collection Accounts to County Revenue Fund Account

Nyeri County had standing instructions with the three banks regarding the transfer of funds, specifying that funds should be transferred every Monday of the week, which later changed to every Friday of the week, or on the 30th day of the month, whichever came earlier.

We have from time to time reminded the banks to comply.

Management response

Nyeri County had standing instructions with the three banks regarding the transfer of funds, specifying that funds should be transferred every Monday of the week, which later changed to every Friday of the week, or on the 30th day of the month, whichever came earlier.

We have from time to time reminded the banks to comply.

Committee Observation

The Committee observes that delays in transferring funds from collection bank accounts to the County Revenue Fund contravene Regulation 81(2) of the PFM Regulations, 2015, which mandates that all receipts be paid into the County Revenue Fund not later than five (5) working days after receipt. This practice exposes revenue to potential misappropriation and undermines cash management principles.

Committee Recommendation

1. **The Receiver of Revenue is directed to issue a fresh directive to all collecting banks, explicitly referencing Regulation 81(2) of the PFM Regulations, 2015, and demanding strict compliance with the 5-day remittance rule.**

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

2. **The County Treasury must ensure its bank reconciliation statements, submitted monthly under Regulation 90(1) of the PFM Regulations, 2015, explicitly flag any delays in transfers to facilitate timely follow-up.**

2.0 Lack of Integration of the County Revenue Collection System with All Payment Methods

Review of the County revenue management system showed that while mobile payments and direct bank deposits with one collecting bank had been integrated, two collecting banks had one not operationalized, while the other having not been integrated. As a result, customers were required to present bank slips for clerks to manually post the payments into the system, a process prone to data entry errors and non-submission of banking slips by the customers due to delayed full integration of all revenue collection channels stipulated in the contract.

In the circumstances, the revenue management system did not meet the required threshold as per the agreement and instances of revenue leakages could not be ruled out. In addition, value for money may not be achieved on the revenue collection contract.

Management response

The County Government is collaborating with the banks to implement integration with Nyeri pay Revenue Management System.

The County has advertised for a Revenue Management System Upgrade that is in the final phase of the procurement process. This will ensure the threshold of integration is fully operationalized.

Committee Observation

The failure to fully integrate all collecting banks and payment channels into the NyeriPay system undermines the principles of an efficient, transparent, and accountable financial system as required by Article 201 of the Constitution. The manual posting of payments creates a high risk of data entry errors and revenue leakages, defeating the purpose of automation.

Committee Recommendation

1. **The Accounting Officer must prioritize and enforce the contractual obligations of the revenue system provider to ensure full integration with Kenya Commercial Bank and the operationalization of the Cooperative Bank integration.**
2. **The County Executive Committee Member for Finance must ensure that the procurement for the Revenue Management System Upgrade is finalized and implemented without delay, and that the new system provides a full audit trail as required by Regulation 102(3) of the PFM Regulations, 2015.**

3.0 Delayed Implementation of Valuation Roll

Review of Nyeri County valuation rolls established that the valuation roll that was in use was approved in October, 2018. The audit further noted from prior year reports that the County procured the services of a private firm during the financial year 2019/2020 at a contract price of Kshs.25,334,400 to develop an updated valuation roll. However, enquiry into the matter established that the updated valuation roll is still under review and has not been finalized or implemented. Consequently, the County continues to rely on outdated valuation data for property rates. Further, the County cannot accurately assess and bill property rates, leading to potential significant unrealized revenue.

In the circumstances, the County has not realized value for money from the Kshs. 25,334,400 expenditures, as the contracted deliverable (updated valuation roll) is still under review and unutilized.

Management Response

The delay in operationalization of the valuation roll was due to a court case, Miscellaneous ELC Application JR No. 03 of 2019, where the applicants had challenged the application of the Draft Valuation Roll. The Court ruled on the same and the Application was dismissed in October 2024.

The CECM Lands, Physical Planning and Urban Development appointed members of the Nyeri Municipality Valuation Court on 6th September 2023 to resolve the valuation issues, it was gazetted via Gazette Notice No. 12791 on 22nd September 2023 (Annex 9). The valuation court listened and determined all the objections on the draft valuation from 8th January 2024 and issued endorsement certificate on 12th February 2024. (Annex 10)

Currently, the updated valuation roll is complete, approved, adopted and in use.

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

Committee Observation

The Committee notes the management's explanation regarding the court case and subsequent approval. Since the valuation roll is now complete and in use, the query is considered resolved.

Committee Recommendation

1. **The Committee recommends that the County Executive Committee Member for Finance ensures the new valuation roll is utilized for the next revenue cycle to maximize property rates collection, as empowered by Article 209(3) of the Constitution.**
2. **The Committee marks the issue as resolved.**

4.0 Non-Compliance with the Reporting Template

The revenue statements presented for audit did not comply with the reporting template as the cover page indicated that they were transitional IPSAS statements/prepared in accordance with the accrual basis of accounting method under the International Public Sector Accounting Standards (IPSAS) instead of indicating the option that the Receiver of Revenue had adopted. Further, the revenue statements under the statement of compliance and basis of preparation of financial statements did not indicate that these were transitional financial statements.

In the circumstances, the revenue statements did not comply with the reporting template as prescribed by the Public Sector Accounting Standards Board.

Management response

The County prepared the financial statements using the reporting templates issued by the Public Sector Accounting Standards Board (PSASB), the cover page regrettably did not specify the option. However, Note 2 to the financial statements indicated that they were transitional financial statements taking advantage of the transitional provisions under International Public Sector Accounting Standards.

The Management takes full note of the error on the cover page and measures have been put in place to avoid the same recurring in future.

Committee Observation

The failure to accurately indicate the basis of preparation (transitional IPSAS) on the cover page of the financial statements, while a technical error, constitutes non-compliance with the precise reporting formats prescribed by the Public Sector Accounting Standards Board (PSASB). This is a breach of Section 194(1)(d) of the PFM Act, 2012, which mandates the Board to prescribe formats for financial reporting.

Committee Recommendations

1. **The Accounting Officer is directed to ensure that all future financial statements strictly adhere to the templates and formats prescribed by PSASB, as required by Regulation 101(4) of the PFM Regulations, 2015.**

2. **The Head of Finance must institute a pre-submission review checklist to verify compliance with all presentation requirements before statements are submitted for audit.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Basis for Conclusion

1.0 Lack of Risk Management Strategies

The Receiver of Revenue did not have a risk management policy or strategy in place and therefore, had no approved processes and guidelines on how to mitigate operational, legal and financial risks including loss of revenues contrary to Regulation 158(1) of the Public Finance Management (County Government Regulations), 2015 which provides that the Accounting Officer shall ensure that the County Government entity develops risk management strategies.

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

In the circumstances, the effectiveness of the Receiver of Revenue internal control mechanism in regard to mitigating operational, legal and financial risks including loss of revenue could not be confirmed.

Management response

The Receiver of Revenue has developed a draft Risk policy that is awaiting due process of approval.

However, some risk mitigation measures are already in place, though not documented.

Examples are:

- Strengthening the internal controls and audit trails through the system event logs and close monitoring and supervision.

- Automation of revenue systems to reduce manual errors.

- Segregation of duties in revenue collection.

- Regular rotation of staff to the various revenue collection point.

Committee Observation

The absence of an approved and documented risk management policy is a direct contravention of Regulation 158(a) of the PFM Regulations, 2015, which places a legal duty on the Accounting Officer to ensure the county government entity develops risk management strategies, including fraud prevention mechanisms. Undocumented, informal measures are insufficient for a robust internal control environment.

Committee Recommendation

1. **The Accounting Officer directed to finalize, adopt, and operationalize the draft Risk Management Policy within 60 days.**

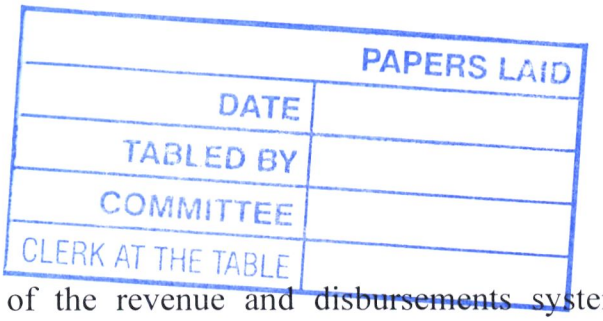
2. **The Audit Committee, established under Regulation 167 of the PFM Regulations, 2015, must be tasked with reviewing and monitoring the implementation of the risk management framework to ensure its effectiveness.**

2.0 Absence of Service Level Agreement (SLA) Between the County Executive of Nyeri and Nyeri Water and Sewerage Company (NYEWASCO) for the Refuse Disposal Revenue Collection

The statement of revenue and disbursements for the year ended 30 June, 2025 reflects an amount of Kshs.55,608,416 with respect to conservancy administration. Included in this amount is a balance of Kshs.15,614,411 disclosed in Note 9 to the revenue statement, as revenue from refuse disposal fees collected by Nyeri Water and Sewerage Company (NYEWASCO) on behalf of the County Executive of Nyeri.

Audit review established that the County Government did not have a Service Level Agreement (SLA) with NYEWASCO to outline the scope of services, performance expectations, and timelines for revenue remittance. Further, review of remittance records revealed that the timeframe for remittance was not defined, with delays ranging between fifteen (15) and fifty-four (54) days during the period under review as shown in the table below.

No.	Value Date	Delays in Remittance (Days)	Amount (Kshs)
1	26 July, 2024	6	1,095,088
2	09 June, 2025	8	5,573,845
3	30 July, 2024	8	395,713
4	01 April, 2025	8	1,279,000
5	22 April, 2025	8	116,500
6	23 October, 2024	9	349,400
7	23 April, 2025	10	3,610,677
8	21 April, 2025	12	27,659,941
9	18-October, 2024	13	4,796,461
10	25 November, 2024	14	1,265,500
11	10 March, 2025	14	213,300
12	24 March, 2025	14	805,000
13	16 June, 2025	21	1,986,000
14	08 November, 2024	6	4,636,662



In the circumstances, the effectiveness of the revenue and disbursements system and the agreement thereof could not be confirmed.

Management response

An agreement exists where Nyewasco, through a letter by the CECM Finance, was appointed as a collecting agent with instructions to remit revenue collected on behalf of the County every month.

The defunct Municipal Council of Nyeri owned 100% of Nyewasco before the advent of devolution, after which the company was taken over by the County Government of Nyeri as provided by the Constitution of Kenya, 2010.

Section 58 of the Urban Areas and Cities Act provides that any contract, arrangement or agreement that existed before the Act, unless and until affected by the operation of the Act continues in force.

Further, Section 10 of the second schedule of the PFM Act 2012 provides that any regulations, directions or instructions that were made or issued under legislation that is repealed by this Act and that were in force immediately before the coming into operation of this Act shall, so far as not inconsistent with this Act, remain in force until regulations or instructions under the Act come into force.

Consequently, based on these provisions and the fact that there are no contrary instructions issued to the company by the County Government, it is construed that the instructions that had been given by the defunct Municipal Council of Nyeri are still in force.

The county wrote a reminder requesting Nyewasco for prompt remittance and continues to make follow up to ensure compliance.

However, the remittance schedule referenced on the issue raised is not related to the delay in remittances by Nyewasco.

Committee Observation

The reliance on a pre-devolution arrangement with NYEWASCO, without a formalized Service Level Agreement (SLA), is a significant governance lapse. The undefined remittance timelines

and observed delays violate the principles of accountability and transparency in agency relationships. This contravenes Regulation 66(2) of the PFM Regulations, 2015, which requires that expenses and arrangements for agency services be based on a signed service level agreement.

Committee Recommendation

1. **The Receiver of Revenue is directed to formalize a legally binding SLA with NYEWASCO within 90 days. The SLA must explicitly define the scope of services, revenue collection procedures, and a strict remittance schedule, as required by Regulation 66 of the PFM Regulations, 2015.**

2. **The County Treasury must monitor the remittance performance against the SLA and enforce penalties for non-compliance as provided for in the agreement.**

3.0 Absence of Business Continuity Strategy

The audit established that although the Information and Communication Technology (ICT) Policy approved on 21 August, 2021 provides for a Business Continuity Strategy, the document was not availed for audit verification. In the absence of a documented Business Continuity Strategy, the County Government lacks a structured framework to ensure resilience and continuity of critical services in the event of disruptions such as system failures, cyber incidents, natural disasters, or facility outages.

In the circumstances, the effectiveness of the business continuity strategy in the event of significant disruptions could not be confirmed.

Management response

The County has adopted informal business continuity strategies to include disaster recovery planning, incident response planning, critical process identification, systems and network redundancy, on-site and offsite backups and staff training on disaster response protocols.

In addition, the county has identified risks to critical ICT functions and developed mitigation measures.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

The management has initiated the process of reviewing the ICT policy (2021) and subsequently developing business continuity strategy and other documents that will support implementation of the policy. As such, the management is committed to ensuring the timely development, approval, and operationalization of the Business Continuity Strategy to safeguard service delivery, enhance ICT governance, and comply with both policy and legal provisions.

Committee Observation

The lack of a documented and approved Business Continuity Strategy (BCS), despite its provision in the ICT Policy, exposes the County's revenue systems to significant operational risks. In the event of a system failure or disaster, the lack of a structured framework would critically disrupt service delivery and revenue collection, compromising the "effective, efficient, and economic use of resources" as mandated by Article 232(1)(b) of the Constitution.

Committee Recommendation

1. **The Accounting Officer, in conjunction with the County ICT department, is directed to develop, formally approve, and implement a comprehensive Business Continuity Strategy within 90 days.**
2. **The strategy must be based on a risk assessment, include disaster recovery plans for all critical revenue systems, define roles and responsibilities, and provide for regular testing, in line with best practices for internal control as per Regulation 163 of the PFM Regulations, 2015.**

CHAPTER THREE

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF MANDERA COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2024/2025

The Governor of Mandera County Executive Hon. Mohamed Khalif, appeared before the Committee on Friday, 30th January 2026 to respond (under oath) to audit queries raised in the Report of the Auditor General on County Executive, Receiver of Revenue and County Revenue Fund of Mandera County for the Financial Year 2024/25.

1. 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 records revealed the following observations:

1.1 Unsupported Expenditure on Routine Maintenance of Vehicles and Other Transport Equipment

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

Management response

The delay in availing the complete records arose from the decentralized nature of transport operations across various departments, particularly for ambulances attached to sub-county

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

hospital for referral purposes, where the job cards and inspection reports are maintained and retained at the sub-counties and were therefore not available during the audit period.

The motor vehicle maintenance records, including job cards, inspection and re-inspection reports, and updated status reports on the repaired vehicles, have since been consolidated from the sub-counties and the Mechanical Department and are hereby available for review.

Committee Observation

The Committee observes that the County Executive failed to maintain and produce critical support documents (work tickets, job cards, inspection reports) for expenditure amounting to Kshs. 13,000,000. This failure contravenes the fundamental principle of accountability in public finance management as outlined in Article 201 of the Constitution. Furthermore, the inability to provide these records during the audit constitutes a breach of Section 62 of the Public Audit Act, 2012, which obligates entities to grant the Auditor-General access to all relevant books and documents.

Committee Recommendations:
The Committee recommends that;

1. **Pursuant to Section 156 of the Public Finance Management Act, 2012, the Committee recommends that the County Governor takes immediate administrative action against the Chief Officer for Transport and the relevant Accounting Officer for failing in their duty to maintain proper records and ensure accountability. A status report on the action taken shall be submitted to the Office of the Auditor-General within sixty (60) days of Senate adoption of this report.**
2. **The Ethics and Anti-Corruption Commission (EACC) investigates the potential occurrence of financial misconduct as defined under Section 197 of the PFM Act, specifically regarding the irregular expenditure of public funds and the failure to account for the Kshs. 13,000,000.**

1.2 Unsupported Expenditure on Fuel, Oil and Lubricants

Included in the 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 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 by a designated senior officer against the internal fuel register.

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

Management response

The management acknowledges the observation. Some of the expenditure on fuel, oil, and lubricants was incurred to facilitate continuous operation of borehole generators located in remote and rural areas of Mandera County where there are no established pump stations.

To ensure uninterrupted water supply services to the community, the management entered into contractual agreement with prequalified companies/contractors operating within the rural towns to supply fuel directly to the borehole sites. The arrangements were made to address logistical challenges and ensure timely delivery of fuel to remote boreholes. Further, on the issue of the absence of oversight in the fuel management process, fuel consumption records from the suppliers were reviewed and reconciled by a designated officers against the internal fuel register as required.

Contractual agreements and evidence of reviewed fuel register by a designated senior officer are available for audit review.

Committee Observation

The Committee noted that the County entity did not submit the relevant documents to the Auditor General during the audit exercise contrary to section 62 of the Public Audit Act, 2015.

Committee Recommendations:
The Committee recommends that;

1. **The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;**

PAPERS LAID

DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

2. **The Ethics and Anti-Corruption Commission (EACC) undertake an investigation into the responsible officer(s) with a view to recommending their prosecution for committing the offences stipulated under Section 62(1)(b) and (c) of the Public Audit Act, Cap. 412B, and for violations of the provisions of Regulation 210(k) of the Public Finance (County Governments) Regulations, 2015.**

3. **The Institute of Certified Public Accountants (ICPAK) takes action(s) against CPA. Ibrahim Mohamed Adan (M/No. 33701) for professional negligence and failure to uphold the standards of financial oversight and accountability expected of a certified public accountant involved in the financial management processes of the County Government pursuant to sections 32 and 33 of the Accountants Act CAP 531.**

2. Unsupported Cash and Cash Equivalents Balance and Dormant Bank Accounts

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 Central Bank of Kenya whose reconciliation statements and cashbooks were not provided.

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, held at Central Bank of Kenya and which have 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.

Management response

The management acknowledged the audit observation and confirms that bank reconciliation statements and cashbook for the special purpose account was not presented during the audit on the basis that the account had nil balances as disclosed in the financial statements and has remained dormant during the period under review.
Notwithstanding the above, Management recognizes the audit requirement for full supporting documentation irrespective of account activity. The respective cashbook and bank reconciliation statements have since been retrieved and is now available for audit verification.

With regard to the dormant accounts, the Mandera County Kenya Climate Smart Agriculture Project account remained dormant following the completion of the project and its replacement by the Food Systems Resilience Programme (FSRP), while the Agricultural Sector Development Support Programme (ASDSP) Special Account has remained dormant due to the conclusion of the programme. The management has initiated the process of closing these dormant accounts in consultation with the Central Bank of Kenya and relevant stakeholders, in line with applicable public financial management regulations.

Committee Observations:

1) The Committee notes that the County Executive failed to provide reconciliation statements and cashbooks for special purpose accounts, which is a direct violation of Section 90 of the PFM (County Governments) Regulations, 2015. This regulation mandates accounting officers to ensure bank account reconciliations are completed and submitted.

2) The existence of dormant bank accounts with outstanding balances of Kshs. 61,482 and Kshs. 40,460 further indicates a lapse in efficient cash management and contravenes the principle of prudent use of resources enshrined in Article 201(d) of the Constitution.

Committee Recommendations:

1. **The Committee recommends that the County Executive Committee Member for Finance ensure full compliance with Regulation 90 of the PFM (County Governments) Regulations, 2015, by completing and availing all outstanding bank reconciliations for audit verification.**
2. **The Governor ensure the County Executive initiate the closure of all dormant bank accounts within 90 days, in line with Section 119(1) of the PFM Act, which authorizes the County Treasury to manage and close bank accounts, and must report the closure to the Controller of Budget, Auditor- General and the Senate within ninety (90) after the adoption of this report.**

3. 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.

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

Further, the balance was not supported with contracts, certificates of payment, contract number, fees note, interim payment certificate, 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 retentions balance of Kshs. 3,266,794 could not be confirmed.

Management response

We take note of the audit observation and wish to clarify that the refundable deposits and prepayments balance of Kshs. 3,266,794 as disclosed in Note 16 to the financial statements is fully supported.

During the audit, the detailed aging analysis and movement schedule indicating the opening balances, additions, and payments made during the year were not readily available. However, Management has since reconciled and provided the complete aging analysis and movement schedule for audit review.

In addition, all relevant supporting documentation is available, including contracts, contract numbers, fee notes, interim and final payment certificates, certificates of payment, and references to the payments from which retention amounts were deducted.

Committee Observation

The Committee noted that the County entity did not submit the relevant documents to the Auditor General during the audit exercise contrary to section 62 of the Public Audit Act, 2015.

Committee Recommendations:

The Committee recommends that;

1. **The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;**
2. **The Ethics and Anti-Corruption Commission (EACC) undertake an investigation into the responsible officer(s) with a view to recommending their prosecution for committing the offences stipulated under Section 62(1)(b) and (c) of the Public Audit**

Act, Cap. 412B, and for violations of the provisions of Regulation 210(k) of the Public Finance (County Governments) Regulations, 2015.

4. Unsupported Expenditure on Civil Works in Mandera East

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 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 the month of October, 2025 revealed that there was no branding or signage to identify the project undertaken by the County Government.

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

Management response

The project documentation was retained within the respective department's procurement files and was therefore not presented together with the payment voucher at the time of audit. However, the complete procurement records—including the tender register, tender opening minutes, evaluation report, professional opinion, certificate of practical completion, and inspection and acceptance report—have since been retrieved and are available for review.

Further, Management notes that the absence of project signage, because it was vandalized by unknown members of the public. The project involved the construction of cabro works within an enclosed perimeter wall of the Public Service Board premises. Physical inspection of the facility by the Auditor confirmed the existence, completion, and utilization of the works.
The management remains committed to strengthening record management and ensuring timely submission of all supporting documents for audit purposes.

Committee Observations:

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

1) The Committee observes that the expenditure of Kshs. 12,965,500 on civil works was not supported by mandatory procurement documents including tender opening minutes and evaluation reports. This omission violates the procurement principles of transparency, fairness, and competitiveness required by Article 227(1) of the Constitution and the specific procedures outlined in the Public Procurement and Asset Disposal Act, 2015.
2) The subsequent vandalism of project signage further points to a failure in project handover and community sensitization, which is an indicator of ineffective implementation.

Committee Recommendations

1. **The Committee recommends that the County Secretary, as the head of the public service, takes administrative action against the Chief Officer for Roads and Public Works and the Head of Procurement for the violation of procurement laws, as provided for under Section 156 of the PFM Act.**
2. **The County Executive is directed to develop and implement a policy for the mandatory branding and public disclosure of all county-funded projects within 30 days of project completion, to ensure transparency and public awareness as per the national values in Article 10 of the Constitution.**

5. Inaccuracies in Property, Plant and Equipment

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 includes a total of Kshs. 569,701,673 in respect of buildings, Kshs. 146,423,478 in respect of 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.

Management response

The management notes the absence of a depreciation policy and the non-recognition of depreciation on assets acquired during the year under review.

The County Government is in the process of transitioning to the accrual basis of accounting in accordance with International Public Sector Accounting Standards (IPSAS). In this regard, the management took advantage of the transitional provisions under IPSAS 33 – First-time Adoption of Accrual IPSAS, which allow entities additional time to fully comply with certain requirements, including the recognition and measurement of property, plant, and equipment and the application of depreciation.

During the year under review, the development and approval of a comprehensive asset management and depreciation policy was still ongoing. Consequently, depreciation was not charged on assets acquired during the period, including infrastructure, furniture and fittings, and computers and ICT equipment. Nevertheless, an updated asset register was maintained, and all assets were properly recorded, verified, and disclosed in the financial statements.

Management affirms that the depreciation policy is at an advanced stage of completion and will be finalized and fully implemented in subsequent financial periods. This will ensure full compliance with IPSAS requirements and enhance the accuracy, completeness, and reliability of reported property, plant, and equipment balances going forward.

Committee Observation

The Committee noted that the County Executive has developed a Depreciation Charge Policy, which will be finalized and fully implemented in subsequent financial periods. However, the lack of a depreciation policy and failure to depreciate assets acquired during the year impairs the accuracy of the financial statements. This contravenes Section 136 of the PFM (County Governments) Regulations, 2015, which requires accounting officers to maintain a comprehensive register of assets and manage them to ensure value for money.

Committee Recommendation

1. **The County Executive must expedite the finalization and approval of the Asset Management and Depreciation Policy, and ensure full implementation by the start of FY 2025/2026. A progress report must be submitted to the Auditor-General and the Senate within 90 days.**
2. **The Office of the Auditor-General to keep the matter in view in subsequent financial years.**

PAPERS LAID

DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

6. Unsupported and Long Outstanding 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 indicate the invoice date, the contract sums and amounts paid as at 30 June, 2025. Further, the County Executive reported having paid an amount of Kshs.965,320,054 towards trade and other payables during the year. In addition, payables amounting to Kshs.1,261,035,109 were 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.

Management response

We acknowledge the audit observation regarding the trade and other payables balance of Kshs. 3,523,524,212 as disclosed in Note 15 to the financial statements.

We wish to clarify that the reported balance comprises obligations arising from ongoing and completed contracts, statutory commitments, and other accrued expenditures. During the audit, the detailed schedule supporting the balance was not fully presented in the format required to indicate invoice dates and contract sums. However, Management has since compiled and provided an updated and comprehensive schedule detailing the contract references, invoice dates and contract values for audit review.

During the year under review, the management paid an amount of Kshs. 965,320,054 towards settlement of trade and other payables, demonstrating Management's commitment to reducing the outstanding obligations subject to availability of funds.

The Management further notes that payables amounting to Kshs. 1,261,035,109 remained outstanding for more than one (1) year largely due to cash flow constraints occasioned by delayed exchequer releases and competing expenditure priorities. Nevertheless, Management continues to prioritize settlement of verified obligations in line with available resources and applicable public financial management regulations.

In addition, the Management draws attention to trade receivables from Non-Exchange Transaction amounting to Kshs. 1,004,656,300 as disclosed in Note 17 to the financial statements. The existence of these receivables has had a direct impact on the County's liquidity position and ability to fully settle outstanding payables within the prescribed timelines.

Committee Observation

The Committee is deeply concerned by the exponential increase in pending bills to Kshs. 3.52 billion. This is a serious indicator of fiscal distress and a direct contravention of Regulation 41(2) of the PFM (County Governments) Regulations, 2015, which states that debt service payments, including the settlement of verified payables, shall be a first charge on the County Revenue Fund. The accumulation of these debts threatens the delivery of services and the county's financial sustainability.

Committee Recommendations

The Committee therefore recommends that:

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

PAPERS L
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

6. **that all County Governments pay verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2026/2027; and**

The Committee further recommends that—

i. **pursuant to the provisions of Regulation 41(2) & (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;**

ii. **the Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when approving exchequer releases;**

iii. **County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) & (3) of the Public Finance Management (County Governments) Regulations;**

iv. **Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates;**

v. **County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects;**

vi. **County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets; and**

vii. **The Office of Controller of Budget and the Senate will monitor compliance and apply sanctions if payment plans are not honoured.**

7. Non-Compliance with Transitional IPSAS Reporting Template

The cover page to the annual report and financial statements indicates "Transitional IPSAS financial statements" prepared in accordance with accrual basis of accounting method under international public sector accounting standards (IPSAS). This is indicative of Management failure to choose the method adopted to prepare the financial statements. Further, under Note 2

to Financial Statements on Statement of Compliance and Basis of Preparation of the financial statements, Management having taken advantage of the transitional provisions under IPSAS 33 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.

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

Management response

The management clarifies that the financial statements for the year ended 30 June 2025 were prepared in accordance with the Public Finance Management Act, 2012 and the International Public Sector Accounting Standards (IPSAS), having taken advantage of the transitional provisions under IPSAS 33 – First-time Adoption of Accrual Basis IPSASs. Accordingly, the financial statements are transitional IPSAS financial statements prepared on an accrual basis, as permitted during the transition period.

Management acknowledges the auditor's observation regarding the adequacy of disclosures under Note 2 (Statement of Compliance and Basis of Preparation). While the financial statements currently disclose that certain elements—such as inventories, depreciation, and non-financial assets acquired prior to FY 2024/2025—have not been fully recognized due to limitations in asset registers, valuation data, and supporting information at the time of transition, Management recognizes that the disclosures require further detail to fully comply with IPSAS 33.

Further, Management has outlined a clear and time-bound phased IPSAS Accrual adoption plan, which includes: Updating and valuing the asset register and recognizing inventories in FY 2025/2026; and completing the recognition and valuation of all non-financial assets, provisions, and preparing fully IPSAS Accrual-compliant financial statements by FY 2026/2027.

The management therefore affirms that the financial statements were prepared in line with the applicable transitional IPSAS framework and that deliberate steps are being implemented to achieve full compliance with IPSAS Accrual within the approved transition period. Future financial statements will continue to enhance disclosures to ensure full compliance with IPSAS 33 requirements.

Committee Observation:

PAPERS LA
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

The Committee observes that the Accounting Officer failed to adhere to the financial reporting formats prescribed by the Public Sector Accounting Standards Board (PSASB). The failure to properly disclose the elements not recognized and the steps towards full compliance undermines the transparency and comparability of financial statements required by Section 194 of the PFM Act.

Committee Recommendation:
The Accounting Officer to present the financial statements for FY 2025/2026 strictly in the format prescribed by PSASB. A detailed analysis of the elements of the financial statement not yet recognized, and a clear timeline for full compliance with IPSAS Accrual, must be appended to the next financial statements as required by IPSAS 33 and good accounting practice.

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 to an under-funding of Kshs.2,786,952,736 or 19% of the budget. Similarly, the County Executive spent an amount of Kshs.11,783,897,636 against actual receipts of Kshs.11,780,595,216 resulting in over-utilization of Kshs.3,302,420.

Further, 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 (15th) day from the commencement of the quarter, disburse monies to County Governments.

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

Management response

Management wishes to clarify that the variance between the approved budget of Kshs. 14,567,547,952 and actual receipts of Kshs. 11,780,595,216, resulting in an under-funding of Kshs. 2,786,952,736 (19%), was mainly attributable to delayed disbursement of the equitable

share, underperformance of certain conditional grants, and shortfalls in own-source revenue. As observed by the Auditor, exchequer releases amounting to Kshs. 2,650,957,719 were disbursed to the County in the months of June and July 2025.

Further, the approved budget included an allocation of Kshs. 956,332,517 to the County Assembly, which prepares and reports under independent financial statements. Consequently, this amount does not form part of the actual receipts of Kshs. 11,780,595,216 reported in the County Executive's financial statements.

With regard to the reported over-utilization of Kshs. 3,302,420, Management clarifies that this variance arose due to the application of different accounting policies in financial reporting. The Statement of Comparison of Budget and Actual Amounts and the Statement of Cash Flows are prepared on an IPSAS cash basis, whereas the Statement of Financial Performance is prepared on an IPSAS accrual basis. As a result, timing differences relating to accrued expenses and cash payments created an apparent over-utilization, which does not represent actual expenditure in excess of available cash resources.

The statement of comparison of budget and actual amounts reflects total revenue budget and actual amounts on comparable basis of Kshs.6,390,648,472 and Kshs.5,751,275,738 respectively, resulting in an under-funding of Kshs.639,372,734 or 10% of the budget. Similarly, the County Executive spent Kshs.5,459,386,518 against actual revenue of Kshs.5,751,275,738 resulting in an under-expenditure of Kshs.291,889,220 or 5% of the realized revenue. Management has attributed the low absorption to late disbursement of the exchequer by The National Treasury.

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

Management response.
The management acknowledged the Auditor's observation and responds as follow;
(iii) Under-funding

The County Executive appreciates the National Government of having disbursed its all-equitable share within the financial year, even though larger percentage disbursed late. However, the management budgeted for some funds expected from the donors, but these were not realized as

PAPERS L
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

was budgeted for, where only Kshs. 129,633,699 was received against the expected Kshs. 769,006,433 in respect to donor funded projects as tabulated below:

NO	DESCRIPTION	EXPECTED	ACTUALS	VARIANCE
1	RMFL	104,335,372.00	37,535,760.00	66,799,612.00
2	COMMUNITY HEALTH PROMOTION	43,380,000.00		43,380,000.00
3	DANIDA	16,015,507.00	7,166,250.00	8,849,257.00
4	NAVCDP	158,015,152.00	29,305,638.00	128,709,514.00
5	KDSP II	37,500,000.00		37,500,000.00
6	UIG	35,000,000.00	32,309,300.00	2,690,700.00
7	NUTRITION INTERNATIONAL	2,613,932.00		2,613,932.00
8	FLLoCCA	316,350,444.00	11,476,449	304,873,995
9	VILLAGE POLYTECHNICS	21,234.00		21,234.00
10	FLLoCCA	22,000,000.00	11,840,302.00	10,159,698.00
11	UDG	18,278,289.00		18,278,289.00
12	BASIC SALARY ARREARS CGHW	15,496,503.00		15,496,503.00
TOTAL		**769,006,433.00**	**129,633,699.0**	**639,372,734.00**

This significantly attributed to under-funding.

(iv) Under- Expenditure

This was majorly caused by late exchequer releases where the County Government received Kshs. 2,223,027,419 or 39% of the total equitable share in the fourth quarter, and hence could

not fully absorbed. As a result, the variance Kshs. 291,889,220 was captured in the financial statements as cash and cash equivalent.

Committee Observations

The Committee observed that;

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

Committee Recommendations

The Committee therefore recommends that:

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

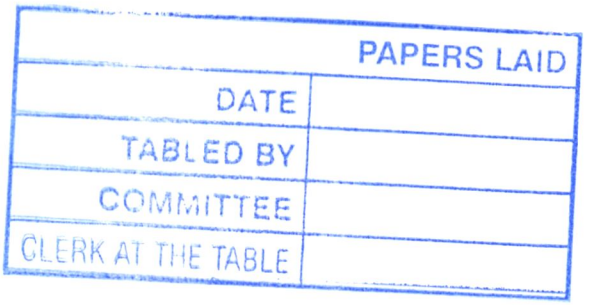
Unresolved Prior Year Matters

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, respectively. Review of the status during audit of Mandera County Executive in 2024/2025 revealed issues detailed in Appendix I which remained unresolved as at 30 June, 2025.

Management response

The management has taken note of the recommendations issued by the Auditor-General and the Senate regarding the outstanding issues in the audit certificate of the County Executive for FY 2023/2024. Actions have already been taken to address some of these matters.

The management remains committed to maintaining compliance, strengthening internal controls, and ensuring continuous improvement in financial governance.



Committee Observation

The Committee noted that issues raised in prior-year audits remained unresolved as at 30 June 2025.

Committee Recommendations

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1. Non-compliance with Inventory Control and Procurement Procedures

Included in the expenditure 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 Assets Disposal Act, 2015. Further, an expenditure 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.

Further, 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.

Management response

For the case of supply and delivery of medical drugs was not supported with store records, it is important to note that some of these supplies are directly delivered by KEMSA to the sub-county health facilities, and therefore, the supporting documents are also maintained at, the facility level. The management has since retrieved and consolidated the documents from the respective health facilities, and copies have been availed to the audit team for their review and verification.

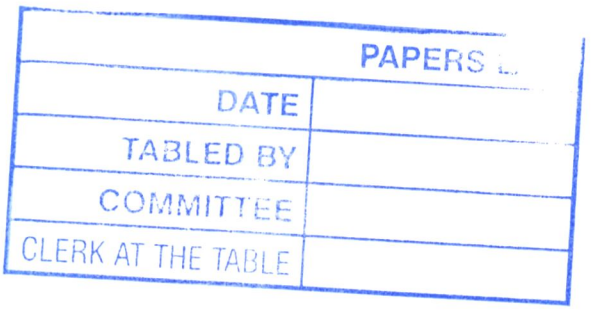
For payments amounting to Kshs.35,300,000 for the supply of medical drugs the procurement records like tender opening minutes, tender evaluation committee appointment and minutes, and inspection and acceptance committee appointment have been retrieved and are availed for audit review and verification.

Committee Observations

1) the Committee noted that an expenditure of Kshs. 35,300,000 incurred for the supply of medical drugs from other pre-qualified suppliers was not supported by key procurement documents.
2) The Committee observed that the regret letters did not disclose the name of the successful bidder.

Committee Recommendations

1. **The county Executive should ensure full complies with the provisions of Section 87(3) of the Public Procurement and Asset Disposal Act, 2015.**
2. **The Office of the County Governor undertakes administrative action against the Head of Procurement and other responsible officer(s) for breaching procurement laws in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report;**
3. **The Kenya Institute of Supplies Management (KISM) takes disciplinary action(s) against the responsible procurement officer (s) pursuant to Section 23 (1) (c) and (d) of the Supplies Practitioners Management Act CAP 537 for gross negligence in the conduct of their professional duties which constitutes a professional misconduct;**



2. Ineffective and Inefficient Use of Resources on Utility Bills

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 in the County Executive. However, Management had transferred funds amounting to Kshs.37,500,000 to Mandera County Referral Hospital and other Sub-County Hospitals for the purposes of managing their operations and expenditures, including utility bills.

It was further noted that the County Executive continued to settle utility bills on behalf of the hospitals directly, despite the transfer of funds. 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.

Management response

It is true that electricity bills for hospitals were paid directly by the county executive, despite the entities having received funds for their operations. This approach was necessitated by several factors. First, specific infrastructural arrangements further complicated the matter. For instance, certain hospitals such as the Mandera Teaching and Referral Hospital shares an electricity meter with the Department of Health headquarters, resulting in utility expenses that are not solely attributable to the hospital. This configuration makes it difficult to disaggregate and allocate consumption costs accurately between the hospital and the department. As such, direct payment ensured continuity of service while mitigating the risk of disputes or erroneous charging.

The management has taken note of these concerns and has taken corrective action and as a result the department of health has relocated to county headquarters. Additionally, Provisions for electricity and related utilities will be included under hospital transfers in the budget for the forthcoming financial periods to ensure consistency with operational financing frameworks.

Committee Observations

1) The Committee observed that the County Executive incurred Kshs.16,150,437 on utility bills for hospitals, despite having transferred Kshs.37,500,000 to the Mandera County Referral Hospital and other Sub-County Hospitals for operational expenditures, including utilities

2) The Committee further observed that Management attributed this practice to infrastructural challenges, such as shared electricity meters between hospitals and the Department of Health headquarters, complicating cost allocation and risking disruption of services

Committee Recommendation

Ensure full compliance with Section 149(1)(b) of the Public Finance Management Act, 2012, by discontinuing direct payments for utilities on behalf of hospitals that have received operational transfers, to avoid duplication and promote efficient resource utilization.

3. Irregular Payments to Council of Governors and Frontier Counties Development Council

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. 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, hence subscriptions made to the two (2) Councils may therefore not be considered as proper charge to public funds.

In the circumstances, it was not possible to confirm regularity of Kshs.8,400,000 paid to the two (2) organizations.

Management response

Management clarifies that the Council of County Governors is a statutory body established under Section 19 of the Intergovernmental Relations Act, 2012.

The payments were made following a request from the Chairman of the Council of Governors after a resolution was reached by the Governors at their ordinary meeting. The contribution was toward intergovernmental and legal fees.

The County Governors resolved to pool fund so that payment of outstanding legal expenses relating to affairs of the 47 counties is undertaken. The funding is important because it helps the

PAPERS
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

Council institute corrective measures whenever there are instances of any claw backs to Devolution.

The payments to frontier counties development council were made pursuant to the Mandera County Frontier Counties Development Council Act, 2019, which provides the legal framework for the Council's operations and expenditure.

Committee Observation

The Committee noted that payments made to the Council were irregular and unlawful.

Committee Recommendations

The committee recommends that: -

1. **The Committee recommends that the irregular payments to the Council of Governors (COG) be stopped and further recommends the surcharge of any Governor, in their capacity as Chief Executive Officer, who continues to make the irregular contribution.**
2. **The EACC should oversee the recovery of all the public funds irregularly transferred to the Council of Governors (COG) by the Governor. This is in line with the Resolution of the Senate.**

4. 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 Kenyan Constitution to guide the implementation of these projects.

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

Management response

The management acknowledges the audit observation and appreciates the importance of adhering to the constitutional provisions under Article 187 of the Constitution of Kenya, 2010. The projects in question were implemented in good faith and with the intention of addressing urgent and longstanding service delivery gaps in Mandera County, a region historically marginalised and significantly underserved in terms of infrastructure and social services.

Prior to implementation, the management consulted relevant stakeholders, including representatives of the National Government, particularly in the education and health sectors.

Additionally, extensive public participation was conducted in line with Article 201 of the Constitution and the Public Finance Management Act, 2012. These forums reflected the strong demand by local communities for urgent interventions in areas such as health training institutions and education institutions.

Furthermore, it is important to clarify that the works undertaken for institutions such as the Kenya Medical Training College and the Mandera Teachers Training College supported facilities that are currently operational and serving hundreds of local students. This investment has had tangible positive outcomes on access to health and education services in the county.

Committee Observation
The Committee noted that the matter has since been addressed.
Committee Recommendation
The committee recommends that the matter be marked as resolved.

5. Lack of Project Identification

Management incurred an amount of Kshs.1,256,315 for the construction of one (1) ECDE classroom at Waledo ECDE Centre, located in Shimpir Fatuma, Mandera South. However, physical inspection conducted on 18 May, 2025 revealed that the classroom was joined 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 undertaken by the County Government. As a result, it was not possible to confirm whether the construction was indeed carried out by the County Government.

Management response

Chair, the ECDE classroom was integrated with the existing classroom block to align with the school masterplan and optimize available space. This approach avoided unnecessary stand-alone structures, ensured efficient land use, and adhered to sound architectural design principles. To accommodate the side joined to the existing structures, the classroom walls were expanded from the initial 70 sqm in the Bill of Quantities to 85 sqm, ensuring both functionality and structural balance. The classroom has since been branded to clearly indicate County Government funding, and photographic evidence, along with the floor plan, is available for audit review.

PAPERS LAID

DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

Committee Observation

The Committee noted that the matter has since been addressed.

Committee Recommendation

The committee recommends that the matter be marked as resolved.

6. Non-Utilization of 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 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.

Management response

The Gela Shade Project at Elwak was completed in accordance with the contract specifications and handed over to the respective user department. The delay in utilization was due to the need to develop and approve fair and transparent allocation criteria to avoid potential disputes and ensure inclusivity across wards and vulnerable groups. The department has now finalized stall allocations to the respective beneficiaries, and the facility is fully operational, officially commissioned, and in use. The report and pictorial evidence are ready for review.

The specialist clinic at Mandera County Referral Hospital was not in use because at the time of the audit, it was yet to be formally handed over by the contractor. The building was also waiting be equipped with the necessary furniture and equipment. The facility has been handed over, equipped and operationalized.

Committee Observation

The Committee observed that an expenditure of Kshs. 4,949,989 incurred for the construction of a Gela shade at Elwak was not adequately supported.

Committee Recommendation

The Office of the County Governor undertakes administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General within sixty (60) days from the adoption of this report

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

Audit 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 empowerment of marginalized groups.

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

Management response

Management has noted the observation and clarifies that, although the County Executive had planned and budgeted to meet the statutory minimum requirement of reserving at least 30% of procurement opportunities for disadvantaged groups in accordance with Section 53(6) of the Public Procurement and Asset Disposal Act, 2015, implementation during the period under review fell short, resulting in an achieved allocation of approximately 27.6% as observed by the Auditor.

The shortfall arose mainly from delayed disbursement of funds and shortfalls in own-source revenue and conditional grants, which constrained the execution of planned procurements earmarked for disadvantaged groups. Consequently, some procurement activities could not be implemented as scheduled, affecting the overall percentage achieved during the year.

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

Management confirms that the current financial year's budget and procurement plan are fully inclusive and compliant with the mandatory 30% reservation requirement. The budget executed as at the mid-year has already taken care of AGPO (enterprises owned by women, youth and persons with disabilities) reservation at 32% of projects advertised, awarded and currently being implemented.

Committee Observation

The Committee noted that in FY 2024/2025, the County Executive allocated Kshs. 1,381,921,205 (27.6%) of its total procurement budget to disadvantaged groups (women, youth, and persons with disabilities) contrary to Section 53(6) of the Public Procurement and Asset Disposal Act, 2015

Committee Recommendation

The County Executive should ensure full compliance with Section 53(6) of the Public Procurement and Asset Disposal Act, 2015

8. 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 in respect of 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 on water trucking and an amount of Kshs.349,501,000 on supply and delivery of relief food items for vulnerable members of the society.

The expenditure ought to have been incurred through the Emergency Fund. The County Executive established Mandera County Emergency Fund through Section 4 of the Mandera County Emergency Fund Act, 2020 to enable payments to be made when an urgent and unforeseen need for expenditure arises for which there is no specific legislative authority. The 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.

Management response

The management established the County Emergency Fund Act in 2020 and has undertaken its operationalization, in line with the provisions of the Public Finance Management Act, 2012. In the financial year under review, an allocation was made in the supplementary budget towards the Fund to facilitate the establishment of the necessary legal and administrative structures.
Full implementation and utilization of the County Emergency Fund commenced in the Financial Year 2025/2026, and all requisite structures and compliance measures are fully in place.

Committee Observations

The Committee observed that;

1) the County Government established the Mandera County Emergency Fund through the Mandera County Emergency Fund Act, 2020, but failed to operationalize it by allocating and transferring funds as required under Section 5 of the Act and the Public Finance Management Act, 2012. No funds were set aside or transferred to the Emergency Fund in FY 2024/2025, despite claims of a KSh 3 million allocation for administrative structures in the supplementary budget, which could not be verified. The Fund became operational only in FY 2025/2026.
2) Emergency-related expenditures totaling KSh 382,347,226 (including KSh 32,846,226 on water trucking, KSh 349,228,000 on relief items, and KSh 55,900,000 on seedlings) were incurred through the Other Grants and Subsidies line item instead of the Emergency Fund. This violates Section 110 and 112 of the PFM Act, which provide the procedure for establishing and utilizing a County Emergency Fund for urgent, unforeseen needs, and constitutes a breach of the law.

Committee Recommendations

The Committee recommends that;

1. **The County Executive fully operationalize the Emergency Fund immediately, including annual budget allocations, fund administrator appointment, and separate financial statements. Compliance should be verified in the next audit cycle (FY 2025/2026), with sanctions for non-compliance under the PFM Act, 2012.**
2. **The Auditor General is directed to conduct a special audit within 60 days on all emergency-related expenditures in FY 2024/2025 (KSh 382,347,226), focusing on water trucking, relief items, seedlings/seeds, educational support (KSh 459,228,532), and the KSh 12 million orphanage transfer. The audit scope shall include 100% verification, physical inspections, beneficiary tracing, procurement compliance, and value-for-**

PAPERS LAID

DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

money assessment. Findings shall be tabled before the Committee for further action, including potential recovery of funds if irregularities are found.

3. **The County Executive Committee Member for Finance must immediately comply with Section 111 of the PFM Act by allocating funds to the Emergency Fund in the current budget and appointing an administrator, ensuring full operationalization for FY 2025/2026.**

9. Non-Compliance with the Law on Recruitment of Persons with Disabilities

During the year under review, the Department of Health recruited sixty (60) health workers, out of this number, only one (1) person with disability was hired. This translates to 1.7%, contrary to Section B.23 (2) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 on Rights and Privileges of Persons with Disabilities, which requires at least five (5) percent of all appointments to be for persons with disabilities.

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

Management response

The Board strive to uphold the principle that at least five percent of the members of the public in elective and appointive bodies are persons with disabilities. To this end, Board has placed special emphasis on encouraging individuals living with disabilities to apply for the advertised positions and ensure that they are accorded special consideration during recruitment processes.

The Board continues to promote fair and inclusive recruitment by giving PWDs priority consideration while taking into account the aspect of qualification, competencies and other relevant factors within County Public service. In certain cases, the board has even lowered the minimum qualifications to ensure that applicants with disabilities are shortlisted and invited for interviews.

In relation to the aforementioned case, the board advertised for Seven (7) cadres position; Medical Officers, Pharmaceutical Technologist, Radiographer, Medical Engineering, Medical Laboratory Technologist, Dental Technologist and Physiotherapist

A total of two hundred and sixty-nine (269) applications were received. Among them, only four (4) applicants were person with disabilities; Medical officer, one Pharmaceutical Technologist, one Medical Engineer and one Medical Laboratory Technologist as follows-

1. Medical Officer –Abdirahman Mohamed Ulow ,Id/No 34150960 was shortlisted, appeared for interview and successfully selected for the same position.
2. Pharmaceutical Technologist-Abdullahi Ibrahim Ali , Id/No 36429381 was not shortlisted as he did not meet the minimum qualification to be shortlisted; he was not registered with respective professional Board as a key requirement.
3. Medical Engineer-Viola Jepkemboi, Id/No 35844657 was not shortlisted as she did not meet the minimum qualification to be shortlisted; she was not registered with respective professional Board as a key requirement.
4. Medical Laboratory Technologist, Id/No 40383389 was not shortlisted as he did not meet the minimum qualification to be shortlisted; he had no Medical Laboratory Technologist Diploma Certificate as a key requirement.

Committee Observation

The recruitment of only one person with a disability out of sixty (1.7%) falls significantly short of the constitutional and statutory threshold. This contravenes Article 54(2) of the Constitution, which mandates the State to ensure the progressive implementation of the principle that at least five percent of members of the public in appointive bodies are persons with disabilities. This is further reinforced by Section 65(1)(e) of the County Governments Act, which requires the County Public Service Board to ensure at least 30% of vacant posts are filled from diverse communities, including PWDs.

Committee Recommendations:

1. **The County Public Service Board is directed to strictly comply with the 5% statutory quota for persons with disabilities as provided for in Article 54(2) of the Constitution in all future recruitment exercises.**
2. **The County Public Service Board must, as required by Section 68E of the County Governments Act, include in its annual report a detailed description of the specific affirmative action measures taken during the reporting period to implement employment equity for PWDs and the results achieved.**

10. Non-Compliance with the Law on Gender Equality

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

Review of the payroll data revealed that the County Executive had a total 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% represented female gender, while two thousand eight hundred and seventy-nine (2,879) or approximately 75.32% represented the male gender. 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 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 law.

Management response

Management acknowledges the audit observation on gender distribution within the County Executive. The existing gender imbalance is largely attributable to inherited staffing structures and the predominance of technical and field-based cadres, which have historically attracted fewer female applicants. In such positions, qualification and competency requirements take precedence, which has limited the pace of immediate correction.

Management notes that female representation currently stands at 25%, which is below the prescribed threshold. However, this represents progressive improvement over time, and the County is steadily approaching the 30% benchmark.

Management confirms that deliberate corrective measures are ongoing to progressively achieve compliance with the two-thirds gender principle. These include mainstreaming gender considerations in all recruitment and promotion processes, applying affirmative action where permissible, sensitizing and encouraging qualified female candidates to apply for advertised positions, and continuously monitoring staff gender composition.

Management remains committed to improving gender balance over time and is confident that, with sustained implementation of these measures, the County will attain the required threshold in line with the applicable legal and policy framework.

Committee Observation:

The Committee observes that the gender composition of the county public service (24.6% female) is in violation of the constitutional principle of gender equity. This contravenes Article 27(8) of the Constitution, which mandates the State to take legislative and other measures to

implement the principle that not more than two-thirds of the members of appointive bodies shall be of the same gender.

Committee Recommendation:

1. **The Committee recommends that the County Public Service Board, in compliance with Article 27(6) and (8) of the Constitution, develops and implements an affirmative action plan within 90 days to progressively redress this gender imbalance and achieve the constitutional threshold.**
2. **The County Public Service Board must, pursuant to Section 68A of the County Governments Act, outline in its annual report the strategies it is implementing to eliminate employment barriers and promote equal opportunity for all genders in the county public service.**

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

The expenditure 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.

Management response

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

The Terms of Reference (ToRs) for the preparation of valuation rolls were incorporated in the original procurement documents at the initiation stage. The ToRs, which detailed the scope of work, expected outputs, performance benchmarks, milestones, and deliverables, guided the evaluation, contracting, and execution of the consultancy assignment.

The contract was implemented and supervised by the responsible technical/user department, and periodic progress reports, deliverables, and final outputs were submitted by the consultant, reviewed, and confirmed to be satisfactory prior to payment.

Copies of the approved Terms of Reference together with the relevant progress reports assessing the status of the consultancy services for Mandera and Elwak Municipalities have since been retrieved and are available for audit review and verification.

Committee Observation
The Office of the Auditor General informed the Committee that the matter was satisfactorily addressed.

Committee recommendation
The Committee recommends that the matter be marked as resolved.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

1. Lack of Disaster Recovery Plan

Review of records revealed that Management did not put 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 mechanisms, 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.

Management response

Management has noted the observation and clarifies that the County Government has taken significant steps towards strengthening its disaster and risk management framework. During the year under review, the County enacted the County Disaster Risk Management Act, 2024, which provides a comprehensive legal and institutional framework for disaster preparedness, prevention, mitigation, response, and recovery.

Pursuant to the provisions of the Act, Management is in the process of developing a comprehensive Disaster Recovery Plan (DRP) and related business continuity arrangements to operationalize the Act and enhance system resilience. The Disaster Recovery Plan will address continuity of critical operations in the event of system failures, natural disasters, or cyber-security incidents, in line with Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015.

Management is committed to finalizing and implementing the Disaster Recovery Plan and strengthening internal controls to ensure continuity of operations and safeguard County Government systems and services.

Committee Observation
The Committee observed that the County enacted the County Disaster Risk Management Act, 2024, which establishes a comprehensive legal and institutional framework for disaster recovery policies

Committee Recommendation
The Committee recommends that;
The Auditor General to closely monitor the development, documentation and communication of these policies within the county entity in the subsequent audit cycles.

2. Salaries Paid Outside the HRIS-Ke 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. One (1) set is maintained within the system with three thousand, eight hundred and twenty-seven (3,827) employees, and a manual payroll in an Excel spreadsheet with five

PAPERS LAID
DATE
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COMMITTEE
CLERK AT THE TABLE

hundred and fifty-two (552) employees. The two (2) sets of payroll records raise concerns about payroll management.

Further review of the manual payroll revealed that about three hundred and eighty-three (383) National Police Reservists (NPR) were engaged on a casual basis, earning between a total of Kshs. 15,000 and Kshs. 45,000 per month. As a result, a 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 the County Public Service Board (CPSB) approved their engagement, as required by Section 79 of the County Governments Act, 2012.

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

Management response

The County processes staff salaries through the Human Resource Information System (HRIS-Ke). A manual payroll is maintained temporarily for National Police Reservists (NPRs) and new employees awaiting Unique Personal Numbers (UPNs).
Mandera is a high-risk region with persistent security threats. NPRs provide critical local security support due to their knowledge of the terrain, familiarity with local languages, and operational effectiveness. To support national security operations, the County pays a modest stipend to these officers. Given the prevailing insecurity, the County will continue to retain NPRs on the payroll as long as their services are required. Their engagement was carried out in full compliance with the relevant legal and policy frameworks.
The County Public Service Board (CPSB) formally approved the recruitment of NPRs, recognizing the urgent need for local security support. Replacements are made only upon formal request by the officer in charge of NPRs, typically due to retirement, disciplinary action, or death.
Supporting documentation including CPSB approvals are available for review.

Committee Observation

1) The maintenance of a parallel manual payroll for 552 employees, including National Police Reservists (NPRs), exposes the county to significant risks of fraud, duplication, and loss of control over the wage bill.
2) This practice violates the principles of sound internal controls and effective risk management required by Regulation 158 of the PFM (County Governments) Regulations, 2015.

Furthermore, the lack of documentation regarding the recruitment and approval of NPRs by the County Public Service Board contravenes Section 59 of the County Governments Act, which vests the Board with the power to appoint public officers.

Committee Recommendations

The Committee recommends that;

1. **The Senate notes that the process of issuance of Personal File numbers is inefficient in counties and therefore directs the National Government (State Department of Public Service) in conjunction in the Council of Governors (CoG) to prescribe and design an efficient human resource management system to be used by counties;**
2. **The County Governor should ensure that casual workers are engaged in line with the relevant laws and the approved staff establishment and provide a status update to the Auditor General within 60 days of adoption of this report;**
3. **Pursuant to Article 235 of the Constitution of Kenya, the Committee directs that the Cabinet Secretary (CS), Ministry of Public Service, Youth and Gender Affairs to develop regulations to provide guidance and clarity to county governments on engagement of casual employees, contracted workers, acting positions and a platform for management of county human resources; and**
4. **the Auditor General to monitor the matter in the subsequent audit cycle.**

3. Weaknesses in the Management of Drugs 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 is in respect of medical supplies.

However, audit inspection done on 14 May 2025 revealed that Mandera County public hospitals lack an automated drug inventory management system, relying on manual records which are prone to errors and inefficiencies.

In addition, pharmacists are tasked with inventory and stock management functions, including receiving, issuing, and recording of medical supplies. These responsibilities fall outside the core clinical mandate of pharmacists and are typically designated to qualified medical store officers or health supply chain personnel. The absence of designated and professionally trained store officers compromises the efficiency, accuracy, and accountability of inventory operations.

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

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

Management response

The County is currently in the process of acquiring the AFYA KE Hospital Management System from the State Department of Health Services. This system includes an integrated store management module that will fully digitalize inventory and supply chain operations across all public health facilities, thereby enhancing accuracy, accountability, and real-time monitoring of medical supplies.

In addition, the County is adequately staffed with qualified commodity and health supply chain officers who are deployed to health facilities to strengthen inventory management and improve operational efficiency. At the time of audit, the officer attached to the store was away on sick leave. The Department remains committed to continuous improvement and the adoption of technology-driven solutions for effective service delivery.

Committee Observations

1) The Committee observed that County health facilities have not yet implemented an automated drug inventory management system
2) The Committee observed that an audit inspection on 14 May 2025 revealed that Mandera County public hospitals lack an automated drug inventory management system, relying instead on manual records prone to errors and inefficiencies.
3) Committee observed that pharmacists are currently responsible for inventory and stock management functions, including receiving, issuing, and recording medical supplies.

Committee Recommendation

1. **The Accounting Officer for the Mandera County Department of Health immediately procures and implements an automated drug inventory management system to replace the manual records, ensuring integration with existing financial systems and submits evidence of compliance to the Office of the Auditor General within 90 days from the adoption of this report.**

2. **The Office of the Auditor General to keep the matter in view in subsequent financial years.**

4. Weaknesses in the 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 does not have in place policies and procedures relating to asset management, and the non-current assets were not physically inspected on a regular basis.

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

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

Management response

Management wishes to clarify that it has instituted measures to strengthen the management and control of fixed assets. In this regard, the County has been undertaking physical verification of all assets twice in each financial year aimed at confirming the existence, condition, and proper utilization of assets, as well as updating the fixed assets register accordingly.

Further, the County Government of Mandera, through the Assets Management Section of the County Treasury, has developed a comprehensive Asset Management Policy to guide the acquisition, recording, custody, verification, and disposal of County assets, including land and buildings. The policy is at an advanced stage of approval and has been submitted to the County Executive Committee for consideration and approval. Upon approval, the policy will formalize asset management procedures, strengthen internal controls, and enhance accountability in the management of County assets.

Committee Observation

1) The Committee observed that the County Executive lacked an updated Fixed Asset Register.
2) The Committee observed that the failure to update the fixed assets register with acquisitions during the year contravenes Section 136(1) of the Public Finance Management (County Governments) Regulations, 2015, which requires county governments to maintain accurate and up-to-date records of all assets.

Committee Recommendations

PAPERS
DATE
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COMMITTEE
CLERK AT THE TABLE

The Committee recommends that -

1. **County should expedite the process of updating and presenting their Fixed Assets Register in the format prescribed by the Public Sector Accounting Standards Board before the transition to accrual basis of accounting and provide a status update to the OAG within 60 days of adoption of this report;**
2. **County should adopt and implement the report of the Inter-Governmental Technical Relations Committee (IGTRC) on assets and liabilities from defunct Local Authorities and submit a status update to the Office of the Auditor General within 60 days of adoption of this Report; and**
3. **Office of the Auditor General should progressively review and report on the matter in the subsequent Financial Years.**

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

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total final receipts budget and actual on comparable basis of Kshs.14,567,547,952 and Kshs.13,237,260,105 respectively, resulting in underfunding of Kshs.1,330,287,848 or 9% of the budgeted receipts. Similarly, the Fund made payments of Kshs.11,531,665,020 against actual receipts of Kshs.13,237,260,105, resulting in an under-utilization of Kshs.1,705,595,085 or 13% of the receipts.

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

Management Response

The underfunding and under-disbursement were primarily occasioned by delays in the release of funds from the National Treasury and shortfalls in locally generated revenue during the year. Additionally, late approval of some funding requests by the Office of the Controller of Budget and intermittent IFMIS connectivity challenges contributed to delays in payments processing.

The management has since taken measures to mitigate recurrence of such challenges, including enhancing revenue mobilization efforts, strengthening cash flow planning, and engaging the National Treasury to ensure timely disbursement of equitable share and conditional grants. The County Treasury has also prioritized improvement of IFMIS infrastructure and capacity to facilitate efficient processing of payments.

These interventions are expected to improve budget absorption, ensure timely implementation of planned activities, and enhance service delivery to the public.

Committee Observation

The Committee observed that the underfunding of the County budget was an effect of the late exchequer releases by the National Treasury. The delay in project implementation will deny the county residents the required service delivery accruing from those projects.

Committee Recommendations

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

PAPERS L
DATE
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COMMITTEE
CLERK AT THE TABLE

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

REPORT ON THE REVENUE STATEMENTS

Qualified Opinion

Basis for Qualified Opinion

Non-Compliance with Transitional IPSAS Reporting Template

The cover page to the annual report and financial statements indicates "Transitional IPSAS financial statements / Prepared in accordance with accrual basis of accounting method under International Public Sector Accounting Standards (IPSAS)". This is indicative of Management failure to choose the method adopted to prepare the financial statements.

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

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

Management Response

The management clarifies that the financial statements for the year ended 30 June 2025 were prepared in accordance with the Public Finance Management Act, 2012 and the International Public Sector Accounting Standards (IPSAS), having taken advantage of the transitional provisions under IPSAS 33 – First-time Adoption of Accrual Basis IPSASs. Accordingly, the financial statements are transitional IPSAS financial statements prepared on an accrual basis, as permitted during the transition period.

Management acknowledges the auditor's observation regarding the adequacy of disclosures under Note 2 (Statement of Compliance and Basis of Preparation). While the financial statements currently disclose that certain elements—such as inventories, depreciation, and non-

financial assets acquired prior to FY 2024/2025—have not been fully recognized due to limitations in asset registers, valuation data, and supporting information at the time of transition, Management recognizes that the disclosures require further detail to fully comply with IPSAS 33.

Further, Management has outlined a clear and time-bound phased IPSAS Accrual adoption plan, which includes: Updating and valuing the asset register and recognizing inventories in FY 2025/2026; and completing the recognition and valuation of all non-financial assets, provisions, and preparing fully IPSAS Accrual-compliant financial statements by FY 2026/2027.

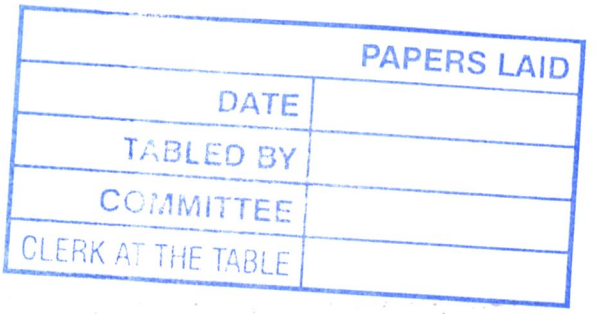
The management therefore affirms that the financial statements were prepared in line with the applicable transitional IPSAS framework and that deliberate steps are being implemented to achieve full compliance with IPSAS Accrual within the approved transition period. Future financial statements will continue to enhance disclosures to ensure full compliance with IPSAS 33 requirements.

Committee Observation

1) The County Executive Committee Member for Finance failed to ensure the financial statements complied with the reporting standards prescribed by the Public Sector Accounting Standards Board (PSASB) as mandated by Section 194(1)(d) of the PFM Act, 2012.
2) The failure to provide adequate disclosures under IPSAS 33, specifically regarding unrecognized elements and the steps towards full compliance, contravenes the principle of clear fiscal reporting outlined in Article 201(e) of the Constitution.

Committee Recommendations

1. **The County Executive Committee Member for Finance submits a detailed analysis to the Senate and the Auditor-General within 90 days after adoption of this report. The detailed analysis should outline all elements of the financial statements not recognized under the transitional provisions and providing a binding, time-bound roadmap with clear milestones for full compliance with accrual-based IPSAS, as required by Section 194 of the PFM Act, 2012.**
2. **The County Treasury must ensure that all future financial statements strictly adhere to the formats and disclosure requirements prescribed by the PSASB, and the County Executive Committee Member for Finance must certify this compliance before submission.**



Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs. 350,000,000 and Kshs. 212,066,352 respectively, resulting in a shortfall of Kshs. 137,933,648 or 39% of the budgeted receipts.

The under-collection of the own source revenue affected the planned activities and may have impacted negatively on service delivery to the residents of Mandera County.

Management Response

The budget underperformance was a result of several factors that significantly impacted taxpayers' ability to pay. The general economic conditions in the county have deteriorated due to recurring droughts in the current and previous year affecting farm yields, livestock production, and market conditions.

The persistent insecurity challenges in the area have led to the closure of trading borders with the neighboring countries of Somalia and Ethiopia, as well as the shutdown of quarry sites. These factors have adversely affected business performance in the area and diminished revenue targets, despite the county's efforts to employ various strategies to enhance collections and achieve the budgeted targets. Moving forward, the county will continue to strengthen its revenue collection measures to reduce the gap in subsequent financial periods.

Despite these challenges, the County has recorded a notable improvement in revenue performance compared to the previous financial year, where budgeted own-source revenue amounted to Kshs. 330,533,846 against actual collections of Kshs. 169,072,559, resulting in a shortfall of Kshs. 161,461,287 or 48.8%. This represents a 9.8 percentage point improvement in budget performance, demonstrating progress in revenue mobilization efforts.

Committee Observation

The Committee observed that the county government failed to meet its own-source revenue targets, achieving only 61% of the budgeted amount. This underperformance represents a failure in revenue mobilization and contravenes the fiscal responsibility principle of ensuring that the burden of taxation and revenue collection is shared fairly and managed prudently, as set out in Article 201(b)(i) and (d) of the Constitution.

Committee Recommendations

The Committee therefore recommends that:

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

Key Audit Matters

Other Matter

Unresolved Prior Year Matters

In the prior year audit report, two issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance, respectively. These were late transfer of revenue to the County Revenue Fund and weak controls over collection of outstanding land rates.

Review of the status during audit of the Fund in 2024/2025 revealed that the issues remained unresolved as at 30 June 2025.

Management Response

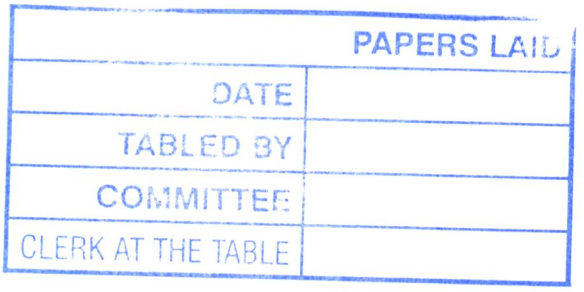
We acknowledge the observation regarding the unresolved prior year matters on the late transfer of revenue to the County Revenue Fund and weak controls over collection of outstanding land rates, which were also noted in the audit certificate for FY 2023/24 and discussed before this Committee.

These matters persisted due to operational and economic challenges in streamlining revenue collection and remittance processes, particularly in the context of a largely informal economy and security constraints that affect collection in certain sub-counties.

To address these issues, the County has implemented the following measures:

i)Timely remittance of collected revenue to the County Revenue Fund is now being closely monitored through automated revenue collection systems and monthly reconciliations.

ii)Enhanced controls over land rates have been established, including conducting a valuation roll, updating the land and property register, issuing reminders to defaulters, and deploying dedicated officers to strengthen monitoring and collection.



Committee Observations

1) The Committee observes with concern that the County Executive failed to take action on significant audit recommendations from the FY 2023/2024 report, specifically regarding the late transfer of revenue to the County Revenue Fund and weak controls over land rates.
2) The inaction by the County Executive is a dereliction of the duty to ensure accountability and implement corrective measures as contemplated under Section 53 of the Public Audit Act, 2015, and undermines the principles of transparency and accountability in Article 201(a) of the Constitution.

Committee Recommendations

The Committee Recommends that—

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else

has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Late Transfers of Revenue to County Revenue Fund

The statement of revenue and disbursements reflects total revenue of Kshs. 212,066,352, out of which an amount of Kshs. 188,143,982 was disbursed to County Revenue Fund while an amount of Kshs. 23,847,811 had not been disbursed as at the close of the financial year. However, review of the Receiver of Revenue and County Revenue Fund Bank statements revealed that there were several instances of delays in transfer of revenue collected to the County Revenue Fund with some instances taking up to two (2) months. This was contrary to Regulation 81(2) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the receiver of revenue shall promptly pay the revenue received into the County Revenue Fund, as soon as possible and in any case not later than five (5) working days after receipt thereof.

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

Management Response

These issues stem partly from poor network coverage in some sub-counties, where limited connectivity hampers timely transfers of the collected revenues to the collection's accounts for transmission to the County Revenue Fund Account.

To address these challenges, we are implementing several measures to ensure compliance with transfer timelines. First, we are currently using MPESA paybill to remit the revenues collected at sub counties to the collection's accounts for transmission to the County Revenue Fund Account. We are working with our banking partners to automate revenue transfers to the CRF within the five-day timeframe, which will minimize human error and ensure prompt remittance.

We will establish a monitoring committee within the Finance Department to oversee compliance with transfer requirements, conducting weekly reviews to promptly identify and resolve any delays.

Finally, we are refining our revenue collection processes to include immediate deposit protocols, appointing a dedicated officer to ensure that all collected funds are transferred in accordance with regulations.

Committee Observations

PAPERS L
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

1) The Committee observes that the County Receiver of Revenue violated Regulation 81(2) of the Public Finance Management (County Governments) Regulations, 2015, by failing to promptly pay revenue collected into the County Revenue Fund within five working days.

2) This breach of the law undermines the principle of sound and responsible financial management enshrined in Article 201(d) of the Constitution and exposes public funds to potential risk.

Committee Recommendations

The Committee recommends that:

1. **The County Executive Committee Member for Finance takes immediate administrative action against the designated Receiver(s) of Revenue responsible for the delayed transfers, as per their accountability under Section 157 of the PFM Act, 2012.**
2. **Additionally, the County Treasury must fully automate the revenue collection and remittance process to ensure real-time or next-day transfer of all revenues to the County Revenue Fund, eliminating manual delays and human error, in line with the principles of efficient and transparent financial management.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

Basis for Conclusion

1. Unmarked Parking Spaces

The statement of receipts and disbursements reflects parking fees amounting to Kshs.582,580 and as disclosed in Note 12 to the revenue statements. However, physical inspection of parking slots within Mandera Town revealed that some of the parking bays were not marked or demarcated. Further, business owners were paying for reserved parking spaces even though there was no means of confirming what constitutes a parking bay.

In addition, there was no parking space data in terms of the street, number of parking spaces and reserved parking slots.

In the circumstances, the effectiveness of internal controls over revenue collection from parking fees could not be confirmed.

Management Response

The management notes the audit observation and wishes to clarify that there are marked parking spaces along the B9 road in Mandera Town, starting from Mandera Bridge to Police Line, totaling 353 which have clearly been demarcated for parking spaces. This marking was undertaken to facilitate proper revenue collection, enhance transparency, and ensure compliance with Section 157(2) of the Public Finance Management Act, 2012. Photographic evidence of the marked parking slots to validate the existence and management of the 353 marked spaces is available for audit review.

The management remains committed to strengthening parking space management and revenue accountability, and we trust that the clarification and ongoing actions will address the concerns raised.

Committee Observation

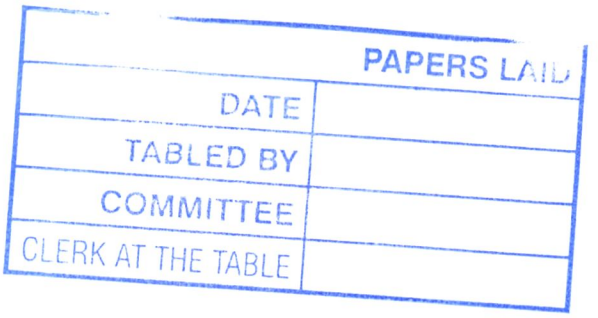
The Committee notes that the matter of unmarked parking spaces was satisfactorily addressed by the management, who provided photographic evidence of 353 marked bays. This demonstrates a responsive approach to resolving audit queries and strengthening internal controls over revenue streams, in line with the duty to safeguard public resources under Section 149 of the PFM Act, 2012.

Committee Recommendation

The Committee recommends that this matter be marked as resolved. However, the County Executive is encouraged to maintain an up-to-date register of all parking spaces, including their location and status, to further enhance the effectiveness of internal controls over parking fee collection, as guided by the asset management principles in Regulation 136 of the PFM (County Governments) Regulations, 2015.

2. Weaknesses in Revenue Collections

Analysis of revenue streams revealed that out of the eleven (11) revenue streams, only one (1) revenue stream realized its revenue target while the other ten (10) did not realize their revenue targets.



Further analysis revealed that eight (8) revenue streams did not achieve more than fifty percent (50%) of the target. In addition, the Receiver of Revenue did not formulate strategies to enhance own source revenue collection and explore avenues for introducing new sources of revenue.

In the circumstances, the effectiveness of the revenue raising measures employed by Management could not be confirmed.

Management Response

The management acknowledges the underperformance of local revenue. The underperformance was primarily due to security challenges, including threats from terror groups and cross-border conflicts that disrupted business operations, livestock movements, and markets, and economic constraints from recurrent droughts that reduced household and business incomes, affecting key revenue sources.

To address this, the County is implementing targeted security measures, revenue automation, decentralization of services, development of revenue enhancement policies, staff recruitment and capacity building, introduction of new revenue streams, and public sensitization campaigns.

The management affirms its commitment to enhancing own-source revenue performance and ensuring accountability, with supporting documentation available for audit review.

Committee Observations

1) The Committee observes that the county's revenue-raising measures were largely ineffective, with ten out of eleven revenue streams failing to meet their targets. This demonstrates a failure by the Receiver of Revenue to comply with the duty to ensure effective and transparent collection of revenue as stipulated in Section 158 of the PFM Act, 2012.
2) The Committee further notes the lack of documented, comprehensive strategies to enhance own-source revenue or introduce new revenue streams, which contravenes the proactive fiscal management expected under Regulation 25(2) of the PFM (County Governments) Regulations, 2015.

Committee Recommendations

1. **The Committee recommends that the County Executive fast-track the full automation of its revenue collection systems to minimize leakages, enhance accountability, and provide real-time data for informed decision-making, as recommended by best practice and Regulation 62 of the PFM (County Governments) Regulations, 2015.**

2. **The County Treasury must, in the next budget cycle, present a revenue enhancement policy based on realistic, data-driven targets for each revenue stream, developed in consultation with the County Budget and Economic Forum as per Section 137 of the PFM Act, 2012. Finally, the Auditor-General is requested to progressively review and report on the implementation of these measures in subsequent financial years until the matter is resolved.**

3. Weaknesses in Collection of Physical Planning and Development Revenue

The statement of revenue and disbursements reflects physical planning and development revenue amounting to Kshs.651,900 and as disclosed in Note 11 to the revenue statements. However, enforcement notices and reports to ascertain whether the Management had made efforts towards stopping development that commenced without requisite approval or efforts made towards the collection of the statutory fees were not provided for audit review.

In the circumstances, the effectiveness of internal controls over revenue collection from the physical planning and development could not be confirmed.

Management Response

The County acknowledges that enforcement of physical planning and development controls remains a challenge due to the unique land tenure system in Mandera County, where most land is largely communal and lacks formal title and ownership documentation. Consequently, enforcement actions such as issuance of enforcement notices and stoppage of developments undertaken without requisite approvals are difficult to implement effectively.

In view of these constraints, Management adopted a flat-rate charging mechanism for physical planning and development fees as an interim measure to enhance revenue collection and encourage compliance among developers. This approach was intended to ensure practicality, equity, and continued revenue mobilization in the absence of formal land ownership records.

Further, the County Government is undertaking the preparation of valuation rolls for Mandera and Elwak municipalities, which will provide a structured basis for assessment, billing, and enforcement, and is expected to significantly enhance revenue collection from physical planning and development.

Committee Observation

The Committee observes that the accounting officer failed in their statutory duty under Section 149(2)(a) and (d) of the PFM Act, 2012, by not providing critical enforcement documents to the Auditor-General. This lack of documentation prevents the verification of internal controls and constitutes a failure to ensure that revenue collection processes are lawful and effective.

Committee Recommendation

1. **The Office of the County Governor undertakes administrative actions against the responsible officer(s) who failed to provide documents to the auditors at the time of audit, in accordance with section 156 of the Public Finance Management Act and provides a status report to the Committee within 60 days from the adoption of this report.**
2. **The Committee recommends that the County executives should expedite updating of valuation roll in accordance with Section 3 of the Valuation for Rating Act CAP 266 so as to reflect current market values for optimal revenue collection and comply with the guidelines of the Public Sector Accounting Sector Boards of reporting in the FY 2023/2024.**

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COMMITTEE	
CLERK AT THE TABLE	

CHAPTER FOUR

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON AUDITED FINANCIAL STATEMENTS OF KITUI COUNTY EXECUTIVE FOR THE FINANCIAL YEAR 2024/2025.

The Governor of Kitui County Executive Hon. Dr. Julius Makau Malombe, EGH, appeared before the Committee on Monday, 03rd Feb, 2026 to respond (under oath) to audit queries raised in the Report of the Auditor General on County Executive, Receiver of Revenue and County Revenue Fund of Kitui County for the Financial Year 2024/2025.

Basis for Qualified Opinion

1.0 Unconfirmed Trade and Other Payables

The statement of financial position and as disclosed in Note 32 to the financial statements reflect trade and other payables opening balance as at 1 July, 2024 of Kshs.546,435,251 which differs with the prior year audited financial statements closing balance of Kshs.835,868,265 resulting to unexplained variance of Kshs.289,433,014.

Further, the current year's 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.

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.626,406,908 could not be confirmed.

Management Response

i. Variance between and closing balance of June 2024 and opening balance of July 2025 as presented in the financial statements.

The current opening balance of Kshs 546,435,251 was arrived at after review of the closing balance of June 2024 of Kshs 835,868,265 which included claims cleared by the Pending Bills Review Committee of 2022 and Pending Bills Review and Advisory Team, but lacked some crucial documentation necessary for payment or which included full amount of LPO while part of the contract had been settled before June 2022. Other bills were incurred by the level 4 hospitals but were reported to the Pending Bills Review Committee and were included together with bills payable by the County Executive. Level 4 hospitals are reporting entities and therefore, their pending bills will be paid and reported by each hospital.

ii. Long outstanding trade payable of Kshs 89,848,440

The amount of Kshs 89,848,440 comprise of projects contracted between January 2024 and December 2024 amounting to Kshs 40,458,007 and the remaining amount of Kshs 49,390,433 for contracts entered into between august 2016 and December 2023. These are mainly pending bills cleared by the Pending Bills Review and Advisory Team.

The bills will be prioritised for payment in the current financial year 2025/2026 and will be cleared on the basis of First in First Out (FIFO).

During the year under review, the County Executive settled bills valued at **Kshs 546,435,251** comprising of **Kshs 90,404,684** recurrent and **Kshs 456,030,567** development

Committee Observations

1. The Committee observed that the unexplained variance of Kshs. 289,433,014 between the audited closing balance of FY 2023/2024 and the opening balance of FY 2024/2025 is a fundamental breach of the principle of accurate and transparent financial reporting, as required by **Article 201(d) of the Constitution**, which mandates that public money be used in a prudent and responsible way.
2. The adjustment, made without a clear audit trail, contravenes **Regulation 36(1)(b) and (c) of the Public Finance Management (County Governments) Regulations, 2015**, which requires an Accounting Officer to ensure that public funds are properly safeguarded and

applied for intended purposes. The alteration of prior-year audited figures undermines the integrity of the financial statements and the public's trust.

3. The existence of payables amounting to Kshs. 89,848,440 outstanding for over two years, some since 2015, represents a severe failure in financial management. It constitutes a contingent liability that has not been managed prudently. This is a direct violation of the fiscal responsibility principles in **Section 107(2)(e) of the Public Finance Management Act, 2012**, which requires that county debt be maintained at a sustainable level as approved by the county assembly, and **Regulation 25(1)(d) of the PFM (County Governments) Regulations, 2015**, which caps county public debt. Furthermore, it breaches the principle of timely payment for goods and services rendered, potentially exposing the County to legal action and additional costs in penalties and interest.

Committee Recommendations

The Committee therefore recommends that: -

1. **the County Executive Committee Member for Finance, as the head of the County Treasury, and the relevant accounting officers must ensure that the opening balances in future financial statements are fully reconciled with the prior year's audited closing balances, providing a clear audit trail for any adjustments. This is in line with the accounting standards prescribed by the Public Sector Accounting Standards Board (PSASB) under Section 194 of the Public Finance Management Act.**
2. **that trade payables due for more than 365 days be considered indicative of poor financial management and that the County Executive provides actionable payment plans to the Controller of Budget (CoB) within ninety (90) days of the adoption of this report, failure to which the subsequent quarter budget releases will not be effected;**
3. **that the County Executive pays all payables due to staff within ninety (90) days of the payables becoming due, failure to which the subsequent quarter budget releases will not be effected;**
4. **that the County Executive pays all statutory deductions to the relevant agencies within the statutory deadlines' failure to which the subsequent quarter budget releases will not be effected;**
5. **that the County Executive pays all pension deductions to the relevant funds within ninety (90) days of the deductions becoming due, failure to which the subsequent quarter budget releases will not be effected;**

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

6. **that the Ethics and Anti-Corruption Commission investigates the pending bills owed to staff, statutory deductions and pensions to establish whether any funds due to staff were retrieved from the County Revenue Fund, and if so, how the funds were utilised, with a view to recommending the prosecution of persons determined liable for misdirecting the funds;**
7. **that all County Governments pay verified pending bills amounting to less than Ksh. 1 billion by the end of this financial year and those above Ksh.1 billion by the end of the financial year 2026/2027; and**

The Committee further recommends that—

i. **pursuant to the provisions of Regulation 41(2) & (3) of the Public Finance Management (County Governments) Regulations, 2015, County Governments prepare and submit to the Controller of Budget, a payment plan, prioritizing payment of pending bills as a first charge on the County Revenue Fund, failure to which the subsequent quarter budget releases will not be done;**

ii. **the Controller of Budget takes into consideration the efforts made by a county government to clear inherited pending bills when approving exchequer releases;**

iii. **County Governments shall only pay pending Bills contained in their respective procurement plans pursuant to Regulation 50 (2) & (3) of the Public Finance Management (County Governments) Regulations;**

iv. **Supplementary budgets for county governments are prepared in the 3rd Quarter to curb instances of arbitrary re-allocations out of the approved budget estimates;**

v. **County governments, in consultation with the Controller of Budget, to provide a budget for completion of all existing projects and that initiation of new projects to cease until completion of the existing projects;**

vi. **County governments shall conduct public participation while formulating supplementary budgets, failure to which the Controller of Budget (CoB) shall not approve the supplementary budgets; and**

vii. **The Office of Controller of Budget and the Senate will monitor compliance and apply sanctions if payment plans are not honoured.**

Other Matter

2.0 Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the County Executive in 2024/2025 revealed that the matters detailed below remained unresolved.

Unresolved Prior Year Matters

No.	Financial Year	Audit Issue/
1	**2023/2024**	**Storeyed Maternity Ward at Kitui County Referral Hospital**
	Issue	Project initiated in year 2016/2017 at a contract sum of Kshs.242,787,62 and target completion date of 18 May 2019. Project terminated on 1 December 2018 and contractor had received Kshs.51,964, 035, but hig court civil case No. 2 of 2019 ordered Kitui County to pay the contractor a amount of Kshs.254,23 8,639. But out of court consent/ agreement with the contractor on 18/6/2024 settle at Kshs.53,017,765 an amount paid to the contractor on 24/6/2024. Project verification revealed that it is still stalled.
	Response	The construction of a storeyed maternity block at Kitui County Referr Hospital was awarded on 11th May 2017 at a contract sum of Ks 242,782,653. Following the commencement of works, the contrac received an initial payment of Kshs. 5,000,000 on 7th June 2017, as per th first payment certificate for works done and materials on site. A secor payment of Kshs. 35,281,850 was subsequently made on 30th August 201 for certified works done and materials on site. On 18th December 2018, the County Government of Kitui terminated th contract by invoking Clause 33.3 of the contract agreement that provide that "the employer may terminate the contract for convenience". At the tim of termination, a total of Kshs. 40,281,850 had been paid to the contractor. After the termination of the contract, the contractor submitted a payme claim as follows; i. Unpaid certificates for works done at the time of contract terminati

PAPERS L...
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

amounting to Kshs. 11,682,185.

ii. Underutilized plant and equipment, underutilized skilled labour, ar demobilization amounting to Kshs 96,029,430

Consequently, on 18th February 2019, the Ministry of Lands, Infrastructur Housing and Urban Development evaluated item by item and recommende that the contractor be paid a total of Kshs. 49,715,000 instead of Ksh 96,029,430.

A third payment certificate of Kshs. 11,682,185 was raised on 16th Januai 2019, in line with the certified works done.

The contractor filed a court case on 18th July 2019, citing non-payment the evaluated work done amounting to Kshs 11,682,185 and an addition Kshs 49,715,000 for the certified claim by the client, both totalling to Ksh 61,397,185. Before the court ruling on the matter, the County Governme paid Kshs 11,682,185 on 3rd July 2020 of the evaluated work done to th contractor, leaving the balance of the certified claim of Kshs 49,715,0(unpaid.

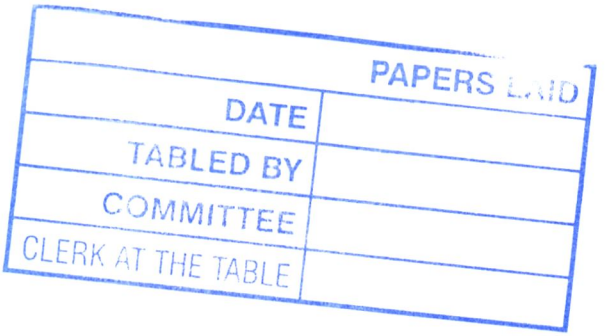
After a protracted legal process, the court issued a judgment on 7 December 2023, awarding the contractor a principal amount of Ksh 165,089,386, plus interest of Kshs 85,846,488 calculated on the princip amount at the rate of 12% per annum from 18th July 2019 to 7th Decemb 2023, totalling to Kshs 250,935,874.

Subsequently, the County Government of Kitui entered into negotiatio with the decree holder to resolve the matter by restricting the payment to th client-approved claim and waiving any accrued interest. On 18th June 202 the two (2) parties mutually agreed to settle the matter as outlined below ar to have the consent recorded in court.

Table 2: Consent to settle court decree

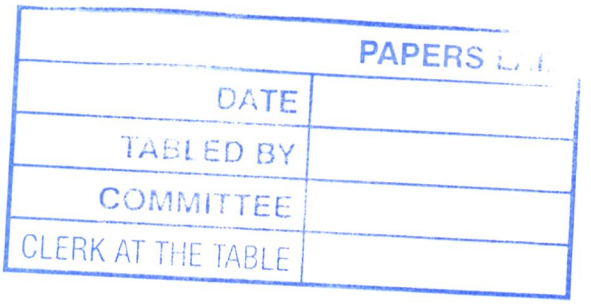
S/No	Item	Cost (Kshs)
1	Outstanding value of works done	49,715,000
2	Court Access Legal Fees	3,302,765

		Total 53,017,765 The Kshs. 53,017,765 tabulated in the table above was paid on 10th Jul 2024. In order to complete the construction of the multi-year storeyed materni block, the County Government through the Ministry of Health ar Sanitation has budgeted Kshs 82,000,000 in the FY 2025/202 Supplementary Budget I. The County Government will also priorit allocation of more funds in the subsequent Financial Years. The Cou Ministry of Public Works has advised the scope of the remaining works wi cost Kshs 294,936,782.
	Observation	1. The Committee observed that the prolonged stalling of this critical heal project represents a significant failure in project management and violation of the principles of value for money and prudent use of publ resources as enshrined in **Article 201(d) of th Constitution** and **Section 68(1)(b) of the Public Finance Manageme Act**. **2.** The failure to complete the project since its inception in 2016/201 despite an initial investment of Kshs. 89 million, constitutes wastef expenditure as defined in **Section 2 of the PFM Act**. The escalate completion cost of Kshs. 294,936,782, up from the original contra sum, is a direct result of poor contract management and a lack oversight by the accounting officer, contrary to their responsibilit under **Section 149 of the PFM Act, 2012** and **Regulation 22 of th PFM (County Governments) Regulations, 2015**. This delays th realization of the right to the highest attainable standard of health f Kitui residents, as guaranteed by **Article 43(1)(a) of the Constitution**.
	Recommendation	**The Committee recommends that the County Executive, through th County Executive Committee Member for Health and the relevai accounting officer, prioritize the allocation of funds for the completio of the maternity ward in the County Fiscal Strategy Paper and annu budgets FY 2026/2027, as required under Regulation 32 of the PF (County Governments) Regulations, 2015. The County Treasury mu provide the Committee with a status update on the project's progres including expenditure to date, within 90 days.**
2	**2023/2024**	**Kabati Slaughterhouse**



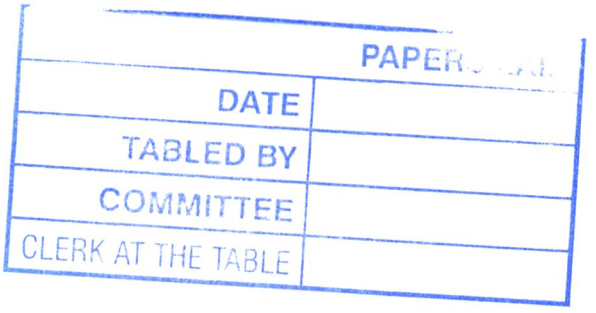
		Project for construction of slaughterhouse awarded on 19 June 2008 at a co of Kshs.4,427,863.80, but Contractor completed the project but declined hand it over as contract sum had not been paid in full. The County Executive inherited the project when the County was formed ar the amount owed to the contractor has escalated to a tune of Kshs.6,197,755. Contractor, went to court and Court made a ruling for the County to pay th principal sum of Kshs.6,197,755.96, which was paid vide payment vouch number 48413 dated 26 September 2023 awaiting further determination of th matter. However, despite payment of the amount, the County farmers a unable to access slaughterhouse.
	Issue	The Commissioning at Kabati Slaughterhouse has been delayed by pending court case Judicial review (JR) No. E016/021 Power Pum technical limited versus County Secretary and Kitui County Government. The contractor/ the decree holder (Power Technical Company Ltd) is yet hand over the slaughterhouse owing to the pending court case. Th contractor has been engaged by the Pending Bill Review Advisory Tea (PBRAT) which was recommended by the Pending Bills Review Committe to engage the court decree holders and negotiate with them for waiver interests and penalties. The Parties were last in court on the 11th of March 2025 where the Cou directed that the parties do a joint reconciliation of the outstanding claim respect of interest since the County Government has paid the princip claim. The parties filed unreconciled statements in court. The matter shall b mentioned before the Judge on **9th February 2026** to seek more time ar take further directions. It's important to note that the interest imposed by the court has stoppe running since the principal amount have been paid.
	Response	The Commissioning at Kabati Slaughterhouse has been delayed by pending court case Judicial review (JR) No. E016/021 Power Pum technical limited versus County Secretary and Kitui County Government.

		The contractor/ the decree holder (Power Technical Company Ltd) is yet t hand over the slaughterhouse owing to the pending court case. Th contractor has been engaged by the Pending Bill Review Advisory Tea (PBRAT) which was recommended by the Pending Bills Review Committe to engage the court decree holders and negotiate with them for waiver o interests and penalties. The Parties were last in court on the 11th of March 2025 where the Co directed that the parties do a joint reconciliation of the outstanding claim respect of interest since the County Government has paid the princip claim. The parties filed unreconciled statements in court. The matter shall b mentioned before the Judge on **9th February 2026** to seek more time ar take further directions. It's important to note that the interest imposed by the court has stoppe running since the principal amount have been paid. It's a matter in court. 9th Feb is a set date for the court to determine
	Observation	The Committee observes that the 17-year delay in operationalizing th Kabati Slaughterhouse is a profound failure in contract closure and ass management, contrary to the principles of efficient and effective use o resources in **Article 232(1)(b) of the Constitution**. The County Executive failure to ensure project completion and handover, leading to a court ca and payment of an escalated principal sum, demonstrates a dereliction o duty by the accounting officer under **Section 149(2)(d) and (e) of th Public Finance Management Act** which requires ensuring contracts ar lawful and complied with, and that assets are safeguarded. The continue denial of this public facility to farmers constitutes a loss of potenti economic benefit and service delivery, violating the objects of devolutic under **Article 174(f) of the Constitution**.
	Recommendation	**Committee recommends;-** **1. The County Executive, in consultation with the Office of the Count Attorney, must pursue an out-of-court settlement to resolve th remaining interest claim, weighing the cost of continued litigatio against the public benefit of operationalizing the facility. This aligr with the principle of alternative dispute resolution promote in Article 159(2)(c) of the Constitution.**



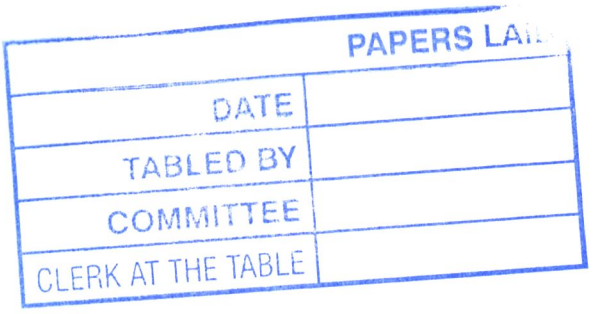
		2. The County Executive Committee Member for Finance and th accounting officer for the department must establish a clea publicly communicated timeline for the physical handover an commissioning of the slaughterhouse, reporting progress to th Committee within 90 days. They must ensure that the asset is put t use for its intended public purpose as required under Regulation 13 of the PFM (County Governments) Regulations, 2015.
3	**2023/2024**	**Proposed Completion of X-ray Building at Kauwi Hospital**
	Issue	Project for construction of x-ray building was awarded on 2 February 2024 a contract sum of Kshs.2,208,686 for a contract period of 120 days, b project was completed as planned but not put to use. This is despite, the Hospital having an un- installed x- ray machine, one ten (10) procured back in 2017- 2018 at approximately 70 million
	Response	In the FY 2017- 2018, the County Government of Kitui procured ar delivered ten (10) X- ray machines at a total cost of Kshs 70 million fo Tseikuru, Kyuso, Nuu, Mutitu, Zombe, Katulani, Ikanga, Kanyang Mutomo, and Kauwi Sub-County Hospitals. The X-ray machines for seven (7) hospitals, i.e., Nuu, Katulani, Kyus Mutomo, Ikanga, Mutitu, and Zombe, were installed in September 202 since the X-ray blocks were in place. The X-ray machines for three (3) hospitals, i.e., Tseikuru, Kanyangi, ar Kauwi Sub-County Hospitals, were supplied but not installed due incomplete X-ray blocks and unavailability of the required three-pha electricity power connection on site. Additionally, the supplier did n deliver the software and the workstations, which included a compute printer, and connectivity accessories. The County Ministry of Health and Sanitation wrote a letter to the vend on 3rd July 2025 to install the X-ray machine software for the three (remaining hospitals (Kanyangi, Tseikuru, and Kauwi). On 2nd February 2024, the County Government of Kitui awarded a contra for the construction of the Kauwi X-ray block at a contract sum

		Kshs.2,208,686, and the construction was completed as scheduled ar handed over to the County Ministry of Health and Sanitation. The delay in the operationalization was occasioned by a lack of three-pha electricity power and a delay in the delivery of workstations with software The County Ministry of Health and Sanitation wrote letters to the X-r supplier (Ref: CGKTI/MOH/PROC/3(045) on 3rd July 2025 and a remind on 4th September 2025 (Ref: CGKTI/MOH/PROC/3/1(071)) and 2 November 2025 (Ref: CGKTI/MOH/PROC/3/1(146)) requesting th installation, testing, and commissioning of the X-ray machine as per Tend No: CGKTI/128/2017-2018. On 19th January 2026, the contractor delivered the workstations, softwar and accessories. Currently (27/01/2026), the machine is been installed, b use of the generator. With regard to three-phase electricity power, the County Ministry of Healt and Sanitation applied to Kenya Power, and they provided a quotatio Reference number A28452025120004 amount to Kshs 1,397,255 for th upgrading of electricity from single phase to three-phase. The Coun Ministry of Health and Sanitation will pay Kenya Power the quoted amou by the end of 30th January 2026. On the X-ray technology, the X-ray technology is still viable, but there is a upgraded version of the technology.
	Observation	The Committee acknowledges the recent progress but notes that the failu to coordinate the procurement of equipment (X-ray machine in 2017/1 with the necessary civil works (X-ray building in 2024) and utili infrastructure (3-phase power) is a clear violation of the principles of sour planning and value for money as required by **Section 68(1)(b) of the Publ Finance Management Act**. The idle time for the machine and the buildin and the provisional operation using a generator, represent a failure by th accounting officer to ensure that resources are used in an effective, efficien economical, and transparent manner, as mandated by **Section 149(1)(b) the PFM Act, 2012**.
	Recommendation	**1. The Office of the Auditor-General conducts a follow-up verificati**



		visit to confirm that the X-ray machine is fully functional and th the three-phase power connection has been permanently installe and energized by KPLC. This is in line with the Auditor-General mandate under Article 229(6) of the Constitution to confir whether public money has been applied lawfully and in an effectiv way. **2. The County Executive must provide written confirmation of th completion of the permanent power supply to the Committee withi 60 working days. The accounting officer is to ensure all futu projects have integrated planning to avoid such operational delay adhering to the principles of Regulation 31 of the PFM (Coun Governments) Regulations, 2015.**
4	**2023/2024**	**Oxygen Plant Machine - Kitui County Referral Hospital**
	Issue	Oxygen Plant machine procured in 2016/2017, by County Government Kshs.14,500,000 for use by Kitui Referral Hospital. However, physical verification of the project carried out on 11 Septemb 2024 revealed that the plant was yet to be and it is stored in an unsecure storage space outside, exposing it to risk of physical deterioration due adverse weather conditions. Management attributed the delay in installation and commissioning disputes between the County and the supplier. Management also noted th no payments have been made for the plant machine
	Response	The contract for the supply, installation, and commissioning of a oxygen plant at Kitui Referral Hospital was awarded on 12th May 2017 Kshs 14.5 million, and the contractor was required to supply, install, ar commission the plant within 6 months. However, the vendor delayed th delivery, and the plant was not supplied until 17th December 2019 in th FY 2019/2020, 24 months outside the contract period. As per the specifications, the Oxygen generator was to produce a produ output of 0-12 Normal Cubic Meter (NM^3) Per Hour, which is equivale to 0-200 litres per minute. The contractor supplied an oxygen generat with a capacity of 0-6 Normal Cubic Meter (NM^3) Per Hour, which equivalent to 0-100 litres per minute.

		As a result, the County Government did not take possession of th supply; consequently, installation and commissioning of the plant wer never done. In the year 2021, the vendor filed a lawsuit against the Coun Government of Kitui, citing breach of contract, and the case wa concluded in favour of the contractor. Given that the supplier had obtained a judgment against the Cour Government on the 19th February 2025, the County Government made a application to stay execution of the judgment and seek leave to defer the matter. The Court granted the stay of execution and is currentl hearing the application for the grant of leave to defend the matter afresh On the 3rd of June 2025, the court directed that the applicant (Coun Government) file its written submissions on the application for the gra of leave within fourteen (14) days. The parties appeared in court on 17th July 2025 where the respondent (th supplier) sought seven days (7) more days to file their submissions. Th court granted their request and set a mention date of 13th November 202 to confirm the filing of the submission and set the ruling date. Following the mention on 13th November 2025, the court schedule ruling date for 5th February 2026.
	Observation	The Committee observes that the procurement of the oxygen plant in 201 has, nearly a decade later, resulted in zero public benefit and constitutes gross violation of the principles of prudent and responsible use of publ money under Article 201(d) of the Constitution. The failure comprehensive: 1. Breach of Procurement Law: The vendor's fundamental breac delivering non-compliant equipment (50% of specified capacity) 2 months late should have been met with swift contractual penaltie and termination, as per the principles of the procurement syste under Article 227(1) of the Constitution. The County's failure to c so indicates weak contract management by the accounting office contrary to Section 149 of the PFM Act.



		2. Negligent Asset Management: Storing a sensitive, high-valu medical asset (Kshs. 14.5 million) outdoors and unsecured for yea constitutes a gross dereliction of the duty of care for public propert This is a direct violation of Regulation 132(1)(a) of the PFM (Coun Governments) Regulations, 2015, which requires accounting office to have preventative mechanisms in place to eliminate theft, losse and wastage. This has resulted in the probable destruction of th asset's value, amounting to wasteful expenditure as defined in Sectic 2 of the PFM Act. 3. Failure of Oversight: The protracted legal dispute, stemming from th County's administrative failures, has resulted in a judgment against i The lack of internal accountability for this sequence of failur indicates a systemic weakness in internal controls and governanc contrary to the requirements of Section 155 of the PFM A and Regulation 153 of the PFM (County Governments) Regulation 2015.
	Recommendation	**The Committee recommends that the Office of the Auditor-General t conduct a special performance audit on this contract. The audit mu trace the entire lifecycle of the procurement, identify the individu officers whose actions or omissions led to the failure, and determine th full extent of the financial loss. This will provide the basis for legal an disciplinary accountability, as contemplated under Section 202 of th PFM Act which holds public officers personally liable for loss attributable to their negligence or misconduct.**
5	**2023/2024**	**Construction of Livestock Office Block**
	Issue	The County Government awarded a contract for proposed completion worl for livestock office at a contract sum of Kshs.2,497,959 on19 April 2024. Project was completed and Contract paid Kshs.2,130,156 as at 30 Jur 2024. However, audit inspection conducted in September 2024 revealed variou defects which required to be attended, implying that project had not bee implemented to scope. Management indicated defects had been rectified, but there was r additional inspection report provided to confirm the status.

	Response	The Chief Officer, Roads and Public Works instructed the contractor t remedy the defects identified by the audit team vide a letter re CGKTI/RPWT/CO-RPW/PROJECTS/VOL.1 (186) dated September 2(2025. The contractor has since repaired the defects identified by the audito and an inspection carried out on October 28, 2025 certified the works
	Observation	The Committee noted that the matter was satisfactorily addressed.
	Recommendation	**The Committee recommends that the matter be marked as resolved.**
6	**2023/2024**	**Construction of a Snake Pit at Mutomo Reptile Park**
	Issue	The County Government awarded a Contract to construct a snake pit Mutomo Reptile Park at a contract sum of Kshs.3,217,312 on 16 Decembe 2023 and was paid vide payment voucher No. 52443 dated 30 May 202 However, audit inspection conducted in September 2024 revealed variou defects which required to be rectified.
	Response	The contractor who implemented the contract for the snake pit wa instructed to rectify the defects identified vide letter dated 18th Octobe 2024. The contractor agreed to repair all the defects listed through a lette dated 24th October 2024 (letters attached). All repairs have been undertaken as per attached joint inspection repo (attached). The contractor for the pit latrine was notified to undertake defe rectification. The contractor has branded the toilet and erected signage a the pit latrine. (attached photos).
	Observation	The Committee noted that the matter was satisfactorily addressed.
	Recommendation	**The Committee recommends that the matter be marked as resolved.**
7	**2023/2024**	**Tyaa Sumpwell and Civil Works at Tyaa River**
	Issue	The County Government awarded a contract for construction of Tyaa Sump well and other Civil works at Tyaa river in Mwingi with scope of works beir intake works (construction of sump-well), solar pumping assembl guardhouse and toilet, water transmission line (rising main) and masonr storage water tank at Mwingi Town with a contract sum of Kshs.15,957,431 a per contract agreement signed on 23 February, 2024. Upon completion of project, contractor was paid Kshs.13,607,837 on 21 Jun



		2024. However, security arrangements for the solar pumping station installatio valued at Kshs.4,618,032 was not considered, and were at risk of vandalizatic
	Response	The assessment for the cost of the fencing was done and a BoQ prepare The contract has been awarded and work is ongoing. Attached:LPO for security fencing of the installation
	Observation	The Committee noted that the matter was satisfactorily addressed.
	Recommendation	**The Committee recommends that the matter be marked as resolved.**
8	**2022/2023**	**Water Projects - Construction of sump well and pump house at Nzee river and rehabilitation of Mukameni pipeline**
	Issue	As reported in the previous year, the project for construction of sump we and pump house at Nzeeu river and rehabilitation of Mukameni pipeline wa awarded to a contractor at contract sum of Kshs.11,044,422 vide a contra agreement signed on 1 January 2022. As at the time the project wa abandoned, it was estimated to be at fifty five percent (55%) completic level and the contractor had been paid Kshs.5,081,026, about 46% of th contract sum. Review of the project records revealed that the contractor ha requested for extension of contract period, but approval had not been given Physical verification of the projects on 8 August 2023 revealed that r further works had been undertaken for both projects and no correspondenc were provided on measures being taken to fast track the completion of th projects.
	Response	The project was re-evaluated for work not done and a fresh BoQ develope The works have been contracted and is ongoing
	Observation	Committee observed the project was re-evaluated and works are ongoing
	Recommendation	**Committee recommends OAG to keep view in the subsequent audit**
9	**2022/2023**	**Water Projects- construction of elevated steel water tank at Muuani,**
	Issue	Further, the County Government awarded a contract for construction elevated steel water tank at Muuani, and pipeline extension to other are (water distribution) to a contractor at a contract sum of Kshs.5,640,230. Th contract agreement was signed on 1 January 2022, and as at the time th project was abandoned, it was estimated to be at eighty-five percent (85% level of completion, the contractor had been paid Kshs.4,809,755 or 85%

		the contract sum. Physical verification of the projects on 8 August 2023 revealed that r further works had been undertaken for both projects and no correspondenc were provided on measures being taken to fast track the completion of th projects.
	Response	The department of water has undertaken a detailed technical analysis and r designed the project for optimum functionality including a solar power pumping system and rehabilitation of the raising pipeline. The project w queried by the Office of the Auditor General together with others whic have since been prioritised for completion, and since the area has alternati sources of water, management scheduled to complete the project as complementary source of water in FY2026/27. The upgraded system a redesigned will ensure the system deliver water to the tank and the kiosks a desired.
	Observation	Committee observed that BoQ was developed and works scheduled t complete by FY 2026/27
	Recommendation	**Committee recommends the county to ensure the projects complete a planned and auditor general to keep in view to ensure compliance**
10	**2022/2023**	**Department of Health- projects funded at approximatel Kshs.573,553,514 are still incomplete.**
	Issue	As reported in the previous year and further review of records and proj verification exercise conducted for the department of health, projects fun at approximately **Kshs.573,553,514** are still incomplete. The contractors ha also abandoned the sites. The project files show that the projects we started in 2017 and some of the contracts' periods had expired. Further, was noted that some of the projects have been budgeted for completic during 2023/2024 financial year, but no documents were provided t confirm progress made.

	Response	**S/ No.**	**Project**	**Start Date**	**Contract value**	**Implementation Status (%)**	**Remarks**

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

		1	Proposed construction of a Medical Store at KCRH	4.1.2019	8,749,210	Complete	The project completed in the 2023/2024 and operational.
		2	Proposed construction of a Medical Ward at Mwingi level IV hospital	2.3.2019	65,532,720	Ongoing	This is a multi project. The project awarded in 2018/2019 at a con sum of 65,532,720. The project stalle 2019 at the founda level. In FY 2023/2024, project was restarte The project is ong and is now at the l of the ground floor In FY 2025/2026, Ministry has alloc Kshs 4,000,000 continuation.

							The Ministry allocate a budge complete this proje FY 2026/2027.
		3	Constructi on of 7 classrooms at KMTC Mwingi	4.1.2019	17,027,650	Stalled	This is a multi project. The project is a slabbing level of ground floor; this stalled over the y due to finar constraints.
							The project is complete. The project awarded in 2018/2019 at a con sum of K 30,000,000. The project stalle 2020 at 35%. In FY 2023/2024, project was resta and an additional works was done 50%. In FY 2024/2025, project continued u 70% of the work

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

		4	Proposed construction of perimeter wall at Mwingi Level iv Hosp.	21.5.2019	30,000,000	Ongoing	total of 1,095 metr the perimeter has l completed at a cost of 17,409,000). remaining section 1,185 metres will done by use of a ch link fence). In FY 2025/2026, Ministry has alloc Kshs 2,000,000 continuation. The Ministry allocate a budge complete this proje FY 2026/2027.
		5	Construction of storeyed maternity ward at KCRH	25.8.2017	242,782,653	Stalled	The project wa multi-year project stalled due to a lac budgetary alloca over the years. The project awarded in 2016/2017 at a con sum of K 242,782,653. The project stalle January 2021 at

							lintel level. In the FY 2025/2 the project has l allocated K 82,000,000 continuation, and be allocated a b in subsequent ye ensure completion operationalization.
		6	Proposed constructio n of a Medical Store at KCRH	4.1.2019	8,749,210	Compl ete	The project completed in the 2023/2024 and operational.
		7	Constructi on of surgical and amenity block at KCRH	23.5.201 7	144,775,000	Stalled	The project has st due to a lack budgetary alloc over the years. The project awarded in 2016/2017 at a con sum of K 144,775,000. The project stalle November 2017 at lintel level. The Ministry

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

							proposed an alloca of Kshs. 10,000,00 the An Development 2026/2027, submitted it to County Assembly consideration initiate continuation construction.
		8	Constructi on of Outpatient Departmen t at Mutomo	10.4.201 7	7,400,171	Compl ete	The project completed in the 2023/2024 and operational.
		9	Constructi on and equipping of the mortuary at Mwingi level IV hospital	23.3.201 7	20,508,600	Constr uction works comple te	The project awarded in 2016/2017 at a con sum of K 20,508,600. The project stalle 2017 after completion of structure. In FY 2023/2024, project was resta by doing inte renovations accommodate r bodies. Addition installed a tank

							water harvesting, r for autopsy, concrete aut tables, terrazzo w at the body hanc areas, and inte drainage channels. In FY 2025/202 budget of K 7,800,000 has l allocated as per the of quantities for continuation external w (retention w drainage, earthworks – level etc.).
		10	Constructi on of maternity ward Nuu sub-county Hospital	11.5.201 7	5,095,090	Stalled	The contract awarded on 11th 2017 in FY 2016/ at a contract sun Kshs. 5,095,090. contractor comme the construction w on 3rd October 201 On 3rd January 2 the work done certified at complete and contractor reque for part payment Kshs 1,925,150.

PAPERS L
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

							The contractor continued with walling and roofing abandoned the when the buil developed cracks f the foundation leve Later, the building qualified as not fit use. In FY 2024/2025, County Governm in partnership Catholic Me Mission B (CMMB), constru and equipped maternity block ensure accessibilit maternal and health services.
			10	Constructi on of mortuary at KCRH	23.3.201 7	22,933,210	Compl ete	The project is comp and operational.
				Total		**573,553,514**		
	Observation	Committee observed that most of the projects remained incomplete .Th project files show that some projects started in 2017 and some of th contracts' periods had expired. Committee noted further that some of th projects have been budgeted for completion during 2023/2024 financi year, but no documents were provided to confirm progress made.					
	Recommendation	**Committee Auditor General to monitor the matter in the subsequer audit cycle.**					

11	2022/2023	**Kitui Municipality (Kithomboani Modern Market)**
	Issue	The County Government signed a contract on 27 May 2019 for the propose Construction of Kithomboani modern market in Kitui town at a contra sum of Kshs.351,585,554.50. The project commenced on 25 June 2019 for contract period of one twenty (120) weeks with an expected completion da of 6 September 2021. As at the time of audit in August 2023, the Contract had been paid Kshs.87,599,412 or 25% of the contract sum while the valu of work certified, as per interim payment certificate number 13 dated February 2022, was Kshs.216,251,012 or 65.5%. The project had stall and the contractor had abandoned the site. There was no evidence approval of extension of the contract period.
	Response	**1.0 Management Response** Kithomboani fresh produce Modern Market in Kitui Municipality wa initiated as a multi-year project under Kenya Urban support Program (KUS I) at contracted sum of Kshs. 351,585,554.50. The project was undertake from Financial Year 2018/2019 to 2019/2020 and was supposed to b implemented in three years; however, it stalled while approximately 70 complete. **Reason for Stalling** The County had anticipated that the KUSP I would disburse the eligib funds for five years of program based on compliance with minimu conditions and the performance standards. However, the program disburse for three years thus the current challenge of completing the project. **2.0 Strategies for completion of the market** His Excellence the Governor of Kitui wrote a letter to Principal Secretar State Department of Housing and Urban Development Ref. N CGKTI/OOG/MIN/1/2(2) dated 22nd January,2024 and a reminder Ref. N CGKTI/OOG/MIN/1/2(4) dated 17th October,2024 requesting f consideration of completion of Kithomboani fresh produce Modern mark under the National Government Markets Development Program. (Append 1 and 2 respectively.) This was responded to by the Principal Secretary via a letter dated 2 December 2024 where it was indicated that the state department sh

PAPERS LAID

DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

consider the request upon completion of contractual issues relating to th previous contract. (See attached Appendix 3)

This prompted both parties to initiate a contract termination process for th previous contractor to pave way for having the state department take ov the project for completion. Upon several engagements between the tw parties, this was formally done through a financial claim by the contractor t the County Government dated 13thAugust, 2025 (See Attached Appendix 4 prompting the management to kickstart the process of preparing the fin accounts to enable completion of the termination process.

3.0 Contract Termination and Submission of Claims

The contractor submitted financial claims arising from the termination of th contract on 13th August 2025. The claims were formally received fo evaluation in order to establish the final accounts for the project. Th process has been completed, and the County Government has initiated th process of engaging the contractor so that the contractual dues can be pai paving way for closure of the contract.

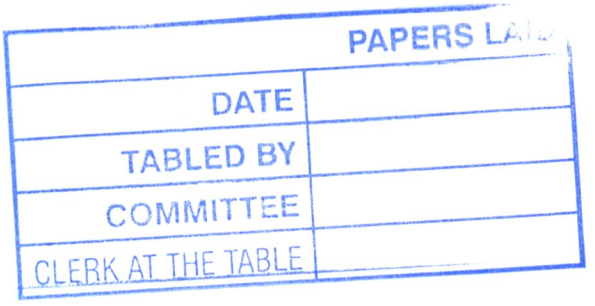
4.0 Evaluation of Final Accounts

The Project Manager undertook a comprehensive evaluation of th contractor's financial claims to determine the final amount payable. Th assessment covered, but was not limited to, the following:

(i) Interest due to delayed payments
(ii) Cost of security incurred after termination
(iii) Additional costs arising from price adjustments
(iv) Liquidated damages
(v) Attendance to nominated sub-contractors
(vi) Contract prolongation costs
(vii) Costs of repatriation of personnel and demobilization o equipment
(viii) Legal costs arising from the employer's breach

The evaluation has determined the amount due to the contractor i accordance with the contract and applicable conditions of the contract. Th

		County Government is in the process of engaging the contractor on contra closing modalities to pave way for the project to be completed throug another contract. Further, the County Government has consistently prioritized the project i its engagement with the state department on matters markets developme within the County. On 19th ,June 2025,the County Government via a lett Ref. No. CGKTI/CS/ADM/27/VOL.3/3 submitted a list of projects to prioritized by the state department within the County through the mark development program.(See attached Appendix 5).This among othe indicate the County's commitment in having the project completed so as serve the intended users. **5.0 Current Status** The County Government is engaging the contractor on the final accou amount as evaluated by the project manager. This amount shall form th basis for settlement of the contractor's dues which shall in turn pave way f engagement of a new contractor by the state department for completion the project. **6.0 Way Forward** Settlement of the certified final amount due to the contractor Formal closure of the terminated contract Engagement with the State Department for Housing on modalities f completion of the project Procurement of a new contractor by the state department for Housing ar Urban Development to complete the project.
	Observation	Committee observed that this was a donor -funded project and stalled du to COVID-19 cashflow.County requested National government to takeover
	Recommendation	**Committee recommends county government to maintain good workin relationship with national government to ensure project completion** **The Auditor General to monitor the matter in the subsequent aud cycle.**



12	**2022/2023**	**Land Infrastructure and Urban Development (LIUD) Headquarters**
	Issue	The County Government contracted a firm for the construction of LIU Headquarters at a contract sum of Kshs.64,880,916 on 2 December 201 The contract period was twelve (12) months with a completion date of December 2017. Site inspection report dated 10 May 2023, indicates that th project was at seven percent (7%) completion level. The value of wo certified was Kshs.5,701,156 as per interim payment certificate No.1 of 1 December 2017. The interim certificate amount was paid on 2 June 202 vide payment voucher number 47353. In the circumstances, the residents of Kitui County have been denie benefits that would accrue from the completed projects and value for mone invested had not been realized.
	Response	The project was initiated by County Government in the FY2015/16 with ai of providing office space for the Ministry, in the shared Public Work premises between National Government and County Government of Kitu However, during early stages of implementation, the project was picke projects by Ethics and Anti-corruption Commission (EACC) f investigation. The process of investigation took too long and by the time the files we returned to Kitui County Government, the Contractor had abandoned th site, and the project stalled. Later, after the project stalled the site on whe the project was located was taken over and fenced by the Mechanical an Transport Department of National Government. At the time the Contractor abandoned the site, works execute (substructure) under the Contract were valued and certified at Ksh 5,701,156 (Interim Payment Certificate No. 1). Due to the fact that th Contract stalled and lapse of Contract period, the certified amount wa recommended for payment by Pending Bills Committee which wa constituted by Kitui County Government. The substructure of the LIUD Headquarters constructed is in goo conditions and lies on the side of the current offices occupied by th Mechanical and Transport Department of National Government. In order n to lose the value of money invested in the noble project, the work done, an

		designs of the complete Contract are to be handed over formally to th Mechanical and Transport Department of National Government for futu completion and use of the project.
	Observation	Committee observed that the substructure is in good condition and is to b handed to the national government
	Recommendation	**Committee recommends the Auditor General to monitor the matter i the subsequent audit cycle.**
13	**2022/2023**	**Vandalized Completed Projects and Failure to Erect Signages**
	Issue	Review of documents on implementation of projects and inspection of th projects revealed that three projects; construction of chain link fence ar two door pit latrines at Mutha Community playground; construction of cha link fence, gate and goal posts at Kanzanzu Primary School and constructic of Chain link fence, gate, football and volleyball goals at Katuuni Secondar (Ngomeni), implemented during the year at a total cost Kshs.5,129,696.74 had been vandalized. Further, the projects undertaken at Kanzanzu and Mukameni Prima Schools, and Katuuni Secondary (Ngomeni) lacked signages for purpose identification. Management therefore acted contrary to provisions of Sectic 151(2) of the Public Procurement Assets and Disposal Act, 2015, whic requires contract implementation to be monitored to ensure that all delive or performance obligations are met and the contractor acts in accorda with the provisions of the contract. In the circumstances, the County residents did not achieve value for mon invested in the projects.
	Response	The county government acknowledges the issues raised the audit concernir the vandalism of projects and lack of signages to identify Coun Government projects. The vandalised projected had been completed ar handed over to the projects beneficiaries who are supposed to secure the and ensure they are not vandalised. The signages were erected during the implementation of the projects on th various sites mentioned in the audit report but were vandalised just like th projects after the handover to the community or the beneficiary institutio The County Government has noted vandalism of projects handed over

PAPERS LA
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

		community and will in future be requiring beneficiaries of county projects t under to provide security for such projects.
	Observation	Committee observed that community had vandalised the project ar destroyed the signage's.
	Recommendation	**Committee recommends the county government to train communitie on project management.**
14	2022/2023	**Non-Collection of Revenue Arrears- property rates**
	Issue	Review of the County's electronic revenue collection system records fo land rates (LAIFOMS) revealed that Management did not colle outstanding property rates totalling Kshs.799,878,240 owed to the Count This was an increase of Kshs.179,134,460 from the outstanding balance o Kshs.620,743,780 as of 30 June 2022. Management had not demonstrate measures instituted to recover the long outstanding rates. In the circumstances, Management did not achieve its revenue collectio targets, and this may have hampered service delivery to the residents o Kitui County.
	Response	**Strategies to recover land rates arrears** (i) Issuing waiver on interest on the 3rd Quarter to FY 2024/25 t encourage landowners to pay for land rates (ii) Appropriating for the purchase of a Lands Integrated Manageme System (LIMS) in the FY 2024/25 as part of the County's automatic drive of the land processes. (iii) The County Government has also rolled out a busine Mapping initiative that will include physical mapping of the plo within the County in the FY 2024/25. (iv) Further, the County Government is aggressively pursuir defaulting plot owners through issuance of demand notices of rat

		due. (v) Implementation of the approved valuation roll which will help i ensuring more revenues alongside recovery of the arrears is realize on a timely and eliminate duplicates.
	Observation	Committeee observed that the county did not achieve its revenue collectic targets due to long outstanding arrears of Kshs.799,878,240
	Recommendation	**The Committee recommends that the County executives shou expedite updating of valuation roll in accordance with Section 3 of t Valuation for Rating Act CAP 266 so as to reflect current mark values for optimal revenue collection**

Committee Observations

The Committee observed that the County Executive had not taken action on all the eleven (14) issues raised in the report of the Office of the Auditor-General for the Financial Year 2023/2024, as required under the provisions of the Public Audit Act, 2015.

Committee Recommendations

The Committee Recommends that: -

1) **the County Executive implements the recommendations of the Committee in its report on the Report of the Auditor-General on Financial Statements for Kitui Executive for the Financial Year 2023/2024 as adopted by the Senate and reports to the committee within sixty (60) days of the adoption of this report;**

2) **the account officer complies with section 53 of the Public Audit Act by taking the relevant steps to implement the recommendations of the Senate on the report of the Auditor-General and submits a report to the Senate within ninety (90) days of the adoption of this report;**

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

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

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

3.0 Failure to Recognize Provision for Contingent Liabilities

The statement of financial performance reflects use of goods and services totalling Kshs.2,228,609,526 which as disclosed in Note 10 to the financial statements include other operating expenses totalling Kshs.343,543,923. Included in the amount is Kshs.14,369,803 in respect to legal expenses. Review of records revealed that the County Executive had seventy-eight (78) legal cases which are ongoing. However, Management did not provide any provisions for contingent liabilities in the financial statements. This is 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 accounting standards.

Management Response

The management acknowledges the auditors' observation that contingent liabilities were not provided in the financial statements. The management had, however, disclosed the outstanding legal cases and their respective claims in the financial statements under disclosures as required by part **(L)** of the note to the Financial Statements.

The guideline provided by the Public Sector Accounting Standards Board (PSASB) template part **(L)** requires the management not to recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Committee Observation

The Committee noted that the failure to recognize a provision for contingent liabilities related to 78 ongoing legal cases, amounting to Kshs. 14,369,803 in legal expenses, constitutes a material misstatement of the financial statements. This is a direct breach of Paragraph 22 of the International Public Sector Accounting Standard (IPSAS) 19. While disclosure in the notes is necessary, it does not substitute for recognizing a provision where a present obligation from a

past event is probable and can be reliably estimated. This failure impairs the true and fair view of the county's financial position, as required under Section 164(3) of the PFM Act, 2012.

Committee Recommendations

The Committee recommends that:-

1. **the County Attorney and any other department or public entity established within the County Executive must seek the approval of the County Executive Committee before engaging any external legal service in accordance with section 16 of the Office of the County Attorney Act (Cap. 265E); and**
2. **the County Executive enhances the capacity of the office of the County Attorney to ensure that the office provides sufficient legal services to the County Executive.**

4.0 Delayed Project Operationalization

4.1. Non-Operationalization of Amenity Ward at Mwingi Sub-County Hospital

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 verification in June, 2025 revealed that the amenity ward was yet to be operationalized and the procured equipment were lying idle in the store.

Management Response

The Management acknowledges the Auditor's observation that the Amenity ward had not been operationalized at the time of the audit in June 2025.
However, the amenity ward was operationalized in August 2025.

Committee Observations

1. The Committee observed that the delays in operationalizing projects, particularly those within the health sector, represent a systemic failure in project planning and execution. This violates the constitutional principle of ensuring access to services (Article 6(3)) and the public finance principle that public money shall be used in a prudent and responsible way (Article 201(d)).

PAPERS LA
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

2. The holding of idle assets worth Kshs. 51 million and equipment worth Kshs. 2.4 million for the Amenity Ward at Mwingi is a direct contravention of Section 149(2)(e) of the Public Finance Management Act, which requires an accounting officer to ensure adequate arrangements are made for the custody, safeguarding, and maintenance of goods. This constitutes poor value for money and denies citizens timely services, undermining the objects of devolution under Article 174(f) of the Constitution.

Committee Recommendations

The Committee recommends that:

1. **The County Executive must establish and operationalize a robust project management and monitoring system, as provided for in the Public Finance Management Act, to ensure proper project conceptualization, planning, and execution. This should include integrated planning for infrastructure, equipment, staffing, and utilities before project commissioning.**
2. **The County Governor, in line with their executive authority under Article 179 of the Constitution, must prioritize the completion and operationalization of all stalled and completed projects. A status update on the projects listed, including the Tseikuru X-ray and Mutitu Theatre, must be provided to the Auditor-General and the Committee within 90 days. The Auditor-General continues to monitor this in the subsequent audit cycle.**

5.0 Failure to Operationalize Completed Projects

Review of the Project Implementation Status Report (PIS) under the Department of 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.

Project	Project Cost (Kshs.)	Completion date	Status
Completion of Tseikuru X-Ray Department	3,500,000	05/08/2024	Complete but yet to be Operationalized
Completion of Mutitu Theatre	4,074,674	28/05/2024	Complete but yet to be Operationalized
Completion of Kauwi X-Ray	2,208,686	02/06/2024	Complete but yet to be

Block			Operationalized
Construction of male ward at Kanziko health centre	7,203,740	03/05/2024	Complete but yet to be Operationalized
Completion of Maternity Unit at Kalisasi Health Center	3,837,890	08/05/2024	Complete but yet to be Operationalized
Construction of Kyamatu Dispensary	4,956,140	20/06/2024	Complete but yet to be Operationalized
Construction of Kanguu Dispensary	4,959,281	09/05/2024	Complete but yet to be Operationalized
Construction of Kyamatu Dispensary	4,956,140	20/06/2024	Complete but yet to be Operationalized
Mortuary Block at Kitui County Referral Hospital	3,087,490	05/05/2024	Yet to be Operationalized
Mortuary Block at Kitui County Referral Hospital	12,235,630	12/09/2024	Yet to be Operationalized
Total	**51,019,671**		

In the circumstances, value for money invested in non-operational projects could not be confirmed.

a) Completion of Tseikuru X-Ray Department.

Management Response.

The delay in the operationalization was occasioned by the delay in the delivery of the X-ray workstations with software.

The County Ministry of Health and Sanitation, wrote letters to the vendor (X-ray supplier) (Ref:CGKTI/MOH/PROC/3(045) on 3rd July 2025 and a reminder on 4th September 2025 (Ref:CGKTI/MOH/PROC/3/1(071)) and 20th November 2025 (Ref:CGKTI/MOH/PROC/3/1(146)) requesting the installation, testing, and commissioning of the X-ray machine as per Tender No: CGKTI/128/2017-2018.

On 21st January 2026, the contractor delivered the workstations, software, and accessories. Upon installation of the X-ray machine by the vendor under the supervision of the County biomedical team, the County technical team noticed damage to the X-ray tube, with leaking oil from the

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

seal. The X-ray tube is the main component of an X-ray machine. This leakage could have been caused by the moisture ingress due to the long storage period of eight (8) years without installation. To replace the damaged X-ray tube, it would cost the Ministry an estimated cost of Kshs. 2,900,000.

The procurement of a mobile digital X-ray machine is estimated to cost the Ministry an estimated cost of Kshs. 8,000,000. This will be economically viable, considering the machine can offer services at the point of care for the patients. The Ministry has also placed a request to the National Equipment Services Programme (NESP) for the supply of a mobile digital X-ray machine. The Ministry will fast-track the supply of the machine from NESP.

b) Completion of Mutitu theatre

Management Response.

The County Ministry of Health and Sanitation acknowledges the observations.

The County Ministry of Health and Sanitation, on 28th May 2025, applied General Operating Theatre equipment (Lot 10) through the National Services Equipment Project (NESP).

The Ministry received the following equipment from the National Services Equipment Project (NESP) through Sunview Medipro International Limited on the 7th and 14th October 2025:

i. Electro-Hydraulic surgical table
ii. Orthopedic traction attachments
iii. LED Surgical lamp double dome
iv. High power electrosurgical unit
v. Anesthesia machine
vi. Infusion pump
vii. Syringe pump
viii. Patient monitor
ix. Assorted Accessories

However, the theatre cannot be operationalized due to the lack of the following associated equipment valued at Kshs 5,016,034, which were not supplied by NESP as expected in the General Operating Theatre Lot.

i. Surgical instruments
ii. Suction machines
iii. Resuscitaire
iv. Anesthetist's cart
v. Defibrillator

vi. Mayo trolleys
vii. Ultrasonic washer
viii. Autoclave/steam sterilizers
ix. Image Intensifier
x. Patient stretcher trolleys
xi. Patient Monitor - 7 parameter

Additionally, the County has verbally followed up with the vendor in relation to the remaining equipment as per the letter sent to the Permanent Secretary. The vendor has committed to supplying the remaining equipment to facilitate the operationalization of the theatre by mid-February 2026.

c) Completion of the Kauwi X-ray block

Management Response

The project for the construction of the X-ray building was awarded on 2nd February 2024, at a contract sum of Kshs. 2,208,686, for a contract period of 120 days, and was completed as planned.

In the FY 2017- 2018, the County Government of Kitui procured and delivered ten (10) X- ray machines at a total cost of Kshs 70 million for: Tseikuru, Kyuso, Nuu, Mutitu, Zombe, Katulani, Ikanga, Kanyangi, Mutomo, and Kauwi Sub-County Hospitals.

The X-ray machines for seven (7) hospitals, i.e., Nuu, Katulani, Kyuso, Mutomo, Ikanga, Mutitu, and Zombe, were installed in September 2020 since the X-ray blocks were in place.

The X-ray machines for three (3) hospitals, i.e., Tseikuru, Kanyangi, and Kauwi Sub-County Hospitals, were supplied but not installed due to incomplete X-ray blocks and unavailability of the required three-phase electricity power connection on site. Additionally, the supplier did not deliver the software and the workstations, which included a computer, printer, and connectivity accessories.

The County Ministry of Health and Sanitation wrote a letter to the vendor on 3rd July 2025 to install the X-ray machine software for the three (3) remaining hospitals (Kanyangi, Tseikuru, and Kauwi).

On 2nd February 2024, the County Government of Kitui awarded a contract for the construction of the Kauwi X-ray block at a contract sum of Kshs.2,208,686, and the construction was completed as scheduled and handed over to the County Ministry of Health and Sanitation.

PAPERS
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

The delay in the operationalization was occasioned by a lack of three-phase electricity power and a delay in the delivery of workstations with software.

The County Ministry of Health and Sanitation wrote letters to the X-ray supplier (Ref: CGKTI/MOH/PROC/3(045) on 3rd July 2025 and a reminder on 4th September 2025 (Ref: CGKTI/MOH/PROC/3/1(071)) and 20th November 2025 (Ref: CGKTI/MOH/PROC/3/1(146)) requesting the installation, testing, and commissioning of the X-ray machine as per Tender No: CGKTI/128/2017-2018.

On 19th January 2026, the contractor delivered the workstations, software, and accessories. Currently (27/01/2026), the machine has been installed, by use of the generator and it now functional.

With regard to three-phase electricity power, the County Ministry of Health and Sanitation applied to Kenya Power, and they provided a quotation, Reference number A28452025120004 amount to Ksh 1,397,255 for the upgrading of electricity from single phase to three-phase. The County Ministry of Health and Sanitation will pay Kenya Power the quoted amount by the end of 30th January 2026.

On the X-ray technology, the X-ray technology is still viable, but there is an upgraded version of the technology.

d) Construction of the Male ward at Kanziko

The male ward at the facility has been equipped.
Additionally, the County Public Service Board has done an advert to recruit more officers. Once recruited, more officers will be deployed to the facility in order to fully operationalize the wards.

e) Maternity unit at Kalisasi Health Centre

Management Response

The Management acknowledges the Auditor's observation that Kalisasi Health Centre had not been operationalized at the time of the audit. However, the maternity has been operationalized.

f) Construction of Kyamatu dispensary

Management Response

The Management acknowledges the Auditor's observation that at the time of the audit, the facility had not been operationalized. However, the facility was operationalized in September 2025.

g) Construction of Kanguu dispensary.

Management Response

The Management acknowledges the Auditor's observation that Kanguu Dispensary had not been operationalized at the time of the audit. However, the facility was operationalized in September 2025.

h) Mortuary block at Kitui County Referral Hospital.

Management Response.

The observation is noted. The mortuary building block was completed and handed over on 12th September 2024. Procurement of equipment was done and operationalized in September 2025.

Committee Observations

1) The Committee noted that the delays in operationalizing projects represent a systemic failure in project planning and execution. This violates the constitutional principle of ensuring access to services (Article 6(3) and the public finance principle that public money shall be used in a prudent and responsible way (Article 201(d)).
2) The holding of idle assets worth Kshs. 51 million and equipment worth Kshs. 2.4 million for the Amenity Ward at Mwingi is a direct contravention of Section 149(2)(e) of the Public Finance Management Act, which requires an accounting officer to ensure adequate arrangements are made for the custody, safeguarding, and maintenance of goods. This constitutes poor value for money and denies citizens timely services, undermining the objects of devolution under Article 174(f) of the Constitution.

Committee Recommendations

1. **The County Executive must establish and operationalize a robust project management and monitoring system, as provided for in the Public Finance Management Act, to ensure proper project conceptualization, planning, and execution. This should include integrated planning for infrastructure, equipment, staffing, and utilities before project commissioning.**
2. **The County Governor, in line with their executive authority under Article 179 of the Constitution, must prioritize the completion and operationalization of all stalled and**

PAPERS LA
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

completed projects. A status update on the projects listed, including the Tseikuru X-ray and Mutitu Theatre, must be provided to the Auditor-General and the Senate within 90 days. The Auditor-General continues to monitor this in the subsequent audit cycle.

6.0 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 vide payment voucher No.3736330125 on 15 January, 2025. However, physical inspection and verification of works done 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 safeguard the electrical works, builders works and all other works that had been carried out as the place had been left unmanned with no security, exposing the premises to vandalism.

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

Management Response

We acknowledge the audit concerns regarding vandalism of electrical works at Ithookwe show ground. The matter was promptly reported to law enforcement. The Ministry has enhanced security of the site by deploying two-night guards and one day guard to ensure vandalism will not recur.

The show ground has since been enclosed by the Ithookwe Stadium perimeter fence which was constructed by the State Department for Sports. This has improved security of the showground in addition to the existing day and night watchmen.

Committee Observation

The Committee observes that the vandalism of electrical works valued at Kshs. 2,991,205, soon after completion, represents a failure by the accounting officer to ensure adequate security and safeguards for public property. This is a direct violation of Regulation 132(1)(a) of the Public Finance Management (County Governments) Regulations, 2015, which requires accounting officers to ensure preventative mechanisms are in place to eliminate theft and losses. The

expenditure incurred without ensuring the security of the asset constitutes wasteful expenditure as defined in Section 2 of the PFM Act.

Committee Recommendations

The Committee recommends that:

1. **The County Executive must ensure that for all future projects, a clear plan for the security and handover of the completed works to the beneficiary institution or community. This should include training for communities on the care and protection of public assets.**
2. **The County Governor undertakes administrative action against the county officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act (Cap. 412A) and provides a status report to the Senate and the Office of the Auditor General within ninety (90) days of the adoption of this report.**

7.0 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, but not as per the scope/ the contract agreements as detailed below:

7.1 Ngomano - Mwitika Market Sump well Water Supply

The County Executive awarded a contract for 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 laid, not reaching the stipulated depth of 2 feet (60 cm). The inadequate depth significantly exposes the water pipes to potential vandalization and breakages. Further the project did not have Environment Impact Assessment license and the water permit from the Water Resources Authority (WRA) required to conduct the water works. This is contrary to Section 58 of the Environmental Management and Coordination Act (EMCA) which stipulates that the proponent

PAPERS LAI
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

of any project specified in the Second Schedule shall undertake a full environmental impact assessment study and submit an environmental impact assessment study report to the Authority prior to being issued with any license by the Authority: In addition, 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.

Management Response

At the time of the site visit by the audit team, the trenching works were still ongoing. It is common during such works for livestock and other environmental factors to partially refill the trenches before pipe laying is completed. However, before actual laying of pipes, the contractor ensured that all backfilled soil is removed to meet the specified trench depth. The Ministry confirmed that trenching is being done in strict compliance with the BoQ specifications, including the stipulated depth. In sections that were rocky, the BoQ provided for galvanised pipes which were installed and a confirmation undertaken.

The project implementation team visited the projects on June 19, 2025 and confirmed that the contractor had undertaken pipeline retrenching to the required depth as specified in the BoQ and prepared a site inspection report as attached.

Committee Observations

1) The Committee noted that the issues regarding trench depth for these water projects were addressed during implementation and documentation was subsequently provided to the Auditor-General.
2) Committee observed that project supervision must be continuous to ensure compliance with Bill of Quantities (BoQ) specifications from the outset, as required by Section 149(2)(e) of the Public Finance Management Act.

Committee Recommendation

The Committee recommends that the matter be marked as resolved, with a caution to the County Executive to ensure that all project implementation adheres strictly to contract specifications and is subject to ongoing supervision and quality assurance by the relevant technical departments.

7.2 Muvuko - Kyanyaa - Mwanianga Sumpwell Water Supply

The County Executive awarded a contract for 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 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 laid, not reaching the stipulated depth of 2 feet (60 cm). The inadequate depth significantly exposes the water pipes to potential vandalization and breakages. In addition, land ownership documents were not provided for audit review.

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

Management Response

At the time of the site inspection, the trenching works were still ongoing. It is common during such works for livestock and other environmental factors to partially refill the trenches before pipe laying is completed. However, before actual laying of pipes, the contractor ensured that all backfilled soil is removed to meet the specified trench depth. The Ministry confirmed that trenching is being done in strict compliance with the BoQ specifications, including the stipulated depth. In sections that were rocky, the BoQ provided for galvanized pipes which were installed and a confirmation undertaken.

Committee Observations

1) The Committee observed a critical deviation from project specifications during its physical inspection. It noted that galvanized pipes were installed at dangerously shallow depths, failing to meet the required minimum of 2 feet. This non-compliance, if uncorrected, poses a significant risk of vandalism to the new infrastructure and places the associated public funds in jeopardy.
2) The Committee further noted that the relevant land ownership documents were not produced for verification at the time of audit. This omission renders the entire project legally vulnerable and exposes the public investment to the risk of total loss should a land ownership dispute arise.

Committee Recommendations

PAPERS LAID

DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

1. **The Committee recommends that the Office of the Auditor-General monitor this matter in the subsequent audit cycle to confirm the trenching were done in strict compliance with the BoQ specifications.**
2. **The County Executive must ensure that all future water projects obtain all statutory permits *before* the award of a contract and commencement of works, in compliance with all relevant laws.**

8.0 Irregular Procurement of Water Projects

The County Executive awarded three (3) contracts for 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) required to conduct the water works. This was contrary to Section 58 of the Environmental Management and Coordination Act (EMCA) which stipulates that the proponent of any project specified in the Second Schedule shall undertake a full environmental impact assessment study and submit an environmental impact assessment study report to the Authority prior to being issued with any license by the Authority. In addition, 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.

Management Response

The Ministry of Water and Irrigation had already conducted public participation for the EIA and has since secured the required Environmental Impact Assessment (EIA) reports and has submitted the same to NEMA for all the above-mentioned projects. Regarding the WRA permits, formal applications have been submitted to the Water Resources Authority, and the Ministry is currently awaiting their issuance of the abstraction permits. The Ministry remains committed to full compliance with all statutory and regulatory requirements for water resource development.

Committee Observation

The Committee observed that commencing water projects without the requisite Environmental Impact Assessment (EIA) license from NEMA and a water permit from the Water Resources Authority (WRA) is a contravention of Section 58 of the Environmental Management and

Coordination Act (EMCA) and Section 36 of the Water Act, 2016. This constitutes an irregular procurement process and exposes the county to legal and environmental risks. While management has applied for the permits, the failure to secure them *prior* to project commencement is a breach of the law.

Committee Recommendation

The Committee recommends that the Office of the Auditor-General monitor this matter in the subsequent audit cycle to confirm that the requisite permits for these projects have been issued. The County Executive must ensure that all future water projects obtain all statutory permits *before* the award of a contract and commencement of works, in compliance with all relevant laws.

9.0 Irregular Funding of National Government Functions

The Office of the Governor spent Kshs.76,727,758 on 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 describes 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.

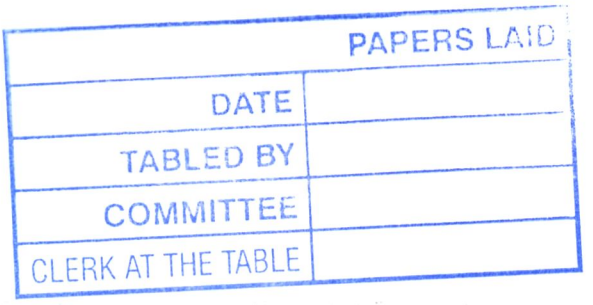
In the circumstances, Management was in breach of the law.

Management Response

The County Government of Kitui will comply with Fourth(4^{th}) Schedule of the Constitution of Kenya, 2010, and where project implementation requires a Memorandum of Understanding (MOU), engage the National Government to sign an agreement.

The County Government of Kitui will also adhere to article 187 of the Constitution of Kenya 2010 where appropriate.

The County Government has since signed an MOU with the Ministry of Education on the issuance of bursaries to students in both secondary schools and tertiary colleges



Committee Observation

The Committee observed that the allocation of Kshs. 76,727,758 by the County Executive for bursaries to secondary schools and universities is an irregular expenditure and a direct violation of the Fourth Schedule to the Constitution. The Fourth Schedule explicitly lists secondary schools and universities as a function of the national government. This action undermines the constitutional division of functions and resources between the two levels of government, as established under Article 186 of the Constitution.

Committee Recommendations

The Committee recommends that—

1. **The County Executive strictly adheres to Article 187 of the Constitution and Part III of the Intergovernmental Relations Act (Cap. 265F) by entering into an agreement with the National Government for the transfer of a function designated to the National Government before undertaking that function.**
2. **The County Governor submits to the Senate and to the Office of the Auditor-General copies of all Transfer of Function agreements executed by the County Executive within 21 days of their execution, and in the case of agreements already executed, within 90 days of the adoption of this report.**

10.0 Late Remittance of Statutory Deductions

Review of records revealed that there were 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. 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 and the County risks incurring costs in form of penalties and interest on accrued amounts.

Management Response

The County Executive of Kitui acknowledges that various statutory deductions were remitted to the beneficiary institutions outside the stipulated timelines. However, this was caused by delay in the approval of the budget by Office of the Controller of Budget (OCOB) for uploading into Integrated Financial Management Information System (IFMIS) and delayed equitable releases by the National Treasury.

July salaries were delayed by the budget approval for uploading by the OCOB. The requisitions for July 2024 salaries were prepared and submitted to the Controller of Budget, who approved them on August 15, 2024, and remittances were done.

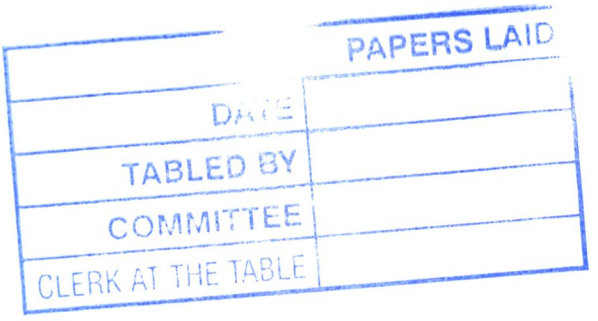
The deductions for August and September 2024 were delayed by lack of funds in the County Revenue Fund (CRF) to process salaries and deductions within the required timelines. Equitable share allocations for July and Augsts were received into CRF on Account September 24, 2024, and October 17, 2024, respectively. This resulted in the late remittances for statutory deductions for August and September 2024.

1) Summary of Deductions remitted after deadline

Month	**Remittance**	**Date of Remittance**	**Amount (Kshs)**
July-2024	PAYE	15/08/2024	59,734,584.75
	Housing Levy	20/08/2024	10,778,046.00
	NSSF	21/08/2024	9,661,620.00
August-2024	PAYE	02/10/2024	58,071,700.40
	Housing Levy	03/10/2024	10,627,428.50
	NSSF	04/10/2024	9,650,100.00
September-2024	NSSF	05/11/2024	9,652,980.00
			168,176,459.65

Committee Observation

The Committee observes that the late remittance of statutory deductions totalling Kshs. 168,176,458 is a breach of Section 19(4) of the Employment Act, 2007. While the Committee notes the explanation of delayed disbursements from the national government, this does not excuse the failure to comply with the law. Late remittances expose the County to penalties and



interest, and more importantly, they deprive employees of their statutory benefits and contributions in a timely manner. The accounting officer has a duty under Regulation 22(2)(a) of the PFM (County Governments) Regulations, 2015 to comply with any tax, levy, and pension commitments.

Committee Recommendations

1. **The County Governor to undertake administrative action against responsible officer(s) who failed to remit the statutory deductions in accordance with Section 156 of the Public Finance Management Act and provide a status update to the Office of the Auditor General within ninety (90) days from the date of adoption of this report.**
2. **The Office of the County Governor to clear all outstanding statutory arrears and submit evidence to the Auditor-General within ninety (90) days from the date of adoption of this report.**
3. **The Auditor-General to keep the matter in view in subsequent audit cycle.**

11.0 Non-Compliance with One-Third Rule of Basic Salary Rule

Review of payroll data both in the Human Resources Integrated System (HRIS) and manual payroll revealed that sixty-six (66) employees earned a net salary of less than one-third of their basic salary. This was contrary to Section 19(3) of the Employment Act, 2007 which requires that deductions made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages. In addition, Section C.1(3) of the Public Service Commission (PSC) - Human Resource Policies and Procedures Manual for the Public Service (2016), stipulates that public officer shall not over-commit their salaries beyond two thirds (2/3) of their basic salaries.

In the circumstances, Management was in breach of the law, and this may expose the staff to pecuniary embarrassment.

Management Response

The reason for the staff salaries falling below the recommended threshold of one third of the basic salary has been the introduction of new statutory deduction such as Affordable Housing Levy (AHL), National Social Security Fund (NSSF) as well as increase in existing statutory

deductions such as Social Health Insurance Fund (formerly NHIF), which reduced the net salary available to employees.

The implementation of Human Resources Information System (HRIS) will address the challenges of staff committing salaries below one third. However, it is important to note that introduction of taxes that affect salaries may cause net salaries to go below one third.

The National Government (State Department for Public Service) was managing IPPD, will be managing the HRIS and therefore can help the Counties to configure the system to lock out commitments beyond the set threshold of one third.

The Human Resource Management Department advised employees whose net salaries were below one third of their basic salaries to negotiate with their financial institutions for review of repayment period of their check off loans.

Committee Observation

The Committee observes that while the number of employees with net pay below one-third of their basic salary has been reduced, the existence of this issue represents a failure to comply with Section 19(3) of the Employment Act, 2007. This situation exposes employees to pecuniary embarrassment and is not in line with the values and principles of public service, which include efficient, effective, and equitable provision of services (Article 232 of the Constitution). The increase in statutory deductions, while a national policy, requires coordinated management at the county level.

Committee Recommendations

The Committee therefore recommends that :-

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

PAPERS L
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

Resource Policies and Procedures Manual and propose mechanisms to ensure compliance, reporting their findings to the Senate within 90 days.

12.0 Non-Compliance with Law on Ethnic Diversity

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 of the County Executive, five thousand and thirty-seven (5,037) or approximately 91% of the total number were from the dominant ethnic community in the County. In addition, 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% were from the dominant ethnic community in the County.

This was contrary to Section 65(1)(e) of the County Governments Act, 2012 which require 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 from the National Government and those inherited from the defunct Local Authority who were mainly from the dominant ethnic community, no measures have been put in place to address the issue.

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

Management Response

Section 65 (1) (e) of the County Governments Act, 2012 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."

The County Public Service Board has put in place, and will continue to strengthen, the following mechanisms to address non-compliance with the law on ethnic diversity in recruitment:

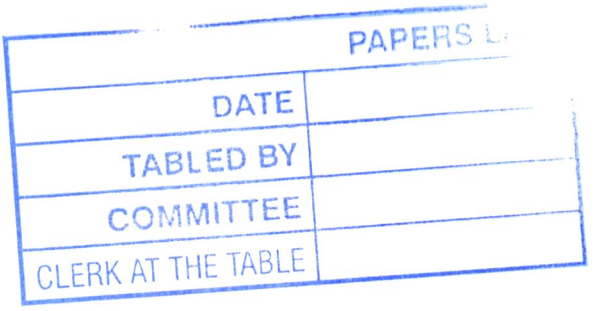
1. Inclusive Advertisement of Vacancies: Vacancies are advertised widely and equitably through widely circulated newspapers, the county website, radio stations, and social media platforms to ensure broad reach across diverse communities.
2. Targeted Encouragement of Underrepresented Groups: Job advertisements clearly encourage applications from women, persons with disabilities (PWDs), youth, minorities, and marginalized groups, in line with constitutional and statutory provisions.
3. Review of Qualification Requirements: Where applicable, the Board grants waivers or reviews certain qualification requirements that may indirectly discriminate against particular groups, without compromising the minimum standards required for effective service delivery.
4. Capacity Building of Recruitment Panels: The Board continuously undertakes capacity-building initiatives to ensure that all recruitment panels are adequately trained on constitutional values, inclusiveness, ethnic diversity, and anti-discrimination laws.
5. Adoption of Online Recruitment Systems: The Board has embraced online job application systems to enhance transparency, merit-based recruitment, and the application of objective and uniform shortlisting criteria to all applicants.
6. Objective and Accountable Shortlisting Process: The Board maintains documented justification for both shortlisted and non-shortlisted candidates to enhance accountability, transparency, and auditability of the recruitment process.
7. Compliance with Statutory Diversity Thresholds: Shortlisting and appointment outcomes are carefully monitored to ensure compliance with:

    i. The two-thirds gender rule; and
    ii. The statutory requirement for inclusion of persons with disabilities (minimum 5%).

8. Complaints and Appeals Mechanisms: The Board has established internal mechanisms for receiving, handling, and resolving complaints and appeals relating to discrimination, unfair recruitment practices, or non-compliance with diversity requirements.

Committee Observations

1) The Committee observed that there was no ethnic diversity among the County Executive employees(approximately 91% of the total number were from the dominant ethnic community in the County).
2) The Committee also notes that section 65(1)(e) of the County Governments Act mandates county public service boards, in selecting candidates for appointment, to consider the need



to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county. This provision must be adhered to by all counties.

Committee Recommendations

The Committee recommends that: -

1. **The County Executive adheres to section 65(1)(e) of County Governments Act and ensures that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county**
2. **The Standing Committee on National Cohesion, Equal Opportunity and Regional Integration undertakes a legislative impact assessment to evaluate the practicality of ethnic diversity laws in counties and explores amendments to section 7 (2) of the National Cohesion and Integration Act, (Cap. 7N) to exempt county entities from its application.**

13.0 Non-Compliance with the Law on Fiscal Responsibility - Wage Bill

The statements of financial performance and as disclosed in Note 9 to the financial statements reflect employees costs of Kshs.5,536,786,270 which represents 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 (35) percent 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.

Management Response

The county executive's wage bill has grown over time to surpass the recommended 35% due to a number of reasons. Some of the factors are way beyond the control of the county governments

as they result from national policies or collective bargainng agreements signed by unions. These include:-

i) The County inherited a huge number of staff (119) from the defunct local authorities taking up Kshs. 104,359,170 in personnel emoluments annually. The inherited staff had Collective Bargaining Agreements (CBA) with former local authorities and implementation of the same has been costly to County Government of Kitui. While this workforce accounts for a fairly big chunk of the wage burden, most of them do not possess technical skills and ministries are still compelled to recruit technical staff such as agricultural extension officers, engineers and medical personnel.

ii) In July 2023, the County Government of Kitui converted 1,686 ECDE teachers from casual to Permanent & Pensionable (P&P) terms. This resulted in a gross annual wage increase of Kshs. 304,602,781 from Kshs. 299,118,480 to Kshs. 603,721,261 (202%).

iii)To deliver the County Government of Kitui Mandate as provided for in Article 186 of the Constitution of Kenya 2010 Schedule 4 which specifies respective functions and powers of national and county governments, we have planned for establishment of crucial departments which has staffing needs. For instance, the departments of Transport & Boda-boda, irrigation and Performance Contracting will lead to growth in PE. The recruitments will ensure delivery of County's mandate as enshrined in the Constitution.

iv)The P.E has been impacted by the increased rates of statutory employer contributions over the last two years. The total employer contributions represent 9.1% of the total P.E budget.

The County Executive of Kitui has implemented measures that are aimed at addressing noncompliance with the fiscal responsibility - wage bill. These measures include:

1. Employment of new staff – the County Executive has slowed down on recruitment of new employs as well as non-renewal of employee contracts for those employed on contract terms to manage the wage growth. This being one of the recommendations by a human resources audit committee, Kitui County Human Resources Audit and Rationalisation Committee, 2022.

2. The County Executive has also put in place measures to increase own source revenue to cushion the overall budget from increase in wage bill. These measures include revenue automation, data collection and analysis for revenue planning, expansion of revenue streams to broaden the revenue base.

PAPERS LA
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

3. The County has reduced its casual wage bill through rationalisation of casual employees engaged by various departments

Committee Observation

The Committee observed that the wage bill of Kshs. 5.54 billion, constituting 48% of total revenue, is a direct contravention of Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, which caps wage expenditure at 35% of total revenue. While acknowledging the factors cited by management, the failure to implement the recommendations of the taskforce formed in February 2023 for over two and a half years demonstrates a lack of urgency in addressing this persistent and serious breach of fiscal responsibility. This unsustainable wage bill crowds out development expenditure, violating the requirement that at least 30% of the budget be allocated to development, as per Section 107(2)(b) of the PFM Act, 2012.

Committee Recommendations

The Committee recommends that:-

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

savings being made per every year arising from the strategies and interventions it has put in place and implemented.

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

14.0 Irregular Payment to Council of Governors

As previously reported, the statement of financial performance reflects use of goods and services of Kshs.2,228,609,526 which, as disclosed in Note 10 to the financial statements include Kshs.343,543,923 in respect to other operating expenses. Included in the amount is Kshs.2,000,000 which was paid to Council of Governors 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.

Management Response

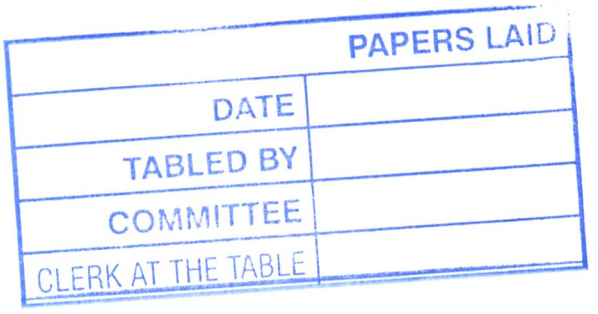
Kitui County Executive made the payment in line with a resolution of the Council of Governors (CoG) in their meeting held on 28th January 2025. During the meeting, the Council resolved that registration fee for County Government delegate for the 2025 **Devolution Conference 2025** to be held in Homa Bay County from 12th – 15th August 2025 to remain as Kshs. 2,000,000.

In a letter dated **January 29, 2025**, the Chief Executive of CoG wrote to all the Governors to communicate the resolution of the Council.

Committee Observation

The Committee observes that the payment of Kshs. 2,000,000 to the Council of Governors (CoG) from the County Revenue Fund is irregular and unlawful. It contravenes Section 37 of the Intergovernmental Relations Act, 2012, which explicitly states that the operational costs of the Council shall be funded by the national government. A resolution by the Council itself cannot override an Act of Parliament. This constitutes an unauthorized payment and a potential breach of public trust

Committee Recommendations



1. **The Committee recommends that such irregular payments to the Council of Governors cease immediately.**
2. **The Ethics and Anti-Corruption Commission (EACC) should be requested to investigate this matter and advise on the recovery of all public funds irregularly transferred to the CoG by the Governor, in their capacity as the County's Chief Executive Officer. This is in line with the principles of financial probity for State officers under Chapter Six of the Constitution.**

15.0 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 dated and approved on 29 June, 2018 and 9 June, 2020 respectively. However, the Municipalities failed to submit financial statements for 2019/2020, 2020/2021, 2021/2022, 2022/2023, 2023/2024 and 2024/2025 financial years for audit 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 transmission to the Auditor-General.

In addition, Kitui and Mwingi Municipalities had total approved budget of Kshs.259,152,321 with expenditure totalling Kshs.218,755,330 which was reported under the County Government.

Further, 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 15th day after the end of the quarter and (3) the quarterly report shall be submitted 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.

Management Response

Management takes note of the audit observation regarding non-submission of separate financial statements for Kitui and Mwingi Municipalities for the period under review.

For the municipalities to be able to prepare separate financial statements, several governance structures needed to be put in place. These are as elaborated below;

1) **Award of Municipal Charter**

Kitui Municipality was awarded its charter on 13th June, 2018 while Mwingi Municipality was awarded its charter on 9th June, 2020.

2) **Constitution of Municipal Boards**

The Municipal Board for Kitui Municipality was constituted on 6th September, 2018 while the Municipal Board for Mwingi Municipality was constituted on 5th June, 2024.

3) **Delegation of Functions by the county executive**

H.E the Governor of Kitui transferred Fourteen (14) functions to Kitui and Mwingi Municipalities vide a gazette notice dated 4th October 2024.

4) **Induction of boards**

The induction of the two Municipal boards for Kitui and Mwingi was conducted on 13th September, 2024.

5) **Staffing of key Personnel**

In order to make the operations of the two municipalities efficient, recruitment and posting of key staff to the two Municipalities has been progressive overtime

6) **Capacity building of staff and boards**

In order to make sure that the two municipalities have skilled staff who will be able to carry out the municipal duties with minimal interventions of the County executive, the capacity building of the staff and the municipal boards is continuously being carried out.

NOTE:

Although Kitui Municipality had a board whose term expired in September 2023, the board faced management and leadership challenges and did not hold regular meetings hence delayed implementation of some the above management structures.

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

The Mwingi Municipal Board inducted on 13th, September 2024 is the first one since the municipality was chartered on 9th, June 2020.This was occasioned by;

- In early 2022 a new board for Mwingi Municipality was recruited and the names of the recruited board members were forwarded to the County Assembly of Kitui. Unfortunately, the County assembly term ended before committing the names to the House Business.
- Fresh recruitment of the Board members for Mwingi Municipality was conducted in mid-2023 where the names of the successful members were forwarded to the county assembly of Kitui. The County assembly delayed in vetting the nominees.

Due to the above gaps, the municipalities' approved budgets and expenditures were captured and reported under the county executive financial statements, and no expenditure was incurred outside the approved county financial management framework.

Corrective Measures and Current Status:

Management is pleased to report that corrective measures have since been undertaken to ensure that going ahead, the two municipalities shall prepare and submit separate financial statements and reports for audit purposes. These measures include:

1. The County Executive Committee Member (CECM) for Finance has formally authorized Kitui and Mwingi Municipalities to operate independent recurrent and development bank accounts.
2. The respective Municipal Boards approved the bank account signatories, namely the Municipal Manager, Deputy Municipal Manager (Finance), and the Municipal Accountant.
3. The municipalities are now receiving disbursements into their respective recurrent and development accounts and are independently meeting their operational and development expenditures.
4. The municipalities have commenced preparation of independent financial statements, and the process of quarterly and annual financial reporting is ongoing.
5. From the Financial Year 2025/2026 onwards, Kitui and Mwingi Municipalities shall:

    a) Prepare and submit their separate annual financial statements and reports;and
    b) Be audited separately in accordance with the Public Finance Management Act, 2012 and other applicable procurement laws.

Supporting Documentation:

The following documents are attached in support of this response:

- Gazette notices for appointment of current municipal boards-Annexure 1&2;
- Gazette notice showing delegation of functions to the municipalities by the county executive-Annexure 3;
- Letter from the CECM Finance authorizing opening of municipal recurrent and development accounts -Annexure 4;
- Municipal boards' minutes approving opening of bank accounts and the signatories – Annexure 5 & 6;
- Sample correspondence requesting transfer of funds to municipal accounts-Annexure 7; and
- Bank statement showing disbursement of funds by the County Treasury to the Municipalities' accounts –Annexure 8 & 9.

The Management is confident that the measures undertaken have fully addressed the audit concern and will ensure sustained compliance going forward.

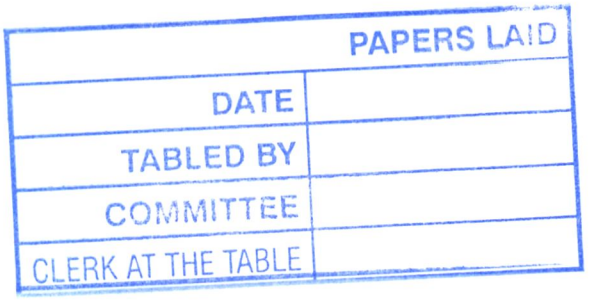
Committee Observation

The Committee observed that for the period from FY 2019/2020 to FY 2024/2025, the failure of the Municipalities to prepare and submit separate financial statements is a breach of Sections 46(1) and (2) of the Urban Areas and Cities (Amendment) Act, 2019, and Regulation 64 of the Public Finance Management (County Governments) Regulations, 2015. The lack of constituted boards and delegated functions does not relieve the county government of its responsibility to ensure compliance with the law. The Committee notes the corrective actions taken post-audit and expects full compliance moving forward.

Committee Recommendation

The Committee recommends the County Treasury and the Municipal Boards to ensure that Kitui and Mwingi Municipalities comply with Regulation 21 of the Public Finance Management (County Governments) Regulations, 2015, by preparing and submitting their independent financial statements and quarterly reports for the Financial Year 2025/2026 and subsequent years within the statutory deadlines.

16.0 Failure to Dispose Unserviceable Assets



The statement of financial position reflects property, plant and equipment balance of Kshs.3,413,957,120. However, field verification revealed thirty-six (36) unserviceable vehicles that had not been disposed of 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, obsolescent, 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.

Management Response

The County Executive acknowledged the auditor's observation that the county did not dispose of thirty-six (36) unserviceable vehicles. However, it is important to note that all the thirty-six vehicles were not unserviceable as indicated in the report submitted to the auditors. Some vehicles were grounded but serviceable (No. 19). These vehicles had minor mechanical or maintenance issues which were to be addressed. Therefore, these vehicles were not obsolete or unserviceable and had therefore not been recommended for disposal.

The unserviceable number of vehicles as per the report presented to the auditors was seventeen (17), which included fifteen (15) vehicles inherited from the National Government. The ownership documents of these vehicles remain with the respective National Government departments/agencies.

In order to enable the County Government to dispose of the vehicles inherited from National Government, the Ag. County Secretary in July 2025 wrote to Director, Registration and Licensing at the National Transport and Safety Authority regarding the issuance of logbooks

Committee Observation

The Committee observes that the failure to dispose of unserviceable, obsolete, or surplus assets, as identified, is a breach of Section 164(1) of the Public Procurement and Asset Disposal Act, 2015. This contravenes the accounting officer's responsibility under Regulation 153(2)(b) of the PFM (County Governments) Regulations, 2015, to manage assets in a way that ensures value for money in acquiring, using, and disposing of those assets. Holding onto grounded but serviceable vehicles without repair is also an inefficient use of public resources. The lack of a clear plan for disposal hinders the optimization of the county's asset portfolio.

Committee Recommendations

1. **The Accounting officer should establish a disposal committee to undertake its function as per section 163 of the PPAD Act**
2. **The Committee recommends that the County Executive, through the relevant accounting officers, must immediately take steps to comply with Section 164(1) of the Public Procurement and Asset Disposal Act, 2015.**
3. **The Accounting officer should provide a status update on the disposal and repair of the identified vehicles must be provided to the Senate and the Office of the Auditor-General within 90 days.**

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

17.0 Failure to Retain Facilities Improvement Funds (FIF) at the Hospitals

Review of revenue records obtained from Level 4 and Level 5 health facilities in Kitui County revealed that fourteen (14) health facilities collected a total Kshs.722,049,214 towards the health facilities improvement. Out of this amount, a total of Kshs.416,842,808 was transferred to County Revenue Fund. However, the County Treasury reimbursed a total of Kshs.425,603,998 to the health facilities resulting in a surplus of Kshs.8,761,190. This was contrary to Section 5(1) of the Facilities Improvement Financing Act, 2023 which requires that all monies raised or received by or on behalf of all Public Health Facilities be retained in the Hospital Facilities Improvement Financing account.

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

Management Response

The County Executive of Kitui acknowledges the auditor's observation at the time of audit that level 4 hospitals did not retain funds collected, but transferred them to the County Revenue Fund Account (CRF).

Since devolution in 2013, the County Government of Kitui has been supporting the level 4 hospitals through direct transfers from budgets allocated by the county ministry of health and sanitation.

In the FY 2024/2025, the County Ministry of Finance, Economic Planning and Revenue Management transferred a total of Kshs 425,603,998 to the 14 hospitals, which depended on the allocated budget and facility needs. The transfers made by the County Treasury was therefore independent of the revenue of Kshs 416,842,808 collected by level 4 hospitals and swiped to the County Revenue Fund.

During the audit period, the County Ministry of Health and Sanitation had not implemented the FIF Act, 2023. Therefore, the hospitals' revenue generated could not be retained and spent at the source. However, the County Ministry of Health and Sanitation implemented the National Facilities Improvement Financing (FIF) Act 2023 on 15th May 2025, and issued instructions to the banks to stop the weekly swiping of funds from hospitals' revenue accounts to the County Revenue Fund. The process of implementing the FIF Act 2023 started in March 2024 with

capacity building of healthcare workers in the 311 healthcare facilities, the County Executive Committee, Chief Officers, Advisors, and other stakeholders.

Additionally, on 7th November 2024, the County Government of Kitui, through the County Ministry of Health and Sanitation, forwarded to the Kitui County Assembly for enactment of the Kitui County Health Facilities Improvement Financing Bill, 2024.

i) Letter forwarding the Kitui County Health Facilities Improvement Financing Bill, 2024.
ii) Letters to various banks where hospitals operate, instructing them to stop weekly funds transfer to CRF.

Committee Observation

The Committee observed that the transfer of Kshs. 416,842,808 from health facilities to the County Revenue Fund (CRF), instead of retaining them in a Hospital Facilities Improvement Financing account, was a contravention of **Section 5(1) of the Facilities Improvement Financing Act, 2023**. This practice undermined the purpose of the FIF, which is to allow health facilities to retain and manage their own funds for timely improvements and service delivery. The Committee notes the directive issued in May 2025 to stop this practice and expects full compliance going forward.

Committee Recommendation

The Committee recommends that the County Executive and the County Treasury must fully comply with the provisions of **Section 5(1)(2) of the Facilities Improvement Financing Act, (Cap. 277)**. All health facilities must retain revenue at source in their designated FIF accounts, and any disbursements from the County Treasury must be in addition to these funds, based on approved budgets. The Auditor-General is requested to confirm compliance in the next audit.

PAPERS
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

18.0 Lack of a fixed Assets Register

The statement of financial position reflects property, plant and equipment balance of Kshs.3,413,957,120. However, review of records revealed that Management did not maintain a fixed assets register in the prescribed format. 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. The register in place lacked identification of serial numbers, acquisition date, description of asset, location, class and cost of acquisition.

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

Management Response

The County Executive is preparing its assets register to confirm with the requirements of the transition from cash to accrual accounting policies as prescribed by the Public Sector Accounting Standards Board (PSASB). The assets register has been prepared in the format prescribed by the PSASB by each Accounting Officer and consolidated to form the county assets register.

The financial statements currently being prepared by the County Executive are transitional financial statements (i.e. 2024-25, 2025-26 and 2026-27) and assets are being classified, valued and depreciated as required under the accrual accounting policies. The assets registers

maintained by the county executive under the cash basis of accounting were not depreciated or amortised on annual basis as is the case with accrual accounting. The National Treasury has provided guidelines on the assets policy, which provides the information required for each asset category.

The County Executive following these guidelines has prepared a draft assets and liability management policy which is basis for generating the asset registers.

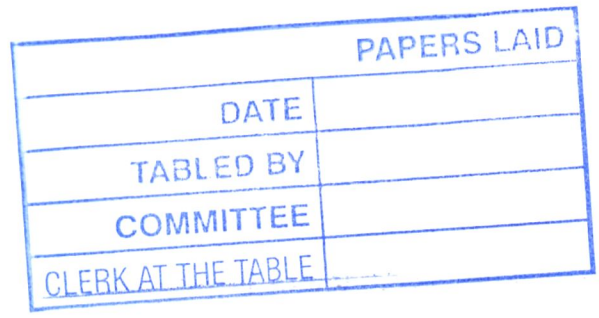
Committee Observations

1) The Committee observed that the County Executive did not maintain a Fixed Assets Register in the prescribed format during the year under review, specifically noting the absence of key details such as serial numbers, acquisition dates, and cost of acquisition. This contravened Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015 and weakened the internal controls over the management of public assets valued at Kshs. 3.4 billion.
2) The Committee noted the Management's response that the County is in a transition period from cash to accrual accounting and is in the process of preparing compliant assets register based on guidelines from the National Treasury and the Public Sector Accounting Standards Board (PSASB).

Committee Recommendations

The Committee recommends that;

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



19.0 Use of Manual Payroll

The statement of financial performance reflects employees' costs of Kshs.5,536,786,270. Included in the amount is Kshs.4,599,266 which was reported through a manual payroll system. Review of records revealed that Management operated three payroll systems namely; a Manual (Excel Format) Payroll System, the Integrated Payroll and Personnel Database (IPPD) System and the Human Resource Integrated System (HRIS-Ke). The use of the manual system requires manual calculations of deductions to arrive at a net monthly pay, and constant updates of the data, which makes it prone to human error and misuse leading to weak internal controls on management of personnel emoluments.

In the circumstances, internal controls on management of personnel emoluments could not be confirmed.

Management Response

The financial year was a transition period from the Integrated Payroll and Personnel Database (IPPD) to the Human Resource Integrated System (HRIS-Ke), a new human resource management system that replaced IPPD. The new system was rolled out in December 2024, and the IPPD was terminated.

The manual payroll is used when there are new employees whose personal numbers are yet to be received from the State Department of Personnel Management.

Committee Observations

1) Committee observed that the County has migrated from the Integrated Payroll and Personnel Database (IPPD) to the Human Resource Integrated System (HRIS-Ke), a new human resource management system that replaced IPPD, however the county still uses Manual payroll when there are new employees whose personal numbers are yet to be received from the State Department of Personnel Management.

Committee Recommendations

The Committee therefore recommends that; –

1. **The Senate notes that the process of issuance of Personal File numbers is inefficient in counties and therefore directs the National Government (State Department of Public**

Service) in conjunction in the Council of Governors (CoG) to prescribe and design an efficient human resource management system to be used by counties;

2. **The County Governor should ensure that casual workers are engaged in line with the relevant laws and the approved staff establishment and provide a status update to the Auditor General within 60 days of adoption of this report;**
3. **Pursuant to Article 235 of the Constitution of Kenya, the Committee directs that the Cabinet Secretary (CS), Ministry of Public Service, Youth and Gender Affairs to develop regulations to provide guidance and clarity to county governments on engagement of casual employees, contracted workers, acting positions and a platform for management of county human resources; and**
4. **the Office of the Auditor General to monitor the matter in the subsequent audit cycle.**

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

Basis for Qualified Opinion

1.0 Transfers from Other Government Agencies Received after Cut-Off Date

The statement of financial performance and as disclosed in Note 7 to the financial statements reflect transfers from other Government agencies amounting to Kshs.315,183,509. However, review of the schedules provided revealed that receipts totalling Kshs.162,762,239 were received in the month of July, 2025, after the cut-off date for the financial year as detailed below:

Receipts 2024-2025 Donor Funded			
Date	**Reference**	**Amount (Kshs.)**	**Project Name**
17 July, 2025	FT25198B1FZR	20,187,326	CLIMATE CHANGE
04 July, 2025	FT25185QPYJ7	32,309,300	KUSP
10 July, 2025	FT25191216YR	13,601,250	DANIDA
04 July, 2025	FT25185HQ61D	96,664,363	NAVCD
		162,762,239	

In the circumstances, the accuracy and completeness of transfers from Other Government Agencies totalling Kshs.315,183,509 could not be confirmed.

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

Management Response

The management acknowledges that transfers from other government agencies totalling Kshs 162,762,239 were received after the closure of 2024-25 financial year. However, these receipts were included in the County Allocation Revenue Act 2025 and the budget for Kitui County Executive for the period 2024-25.

Committee Observation

The committee observes that the County Treasury's recognised receipts from other government agencies totaling Kshs.162,762,239 in the financial year ended 30 June 2025, despite the funds being received in July 2025. This misstatement undermines the accuracy and reliability of the financial statements and fails to comply with the Constitution's requirement for clear fiscal reporting

Committee Recommendations

Committee recommends that; -

Pursuant to Section 45 of the Public Finance Management Act, and Regulation 97 of the PFM (County Governments) Regulations, 2015, the Committee recommends that:

1. **The Accounting Officer must ensure that all revenue is recognized strictly in the correct financial year in accordance with the accrual basis of accounting as prescribed by the Public Sector Accounting Standards Board (PSASB).**
2. **The County Treasury should immediately strengthen internal controls over revenue recognition by implementing mandatory periodic cut-off reviews and conducting monthly reconciliations of the revenue ledger to actual cash receipts and bank statements to prevent the recurrence of such misstatements.**
3. **The Kshs.162,762,239 received in July 2025 should be properly accounted for as receipts of the Financial Year 2025/2026 and included in the budget for that year. The Accounting Officer must adjust the financial records accordingly.**

2.0 Non-Disclosure of Receivables

The Receiver of Revenue financial statements under statement of revenue and disbursements reflects amount due to County Revenue Fund of Kshs.219,205.616. However, the County Revenue Fund reflects a Nil amount for receivables from the Receiver of Revenue resulting in unexplained variance of Kshs.219,205,616.

In the circumstances, the accuracy of the Nil receivables balance could not be confirmed.

Management Response

The Management acknowledges the audit observation and guidance on the unrecognized receivables of Kshs. 219,205,616 in the County Revenue Fund Financial Statements for receivables from the Receiver of Revenue. The Management takes the omission as a learning point resulting from the ongoing transition to accrual Accounting. Forthwith, the management will adjust for the omitted receivables of Kshs. 219,205,616 as an adjusting event and recognize it in the financial year 2025/2026 CRF Financial Statements. This is to conform with International Accounting Standards (IAS 10) which prescribes when financial statements should be adjusted for events after the end of the reporting period.

Committee Observation

The Committee observed that the County Revenue Fund's financial statements reported a nil balance for receivables, yet the Receiver of Revenue's statements indicated amounts due of Kshs.219,205,616. This significant omission, resulting in an unexplained variance, represents a material misstatement. It demonstrates a failure in reconciliation processes and a lack of comprehensive accounting for all county government assets, directly contravening the Accounting Officer's statutory duty to present a true and fair view of the county's financial position.

Committee Recommendations

Pursuant to Section 164(1) of the Public Finance Management Act, 2012, and Regulation 22 of the PFM (County Governments) Regulations, 2015, the Committee recommends that:

1. **The Accounting Officer must ensure all receivables are completely, accurately, and reliably identified, measured, and disclosed in the financial statements, in full compliance with the accrual-based International Public Sector Accounting Standards (IPSAS) framework.**
2. **While the management's proposal to recognize the omitted receivables of Kshs.219,205,616 in the 2025/26 financial statements is noted, the Committee recommends that this adjustment be treated as a prior year adjustment in accordance with IPSAS 3, "Accounting Policies, Changes in Accounting Estimates and Errors," to ensure the comparative information for the 2024/25 financial year is corrected.**
3. **The County Treasury must institute a robust monthly reconciliation process between the County Revenue Fund and all Receivers of Revenue to ensure all receivables are promptly identified, verified, and recorded, thereby eliminating such omissions in future financial statements.**

PAPERS L..
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

3.0 Delay in Disbursement of Funds

The statement of financial performance and as disclosed in Note 6 to the financial statements reflect exchequer releases totalling Kshs.11,752,326,679. However, review of the schedule provided revealed that receipts totalling Kshs.1,796,184,675 were received in two tranches of Kshs.925,307,257 and Kshs.870,877,418 on 20 June, 2025 and 26 June, 2025 respectively four (4) days before closure of the financial year.

In the circumstances, the programmes and activities that the funds were expected to finance might not have been implemented as scheduled.

Management Response

The management agrees with the audit observations that out Kshs 11,752,326,679 received during the financial year, Kshs 1,796,184,675 or 15.3% was received less than ten (10) days to the closure of the financial year. The delay in the release of the funds affected the implementation of the planned programs as merchants who submitted partial certificates could not be paid on time.

Committee Observation

The Committee notes that the late disbursement of Kshs.1,796,184,675 by the National Treasury, received just days before the end of the financial year, severely undermined the county government's ability to implement its budgeted programmes effectively. This practice is inconsistent with the constitutional principle of ensuring timely disbursement of funds to enable county governments to deliver services. The timing of these releases contravenes the established legal framework for predictable and scheduled transfers, leading to budget underperformance and a failure to utilize resources effectively for the benefit of Kitui County residents.

Committee Recommendation

The Committee recommends that;-

Pursuant to Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, the Committee recommends that:

1. **The National Treasury must ensure the timely release of funds to county governments in strict adherence to the approved and gazetted cash disbursement schedules.**
2. **The County Treasury, in collaboration with the National Treasury, should explore mechanisms to smooth cash flows, such as building a prudent cash reserve from its own-source revenue, to mitigate the impact of delayed national disbursements on critical services and projects.**
3. **The County Assembly should exercise its oversight role, as outlined in Article 201 of the Constitution, to engage with the County Executive on the prioritization of projects within the available resources and to advocate to Parliament for the National Treasury's compliance with disbursement schedules.**
4. **The County Treasury must provide a report to the County Assembly on the specific programmes and projects that were negatively impacted by these delays.**

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

Long Outstanding Receivables from Non-Exchange Transactions

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.1,583,461,357 which, as disclosed in Note 32 to the financial statements include receivables totalling Kshs.660,135,037 which have been outstanding for more than three (3) years. Management did not provide measures put in place to recover the long outstanding receivables from non-exchange transactions.

Management Response

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

Management acknowledges the long-outstanding land rates arrears of Kshs. 660,135,037 and has put measures in place to improve timely revenue collection. These measures include implementing the Kitui County Valuation Roll 2018–2028, which is currently under review; sensitizing plot owners on land rate payments through countywide land clinics; issuing waivers on penalties and interest to encourage settlement of arrears, with the latest waiver issued in FY 2024/2025; and advertising and procuring a Land Information Management System (LIMS) on 15th May 2025 to establish accurate, up-to-date, and accessible digital land records while reducing duplication, loss, and manipulation of land ownership data

Committee Observations

1) The Committee observed that the financial statements for the year ended 30 June 2025 report receivables from non-exchange transactions totalling Kshs. 660,135,037 that have been outstanding for more than three (3) years. This significant and long-standing debtors' balance raises concerns regarding the effectiveness of revenue collection and enforcement mechanisms, which is a core responsibility of the Accounting Officer.
2) The measures reported by Management, while noted, have not yet resulted in the recovery of these long-outstanding debts. This situation requires urgent and robust action to safeguard public resources and ensure compliance with the principle of accountability in public finance as enshrined in Article 201 of the Constitution.

Committee Recommendations

The Committee recommends that the Accounting Officer shall:

1. **Immediately initiate a comprehensive debtors' circularization exercise to confirm the existence, accuracy, and legitimacy of the outstanding receivables, in line with the duty to keep proper accounts under Regulation 100 of the Public Finance Management (County Governments) Regulations, 2015 and further, undertake a thorough data clean-up exercise to identify and eliminate any duplicated or erroneous land rate entries, ensuring the accuracy and reliability of the county's revenue database as a basis for collection efforts.**
2. **Develop and implement an elaborate and time-bound debt recovery plan for all confirmed receivables. This plan must include, but not be limited to, the issuance of formal demand notices, negotiation of structured payment plans for defaulters, and, where necessary, the initiation of legal action for recovery.**
3. **Strictly comply with Section 63(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, which mandates that an accounting officer and a receiver of revenue are personally responsible for ensuring adequate**

safeguards exist for the prompt collection of revenue and for taking adequate measures, including legal action where appropriate, to obtain payment.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue targets and actual on comparable basis of Kshs. 1,145,025,058 and Kshs. 996,252,347 respectively resulting to revenue budget under-realization of Kshs. 148,772,711 or approximately 13% of the budget.

The under-realization of revenue budget affected the planned activities and may have impacted negatively on service delivery to the Public.

My opinion is not modified in respect of this matter.

Management Response

Management takes note of the observation regarding the under-realization of revenue during the year under review. While the revenue performance fell short of the final budget by Kshs. 148,772,711 (approximately 13%), it is noteworthy that the entity's revenue has recorded consistent growth over the last three financial years. Specifically, revenue increased from Kshs. 473,138,519 in FY 2022/2023 to Kshs. 517,049,815 in FY 2023/2024, and further to Kshs. 996,252,345 in FY 2024/2025, demonstrating a strong upward performance trend and improved revenue generation capacity.

Although the under-realization affected the full implementation of some planned activities, management has instituted strategies and measures to enhance revenue mobilization and ensure that the FY 2025/2026 targets are achieved, thereby safeguarding effective service delivery to the public. The long term strategies include;

a) Formulation and enactment of Revenue Collection enabling legislation- The management is streamlining revenue collection by ensuring that primary legislation are enacted and relevant strategies such as the Kitui County Revenue Enhancement Strategy implemented for optimal revenue growth.
b) Data mapping and clean up-During FY 2024/2025, the County Government of Kitui conducted a county-wide business mapping exercise, which resulted in the establishment

PAPER
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

of a comprehensive database of traders and businesses operating within the County. This exercise, as detailed in the attached Report on Kitui County Comprehensive Data Collection Exercise for Enhanced Service Delivery, is expected to improve revenue identification, compliance, and collection efficiency.

c) Automation and Digitalization-Management has adopted automation and digitization initiatives to enhance revenue collection efficiency and transparency. These include the implementation of cashless payment solutions such as M-Pesa Push and Paybill options, aimed at minimizing revenue leakages and improving accountability.

Committee Observations

The Committee acknowledges the Management's submission regarding the consistent growth in revenue collection over the past three financial years. However, the Committee observes that the under-realization of the approved revenue budget by Kshs. 148,772,711 (approximately 13%) for the financial year ended 30 June 2025 represents a failure to achieve the planned fiscal targets. This deviation contravenes the principles of efficient, effective, and economical use of resources as stipulated in Article 201(d) of the Constitution and Section 68(1)(b) of the Public Finance Management Act.

Committee Recommendations

The Committee therefore recommends that:

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Lawfulness and

Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Delayed Enactment of the County Revenue Administration Act

During the year under review, the County Government had not enacted legislation to guide on revenue assessment, billing, collection and enforcement. This is contrary to Section 120 of the County Governments Act which requires every County to enact legislation to guide on revenue assessment, billing, collection and enforcement.

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

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

Management Response

Management takes note of the observation and appreciates the guidance in line with Section 120 of the County Governments Act. Management confirms that the County Government of Kitui is in the process of establishing a comprehensive legal framework to enhance own-source revenue collection.

In this regard, the County Executive Committee approved the Kitui County Revenue Administration Bill, 2025 on 6th October 2025. The Bill has been forwarded to the Government Printer for gazettement and is awaiting subsequent enactment by the Kitui County Assembly, with or without amendments.

Committee Observations

The Committee observes with concern that the County Government continued to operate without a comprehensive legal framework for revenue administration. This is a direct contravention of Section 120 of the County Governments Act, 2012, which requires every county to enact legislation to guide revenue assessment, billing, collection, and enforcement.

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

While noting that the Kitui County Revenue Administration Bill, 2025, has been approved by the County Executive Committee, its failure to be tabled and enacted by the County Assembly represents an ongoing breach of the law, undermining the legal basis for robust revenue collection and enforcement.

Committee Recommendations

The Committee recommends that:

1. **The County Assembly priotise the considaration of the Kitui County Revenue Administration Bill, 2025, to bring the county into compliance with Section 120 of the County Governments Act.**
2. **Upon enactment, the Accounting Officer shall ensure the timely operationalization of the Act, including the development of any necessary regulations and procedures. This will provide the legal foundation for effective revenue administration as required by Article 209(3) and (4) of the Constitution, which empowers counties to impose property rates and other taxes as approved by law, and Section 132 of the Public Finance Management Act which calls for a clear legal framework for revenue collection and accounting.**

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Weaknesses in the County Government Revenue Management System

Review of records revealed that the County Government's automated Revenue Management System had significant control gaps. Revenue records revealed unexplained gaps in sequential receipt numbers. In addition, the system lacked the functionality to generate invoices or demand

notices where receipts were only issued upon collection. The weaknesses compromise the ability to confirm the total revenue collected and to verify the completeness and accuracy of amounts reported.

In the circumstances, the effectiveness of the Revenue Management System could not be confirmed.

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

Management Response

The management takes note of the Audit observation. However, the gaps in sequential receipt numbers arose from a system reporting limitation within the Invoicing and Receipting module. The Transactions page currently restricts on-screen display and data exports to a maximum of 500 records per query. As a result, when reports exceeding this limit are downloaded, the pagination cap may create the impression of skipped receipt numbers, even though the underlying system database maintains a complete and sequential record of all receipts issued. Attached for audit verification are system extracts demonstrating the full sequential receipt numbering.

With regard to invoicing and demand notices, the system is configured to generate invoices and demand notices prior to collection, and only one official copy is printed. This design is intentional and aimed at enhancing cost-effectiveness by minimizing stationery usage, reducing printing costs, and limiting the risk of duplicate documents, while maintaining adequate audit trails within the system.

Management remains committed to strengthening revenue controls and will continue to review system reporting functionalities to enhance audit visibility and ease of reconciliation.

Committee Observation

The Committee notes the technical explanation provided by Management regarding the system reporting limitations. However, the Committee observes that the existence of unexplained gaps in sequential receipt numbers and the system's initial lack of functionality to generate invoices and demand notices constitute significant control weaknesses. These weaknesses compromise

PAPERS
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

the integrity of the revenue collection process, undermine the principle of a complete audit trail, and increase the risk of revenue leakage, contrary to the requirements for effective internal controls as envisaged in the PFM framework.

Committee Recommendations

The Committee recommends that the Accounting Officer shall:

1. **Conduct an immediate and thorough investigation into the root cause of the receipt numbering gaps, beyond the system's reporting limit. The findings and corrective actions must be formally documented, and strengthened controls must be implemented to ensure the future integrity and sequential issuance of all receipts, in line with Regulation 90 of the Public Finance Management (County Governments) Regulations, 2015, which mandates the proper maintenance of accounting records.**
2. **Direct the system developer to urgently enhance the revenue management system to include full functionality for generating invoices and demand notices. This must be configured to create a complete, verifiable audit trail from the point of revenue assessment through to final collection, satisfying the requirements of Section 68(1) of the Public Finance Management Act that all revenue due is collected and properly accounted for.**
3. **Institute a mandatory policy for periodic (e.g., monthly) reconciliations between receipt registers, invoices/demand notices generated, and revenues banked. These reconciliations must be documented and reviewed by a senior officer independent of the collection process to ensure the completeness and accuracy of recorded revenue, as required by ISSAI 1315 on robust internal controls.**
4. **Ensure full compliance with Section 68(1) of the Public Finance Management Act, 2012 and Regulation 90 of the Public Finance Management (County Governments) Regulations, 2015 by implementing all the above measures, thereby establishing a robust internal environment for revenue management.**

CHAPTER FIVE

REPORT OF THE SENATE COUNTY PUBLIC ACCOUNTS COMMITTEE ON THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF COUNTY EXECUTIVE OF WEST POKOT FOR THE FINANCIAL YEAR 2024/2025.

The Governor of West Pokot County, Hon. Simon Kachapin Kitalei EGH, CBS, appeared before the Committee on Friday 30th January 2026, to respond (under oath) to audit queries raised in the Reports of the Auditor General on County Executive, Receiver of Revenue and County Revenue Fund for the Financial Year 2024/25.

REPORT ON THE FINANCIAL STATMENTS

Basis for Qualified Opinion

1. Unsupported Property, Plant and Equipment

The statement of financial position reflects a balance on property, plant and equipment of Ksh.1,407,398,580 as disclosed in Note 14 to the financial statements. This balance represents only the value of assets acquired during the 2023/2024 and 2024/2025 financial years. However, a verifiable detailed asset register in support of the balance was not provided for audit.

In the circumstances, the accuracy and completeness of the balance on property, plant and equipment of Ksh.1,407,398,580 could not be confirmed.

Management Response

The management responded that they adopted a phased approach in transitioning to accrual accounting method and the exercise is on course and within the stipulated timeline of 30th June, 2027 as per the transition roadmap provided by state department for Public Investments and Assets Management which includes; policy formulation, aggregation of assets data, verification, valuation and digitization. Currently, the county government is in the process of valuing its assets.

Committee Observation

The Committee observed that the management failed to provide a verifiable and detailed asset register during the audit, contrary to the Public Sector Accounting Standards Board requirements for maintaining proper books of accounts as mandated by Section 194(1)(b) of the PFM Act, 2012.

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

Committee Recommendation

1. **The Committee recommends that the County Executive finalize the valuation and verification of assets and maintain a comprehensive and updated asset register, in compliance with the transition to accrual accounting as per IPSAS and Treasury Circular No. 03/2025.**
2. **The Accounting Officer must ensure that the asset register is ready for audit verification in subsequent financial years, and the Office of the Auditor-General shall keep this matter in view.**

2. Non-Compliance with International Public Sector Accounting Standards

The cover page contains information that implies that the financial statements have been prepared in full compliance with International Public Sector Accounting Standards. The same contain information that the financial statements are transitional and therefore not fully compliant with the International Public Sector Accounting Standards. However, Note 15.2 on statement of compliance and basis of preparation shows that the phased approach of transiting from cash basis of accounting to accrual basis has been adopted. This has created confusion and uncertainty on the actual basis used in the preparation of the financial statements.

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

Management Response

Management prepared the financial statements in accordance with IPSAS 33 on first-time adoption, as disclosed in Note 15.2.

Committee Observation

The committee observed that the management made a clerical error that could have been easily rectified.

Committee Recommendation

1. **The Committee recommends that the County Executive amend the financial statements to clearly state the basis of preparation in accordance with the transition roadmap and ensure future financial statements are free from such clerical errors.**
2. **The Office of the Auditor-General monitors compliance and report to the Senate in subsequent audits.**

Emphasis of Matter

Budgetary Control and Performance

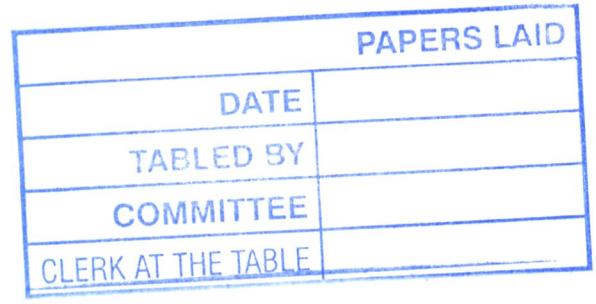
The statement of comparison of budget and actual amounts reflects final receipts budget and actual amount of Ksh.7,204,252,695 and Ksh.6,552,285,097 respectively resulting in an underfunding of Ksh.651,967,598 or 9% of the budget. Similarly, the County Executive spent Ksh.6,443,896,242 against an approved budget of Ksh.7,204,252,695 resulting in an under absorption of Ksh.760,356,453 or 11 % of the budget.

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

Management Response

Management submitted that the underfunding was occasioned by non-remittance of donor funds which were budgeted for during the financial year under review. This subsequently led to the under- absorption of our budget by 11% as detailed below;

Donor Funds Not Received During FY 2024 2025		
S/No	**Description**	**Amount**
1	Community Health Promoters	60,706,194
2	Basic Salary Arrears for County Government Health Workers	13,933,594
3	Emergency Locust Response (ELRP)	121,025,000
4	Flloca (CCRI GRANT)	120,690,506
5	KUSP UIG	2,690,700
6	KUSP UDG	23,043,492
7	KDSP II	37,500,000
8	Food Systems Resilience Project (FSRP)	102,949,791
9	Kenya Agricultural business Development Project (KAPDP)	10,918,919
10	Changes In Opening And Closing CRF Balances	148,060,840
11	From County Assembly	10,391,385
12	Budget Own Source Revenue	57,176
	Sub Total	**651,967,597**



Committee Observation

The Committee noted that the underfunding of Ksh. 651,967,598 (9%) and under-spending of Ksh. 760,356,453 (11%) negatively impacted service delivery. While donor funding delays contributed, the failure to meet own-source revenue targets points to a weakness in revenue collection, contrary to the responsibility of the County Treasury under Section 104(1)(d) of the PFM Act, 2012.

Committee Recommendation

The Committee recommends that; -

1. **The National Treasury should ensure the timely release of funds to county governments in line with the cash disbursement schedules approved by the Senate and comply with Article 219 of the Constitution and Section 17(6) of the Public Finance Management Act, 2012.**
2. **The County Executive Committee member for finance must develop and implement a robust revenue enhancement plan to meet its collection targets, addressing the identified shortfalls. A progress report should be submitted to the Auditor-General and the Senate within 90 days of the adoption of this report.**

Other Matter

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. The matters remain unresolved as the Senate has not issued recommendations.

Management Response.

The senate issued its recommendations and the management submitted a progress report which highlighted the milestones achieved in resolving the issues raised.

S/No	Period	Item	Audit Issue	Management progre highlights
1	2023/2024	Inaccuracies in Own Source Revenue	Revenue of Ksh.185,480,000 could not be confirmed due to lack of full automation and an updated valuation roll.	Most of the revenue stre have been automated. F automation will be achie upon full execution of consultancy contract, contract has been renewed a the outstanding contr obligations have been clea spelt out for delivery before fi payment is released. T outstanding contract amount been provided in the curr budget for FY 2025-20 **Annex 1**
2	2023/2024	Pending Accounts Payables amounting to Ksh.321,655,763	Pending bills from the year distort financial statements and adversely affect subsequent years' budgets.	The bills were settled in the 2024-2025. All bills w audited and included as accou payable in the year under revi as shown in note 15. **Annex 2**

PA RS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

S/No	Period	Item	Audit Issue	Management progres highlights
3	2023/2024	Two (2) Stalled Construction Projects	Multiple high- value projects (Tourist Hotel, Education Office, Governor's Complex were stalled, with funds spent but no value realized.	The Education Offi Administration Block has bee completed. The management has include the completion of the Touris Hotel and Governor's Offi Complex in the sector report f 2026-2027 in order for tl required financial resources be allocated.
4	2023/2024	High Wage Bill	The wage bill was 44% of total revenue, breaching the legal limit of 35%.	The management continues progressively implement cos containment measures whi includes staff rationalizatio renewal of contracts f essential staff, reducing ne employments except for critic functions such as heal personnel and Early Childhoo Development teachers ar increased county allocatio through enhanced revenu collections coupled wi standardized periodic monitoring and reportir mechanisms to ensu compliance.
5	2023/2024	Breach of 1/3 Basic Salary Rule	Some employees' net pay was less than one-third of their basic salary, violating the Employment Act.	The non-compliance has bee occasioned by new statuto deductions introduced und recent budgets, including:1.5 Affordable Housing Lev 2.75% Social Health Insuran Fund (SHIF), Increased NSS

				contributions and revised PAY

S/No	Period	Item	Audit Issue	Management progress highlights
				brackets These have shrunk net incon to below the legal threshol especially for loan-bou employees. The management continues monitor the payroll deducti to ensure compliance with t one- third basic rule poli which continue to come dov as staff annual increme continue to compensate for shortfall in the net incomes.
6	2023/2024	Non-Compliance on Staff Ethnicity	90% of new hires and 85% of total staff were from the dominantethnic community, violating the County Government Act and National Cohesion Act.	The issue is being handl progressively considering t committee's recommendatio including strategies such recruitment policy revisio targeted job advertisemen and recruitment campaigns.

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

7	2023/2024	Lack of Enforcement of Audit Recommendations	No effective system to monitor the implementation of internal audit recommendations.	

Committee Observation

The Committee observed that several issues from the previous financial year (2023/2024) remain unresolved, including stalled projects and a high wage bill. This demonstrates a failure by the County Executive to fully implement previous audit recommendations.

Committee Recommendations
The Committee Recommends that: -

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

1. **Undelivered Library Equipment to Schools**

Review of documents revealed that the Department of Education awarded a

contract for supply and delivery of library equipment to Early Childhood Development Education (ECDE) schools at a cost of Ksh.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, it was not possible to confirm that the supplies reached the intended schools and that funds were utilized for the intended purpose.

Management Response

The library equipment was supplied in full. They are fully accounted for using the delivery notes and S13 vouchers. The distribution to various ECDE centers was done using the S11 counter receipts vouchers and posted to the S3 cards for control and accountability. S13, S11, S3 stock control cards and sample distribution schedule for Kapenguria are provided for confirmation. **Annex 3.**

Committee Observation

The committee observed that the management failed to provide key supporting documents (distribution lists) to the Auditor-General at the time of audit to confirm delivery of the equipment. This constitutes a breach of **Section 62(1)(b) of the Public Audit Act, 2015**, which requires accounting officers to provide information and documents for audit scrutiny.

Committee Recommendation

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

2) **The Committee further recommends that the Directorate of Criminal Investigations investigates breach of section 62(1)(b) and (c) of the Public Audit Act (Cap. 412B**

2. 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 Ksh.45,172,970, revealed that the contracts were evaluated by ad-hoc committees persistently

PAPERS LA
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

composed of the same members, rather than by committees formed on a rotational basis. This contravened 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.

Management Response

The department submitted a list of more staff drawn from the main and field offices for mapping to the e-GP system to ensure compliance to the provision of section 46 (4) (b) of the Public Procurement and Asset Disposal Act, 2015.

Committee Observation

The OAG informed the committee that the issue had been addressed. No further observation

Committee Recommendation

The committee recommends that the matter be marked as resolved.

3. Irregular Payments to the Council of Governors

Review of payment records revealed that Ksh.2,600,000 was paid to the Council of Governors as a contribution towards a Devolution Conference. This was contrary to Section 37 of the Intergovernmental Relations Act, 2012, which provides that the Council of Governors shall be funded through a distinct national budget allocation.

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

Management Response

The management has attached minutes on a special meeting by the Council of Governors approving contribution of Ksh. 2,000,0000 per county and Ksh 20,000 per delegate to cater for devolution conference. Also, Section 37 of the Intergovernmental Relations Act, CAP 264F has been attached.

Committee Observation

The Committee observed that the payment of Ksh. 2,600,000 to the Council of Governors (COG) was irregular and unlawful, as Section 37 of the Intergovernmental Relations Act,

2012 clearly provides that the COG shall be funded through a distinct national budget allocation, not from County Revenue Funds.

Committee Recommendations

1. **The Committee recommends that the irregular payments to the Council of Governors (COG) be stopped and further recommends the surcharge of any Governor, in their capacity as Chief Executive Officer, who continues to make the irregular contribution.**
2. **The EACC should oversee the recovery of all the public funds irregularly transferred to the Council of Governors (COG) by the Governor. This is in line with the Resolution of the Senate.**

4. 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 review period, resulting in multiple unauthorized changes to their basic pay. This was in contravention of Paragraph C.3 of the Human Resource Policies and Procedures Manual for the Public Service (2016), 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.

Management Response

The County Government reaffirms its commitment to full compliance with the PSC Human Resource and Procedure Manual (2016). Paragraph C.3 explicitly stipulates the criteria for annual salary increments, including:

- Performance-based evaluations,
- Completion of probationary periods,
- Attainment of requisite qualifications,
- Availability of budgetary provisions, and
- Adherence to job group progression guidelines.

We acknowledge that deviations from these criteria undermine integrity in public service management.

Corrective Actions Taken

To address the audit findings, the following measures have been implemented:

PA S LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

a) Immediate Review of Salary Increments

A specialized audit committee (comprising HR, Finance, and Internal Audit officers) will be constituted to:

- Review all annual salary increments processed in the last [specify period, e.g., 3years
    - Verify compliance with Paragraph C.3 criteria for each case.
    - Identify irregular increments and quantify financial implications.

b) Recovery of Overpayments

Where increments were awarded outside stipulated criteria, recovery procedures have been initiated in line with the Public Finance Management Act, 2012. Affected staff have been notified, and deductions made in a phased, humane manner.

Committee Observation

The committee observed that 448 officers received multiple annual increments, contravening the Human Resource Policies and Procedures Manual for the Public Service (2016) and representing irregular expenditure.

Committee Recommendation

1. **The Committee recommends that the County Public Service Board and the County Secretary immediately initiate proceedings to recover the overpayments from the 448 officers. The overpayments constitute a loss of public funds for which the responsible accounting and human resource officers are liable, in accordance with Section 199 of the PFM Act, 2012**
2. **The recovery process should be completed, and a report submitted to the Auditor-General within 90 days of the adoption of this report**.

5. Non-Compliance with SRC Allowances Guidelines

Review of payroll data revealed multiple and significant irregularities across various allowances, including the overpayment of basic salary to forty (40) employees amounting to Ksh.7,030,402, overpayments of house allowances amounting to Ksh.4,999,255 and irregular payments of extraneous and emergency call allowances amounting to Ksh.3,349,839 and Ksh.15,450,000 respectively. This resulted in non-compliance with the mandatory remuneration guidelines prescribed in the SRC Circular SRC/TS/29(81), dated 10 August, 2023.

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

Management Response

a. **Overpayment of Basic Salary**

1. The apparent high basic salary levels observed relate to staff categorized under **Pay** Group "AC".

This pay group comprises **employees who were formerly under the defunct Local Authorities** and were subsequently **absorbed into the public service** during the transition period.

Upon integration into the IPPD system, these officers **retained their pre-existing salary structures**, which were often **higher than equivalent grades in the mainstream public service**. The department therefore **inherited their salary levels** as part of the transition arrangements.

The salaries for this group are system-generated under their existing pay structure and not due to any unauthorized adjustments. The department wishes to clarify that CPSB rates are **system-generated** through the **Human Resource Information System (HRIS-Kenya)** and are determined in line with the approved **SRC guidelines**.

2. The **CPSB rates** are automatically generated within the HRIS system and are **progressive in nature**, increasing according to **employee grade levels and approved scales**.

Any changes observed in the rates are a result of **system updates or parameter adjustments** based on the latest **SRC circulars** and **pay structure revisions**.

No manual adjustments were made by payroll officers, as the computation process is fully automated.

b. **Earning Both Rental House and Special House Allowances**

In the financial years **2014 and 2015**, a *Special House Allowance* was paid to certain public officers through the **Integrated Personnel and Payroll Database (IPPD)** system. The payment was affected following a **directive issued by the Salaries and Remuneration Commission (SRC)** to the **Department of Public Service (DPS)** for implementation.

The allowance was system-generated and processed automatically through IPPD for employees who were on the payroll during that period.

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

Clarification on the Anomaly

Subsequently, the **SRC reviewed the implementation** of the Special House Allowance and **determined that the payment had been made in error**. Upon this realization, the SRC issued further guidance to **withdraw the allowance** for **new employees** joining the service after the review date.

However, due to administrative and legal considerations particularly the **doctrine of legitimate expectation** and the **difficulty of recovering allowances already**

integrated into employees' remuneration packages, the SRC and the Department of Public Service **did not recover or stop the payments** for employees who had already been receiving the allowance prior to the correction.

As a result, only officers who were in service during the 2014–2015 period continued to benefit from the allowance, while the same was not extended to employees who joined thereafter.

Conclusion

The payment of the Special House Allowance during the 2014–2015 period resulted from an **automated implementation of an SRC directive through the IPPD system**. The subsequent continuation of the allowance for earlier recipients is **a residual effect of the initial system authorization** and **policy decision not to recover amounts already paid**.

Accordingly, the matter is considered **resolved and compliant** with current policy directions.

c. Overpayment of House Allowance

The employees in question were originally under the **defunct Local Authorities**, which operated independent **salary and allowance structures** before the transition to the IPPD system and currently Human resource information system.

When these officers were absorbed into the public service, they **retained their existing pay and allowance packages**, including the **house allowance rates** applicable under their previous local authority terms. These rates were **higher than the standard SRC prescribed rates** for equivalent public service grades, resulting in what appears to be an **overpayment** when compared to current standard scales

The **IPPD system** classified these officers under **Pay Group "AC"**, which reflects their **legacy pay structure** and associated allowances. Therefore, the perceived

overpayment is not due to unauthorized adjustments, but rather a **historical carryover** from the inherited payroll setup.

d. Irregular Extraneous Duty Allowance

The apparent irregularity arose due to **data entry errors in the system**, where the affected officers were **incorrectly coded under other departments** while their actual duty stations and functions remained within the **Health Department**.

As a result, the payroll data reflected the allowance as paid to officers in non-health departments, when in reality, the **beneficiaries are legitimate recipients** i.e., **Health Department drivers** performing duties that **qualify for Extraneous Duty Allowance** as per SRC and Public Service guidelines.

The payment therefore represents **correct entitlement** based on **actual deployment**, and the issue is purely **clerical in nature**, not a case of unauthorized payment.

Corrective and Preventive Measures

- The **records** have been reviewed to ensure that the affected officers are correctly **mapped under the Department of Health**.
- Files of the **deployment and transfer letters** for the concerned officers have been retained for audit verification.
- The department has instituted a **cross-check mechanism** between HR and payroll units to maintain alignment of personnel data with current deployment records.

e. Overpayment of Emergency Call Allowance

The **Emergency Call Allowance** is a **system generated payment** processed automatically through the **Human resource information system** for all doctors.

The observed "overpayment" is therefore not an irregular payment but rather a **system- based reflection of allowances payable to medical officers**. Each doctor's entitlement is automatically computed based on their **designation, deployment, and job group**.

The management reaffirms its unwavering commitment to adhering to all SRC guidelines and statutory regulations governing public officers' remuneration. Compliance with SRC frameworks is non-negotiable and central to our governance ethos.

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

Root Cause Analysis

Preliminary investigations indicate the following contributory factors:

- **Gaps in Interpretation:** Misapplication of SRC circulars due to inadequate training or clarity on updated guidelines.
- **Systemic Weaknesses:** Limitations in the payroll system's validation controls for allowance eligibility.
- **Procedural Oversights:** Inconsistent verification of supporting documents before allowance processing.

Long-Term Preventive Measures

To ensure sustainable compliance:

- **Automated Compliance Checks:** Integration of SRC allowance criteria into the payroll system to auto-validate eligibility.
- **Regular SRC Liaison:** Establishment of a dedicated desk officer to interface with SRC for real-time guidance on circular updates.
- **Quarterly Compliance Audits:** Internal audits of payroll processes to be conducted quarterly, with reports submitted to the County Executive Committee.
- **Policy Review:** Revision of the County's HR and Finance manuals to embed SRC guidelines explicitly.

Committee Observation

The committee observed that the County Executive contravened the mandatory remuneration guidelines issued by the Salaries and Remuneration Commission (SRC) pursuant to Article 230(4) of the Constitution. This resulted in overpayments amounting to Ksh. 30,829,496, which is irregular expenditure.

Committee Recommendations:

1. **The County Governor should ensure that casual workers are engaged in line with the relevant laws and the approved staff establishment and provide a status update to the Auditor General within 60 days of adoption of this report;**
2. **Pursuant to Article 235 of the Constitution of Kenya, the Committee directs that the Cabinet Secretary (CS), Ministry of Public Service, Youth and Gender Affairs to come up with Regulations to provide guidance and clarity to county governments on engagement of casual employees, contracted workers, acting positions and a platform for management of county human resources;**

3. **The Committee recommends that the County Public Service Board, in accordance with the provisions of the County Governments Act and the Public Service Commission Act, expedites the harmonization and integration of the affected staff into the mainstream County Public Service; and**
4. **the Office of the Auditor General to monitor the matter in the subsequent audit cycle.**

6. Unauthorized Remuneration

Review of payroll data revealed that eight (8) members of staff were irregularly paid a cumulative total of Ksh.551,060 constituting a double payment through the 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 this legal framework.

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

Management Response

The issue arose during the processing of arrears, where in some instances the payroll officer inadvertently keyed in the basic salary component instead of the special salary entry, resulting in a duplicate payment in the same period. The double payment of basic pay and special salary occurred inadvertently during arrears processing due to a data entry overlap error during arrears processing in the system.

The management has acknowledged the occurrence, initiated recovery of the confirmed overpayments.

Committee Observation

The committee observed that double payments ("special salary allowance" and basic salary) totaling Ksh. 551,060 were made to eight staff, which is not provided for in the SRC circular and constitutes an irregular payment.

Committee Recommendation

The Committee recommends that the County Executive Committee member for finance ensures immediate recovery of the duplicate payments from the affected officers, and that the responsible payroll officer is subjected to disciplinary action for the lapse.

7. Non-Compliance with the One-Third Basic Salary Rule

An analysis of the staff payroll for the year under review revealed that five

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

thousand and fifty-two (5,052) employees received net pay falling below this legal threshold, indicating that the cumulative value of their statutory and third-party deductions exceeded the permissible two-thirds limit of their basic salaries. This was contrary to Section 19(3) of the Employment Act, 2007 and Section C.1(3) of the Public Service Commission Human Resource Policies and Procedures Manual, which collectively prohibit deductions that reduce an employee's net pay below one-third of their basic salary.

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

Management Response

The non-compliance has been occasioned by new statutory deductions introduced under recent budgets, including:1.5% Affordable Housing Levy, 2.75% Social Health Insurance Fund (SHIF), Increased NSSF contributions and revised PAYE brackets. These have shrunk net income to below the legal threshold, especially for loan-bound employees.
The management continues to monitor the payroll deduction to ensure compliance with the one-third basic rule policy which continue to come down as staff annual increments continue to compensate for the shortfall in the net incomes.

Committee Observation

The Committee observed that five thousand and fifty-two (5,052) employees were earning less than a third of their basic pay contrary to section 19(3) of the Employment Act 2007.

Committee Recommendations

The Committee therefore recommends that -

Committee Recommendations

1. The County Public Service Board, in coordination with the County Treasury, fully implement the Human Resources Information System (HRIS) to automatically lock out any loan commitments that would cause an employee's net pay to fall below the legal threshold, as required by sound internal control systems under Regulation 155 of the PFM (County Governments) Regulations, 2015.

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

8. Non-Remittance of Statutory Deductions

8.1 Under-Deduction of Social Health Insurance Fund (SHIF)

Payroll analysis established that Social Health Insurance Fund deductions were under- deducted from two thousand eight hundred and eighty (2,880) employees amounting to Ksh.7,105,325. This contravened the provisions of Section 15(1A) (b) of the National Health Insurance Fund Act (now repealed, but in effect during the review period) which held the county government liable as a contributor for its employees and its successor legislation governing the new Social Health Insurance Framework, which upholds the mandatory deduction and remittance requirements.

Management Response

The department confirms that SHIF deductions are **system-generated** through the **Human Resource Information System (HRIS-Kenya)**, which automatically computes statutory deductions based on configured rates and payroll data.

The observed under-deductions resulted from **initial system configuration and parameter setup challenges** during the **transition from NHIF to SHIF** within the HRIS platform.

During this transition period, some employee categories were temporarily captured under the previous **NHIF deduction rate**, leading to minor shortfalls in the SHIF remittances. Despite the deduction discrepancies, the **Social Health Authority (SHA)** confirmed that all registered employees **remained active members** and **continued to access health services** without interruption.

Committee Observation

The committee observed that the County Executive held onto employee statutory deductions for SHIF (Ksh. 7,105,325), NSSF (Ksh. 83,939,040), and PAYE (Ksh. 12,189,341) without a payment plan. This constitutes a breach of trust and is an offence under Section 196 of the PFM Act, 2012 for spending or applying public money in a manner not authorized by law.

Committee Recommendations

The Committee recommends that:

1. **The Office of the County Governor must take administrative action against the Chief Officer, Finance, for failing to ensure timely remittance of statutory deductions, as per Section 156 of the PFM Act, 2012.**
2. **The County Treasury must develop an immediate payment plan to clear all outstanding statutory arrears with KRA, NSSF, and SHA and provide a status report to the Auditor-General within 90 days.**

PAPERS
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

3. **The Committee further recommends investigation by the DCI into the potential misappropriation of these public funds.**

8.2 Non-Deduction of National Social Security Fund (NSSF)

Review of payroll and other accounting records revealed significant control failure on the National Social Security Fund, where contributions were either under-deducted or not deducted from five thousand one hundred and sixty-four (5,164) employees amounting to Ksh.83,939,040. This was in violation of Section 20(1) of the National Social Security Fund Act, 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.

Management Response

The observed under-deductions were caused by a **delay in the system update** of the new **NSSF contribution rates (Tiers I and II)** within the HRIS platform.

Since the configuration and integration of new statutory deduction parameters are centrally managed by the **Department of Public Service Management**, individual departments or counties **cannot alter or dictate deduction amounts** until the official system update is implemented.

Consequently, deductions continued at the previous rate pending Department of Public Service Management rollout of the new NSSF rates through the Human Resource Information System (HRIS-Kenya)

Committee Observation

The committee observed that the management is holding employees SHIF, NSSF and tax money without a payment plan.

Committee Recommendation

The Office of the County Governor to undertake administrative action against the responsible officer(s) in accordance with section 156 of the Public Finance Management Act, 2012 and provides a status report to the Office of the Auditor General and the Senate within ninety (90) days from the adoption of this report.

8.3 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 Ksh.2,422,386 and the under- deduction from two thousand two hundred and ninety-two (2,292) employees amounting to Ksh.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.

Management Response

The non-deduction relates to employees with special needs. The management confirms that this discrepancy originated from **limitations in the former Integrated Personnel and Payroll Database (IPPD)** system, which did not have a dedicated field to capture and verify employees with **special needs or disability status**.

In the IPPD system, employees with special needs were often grouped together with other staff categories due to system design constraints. As a result, **some employees were reflected as exempted from PAYE deductions**, even though **no disability certification** had been formally entered in their records.

To correct the situation, the department undertook a **comprehensive verification exercise**, during which all personnel files for employees claiming disability tax exemption were **recalled and reviewed**. Each affected employee was requested to **submit valid supporting documents**, including:

- **Kenya Revenue Authority (KRA) disability exemption certificate**
- **National Council for Persons with Disabilities (NCPWD) registration card**
- **Medical Report.**

The under-deduction was caused by a **system-related error** in the previous payroll system, where certain computation parameters were not correctly aligned with the prevailing **Kenya Revenue Authority (KRA)** PAYE tax tables.

PAPERS LAID
DATE
TABLED BY
COMMITTEE
CLERK AT THE TABLE

This resulted in **minor variances** in PAYE deductions for some employees during specific payroll runs. However, the issue was **not intentional** and was promptly addressed upon identification by updating the **Human Resource Information System (HRIS-Kenya)** with the correct PAYE progressive tax rates computation parameters as per KRA guidelines.

Committee Observations

1. The committee observed that the management is holding employees SHIF, NSSF and tax money without a payment plan.
2. the County Executive had failed to submit relevant documents on time to the Auditor General during the audit exercise contrary to Section 62 of the Public Audit Act, 2015.

Committee Recommendations

1. **The Committee recommends that Office of the County Governor to undertake administrative action against the responsible officer(s) who failed to provide documents to the auditors at the time of audit in accordance with section 156 of the Public Finance Management Act, 2012 (Cap. 412A) and provides a status report to the Office of the Auditor General and the Senate within ninety (90) days of the adoption of this report.**
2. **The Committee further recommends that the Directorate of Criminal Investigations investigate the breach of sections 62(1)(b) and (c) of the Public Audit Act (Cap. 412B) by the county public officers and, where criminality is established, refer the matter to the Director of Public Prosecutions for prosecution.**

9. Unsustainable Wage bill

Review of the payroll revealed that the County Executive had a budgeted wage bill of Ksh.3,014,039,183 representing 41% of the budgeted total revenue of Ksh.7,342,973,958. The actual financial performance further aggravated this breach, with staff emoluments of Ksh.3,011,654,291 consuming 46% of the actual revenue collected of Ksh.6,552,285,097. This contravened 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.

Management Response

The management continues to progressively implement cost-containment measures which includes staff rationalization, renewal of contracts for essential staff, reducing new employments except for critical functions such as health personnel and Early Childhood Development teachers and increased county allocations through enhanced revenue collections coupled with standardized periodic monitoring and reporting mechanisms to ensure compliance.

Committee Observation

The Committee observed that the wage bill of Ksh. 3,011,654,291 consumed 46% of the actual revenue, far exceeding the 35% threshold. This contravenes Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 and threatens the objects of devolution under Article 174(f) of the Constitution.

Committee recommendations

The Committee recommends that—

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